



**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**MONROE, SWEERIS & TROMP P.L.C.**

**INTERNATIONAL AID, INC.**  
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# MONROE, SWEERIS & TROMP P.L.C.

*Certified Public Accountants and Consultants*

September 15, 2014

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
International Aid, Inc.  
Spring Lake, Michigan

We have audited the accompanying financial statements of International Aid, Inc. (a nonprofit organization) comprised of the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows and for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Aid, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Monroe, Sueris & Kemp*

**INTERNATIONAL AID, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

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**ASSETS**

	June 30,	
	2014	2013
<b>CURRENT ASSETS:</b>		
Cash (Note 2)	\$ 1,956,584	\$ 1,489,358
Investments (Note 3 and 4)	-	251,595
Accounts receivable (less \$1,500 allowance for uncollectible accounts in 2014 and 2013)	168,345	68,165
Inventory	115,924	62,691
Prepaid expenses	47,832	39,898
<b>TOTAL CURRENT ASSETS</b>	<b>2,288,685</b>	<b>1,911,707</b>
 <b>PROPERTY AND EQUIPMENT:</b>		
Land and improvements	195,575	195,575
Buildings and building equipment (Note 6)	2,222,853	2,200,302
Transportation equipment	108,167	108,167
Furniture and fixtures	138,964	138,964
Computer equipment	187,917	175,952
	2,853,476	2,818,960
Less accumulated depreciation	1,979,008	1,884,009
<b>NET PROPERTY AND EQUIPMENT</b>	<b>874,468</b>	<b>934,951</b>
 <b>OTHER ASSETS:</b>		
Trademarks, net of accumulated amortization (Note 1)	12,339	15,498
<b>TOTAL OTHER ASSETS</b>	<b>12,339</b>	<b>15,498</b>
	<b>\$ 3,175,492</b>	<b>\$ 2,862,156</b>

*See accompanying notes to financial statements.*

## LIABILITIES AND NET ASSETS

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 73,658	\$ 55,657
Customer deposits	255,287	85,667
Accrued payroll and payroll taxes	29,404	24,558
Accrued compensated absences	41,734	32,161
Deferred revenue (Note 6)	70,000	60,000
Other liabilities	42,799	3,461
	<u>512,882</u>	<u>261,504</u>
<b>TOTAL CURRENT LIABILITIES</b>	512,882	261,504
<b>DEFERRED REVENUE,</b>		
Net of current portion (Note 6)	213,570	292,722
	<u>726,452</u>	<u>554,226</u>
<b>TOTAL LIABILITIES</b>	726,452	554,226
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>(NOTE 6)</b>		
<b>NET ASSETS:</b>		
Unrestricted	2,369,556	2,286,264
Temporarily restricted (Note 5)	79,484	21,666
	<u>2,449,040</u>	<u>2,307,930</u>
<b>TOTAL NET ASSETS</b>	2,449,040	2,307,930
	<u>\$ 3,175,492</u>	<u>\$ 2,862,156</u>

**INTERNATIONAL AID, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Public support:			
Gifts-in-kind (Notes 7, 9 and 11)	\$ 76,971,229	\$ -	\$ 76,971,229
Monetary contributions (Note 11)	1,021,286	258,025	1,279,311
Program service revenue: (Notes 9 and 11)			
Medical equipment revenue	882,525	-	882,525
Health product revenue	562,504	-	562,504
Shipping fees	115,679	-	115,679
Other revenue (Note 10)	115,059	-	115,059
Net assets released from restrictions	200,207	(200,207)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>79,868,489</b>	<b>57,818</b>	<b>79,926,307</b>
<b>EXPENSES:</b>			
Program activities:			
Health products and relief	77,074,850	-	77,074,850
Medical equipment	1,674,864	-	1,674,864
Supporting activities:			
General and administrative	646,745	-	646,745
Fundraising	388,738	-	388,738
<b>TOTAL EXPENSES</b>	<b>79,785,197</b>	<b>-</b>	<b>79,785,197</b>
<b>CHANGE IN NET ASSETS</b>	<b>83,292</b>	<b>57,818</b>	<b>141,110</b>
<b>NET ASSETS</b> , beginning of year	<b>2,286,264</b>	<b>21,666</b>	<b>2,307,930</b>
<b>NET ASSETS</b> , end of year	<b>\$ 2,369,556</b>	<b>\$ 79,484</b>	<b>\$ 2,449,040</b>

*See accompanying notes to financial statements.*

**INTERNATIONAL AID, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Public support:			
Gifts in-kind (Notes 7, 9 and 11)	\$ 85,202,271	\$ -	\$ 85,202,271
Monetary contributions (Note 11)	1,459,594	79,280	1,538,874
Program service revenue: (Notes 9 and 11)			
Medical equipment revenue	732,952	-	732,952
Health product revenue	652,826	-	652,826
Shipping fees	94,503	-	94,503
Other revenue expense:			
Other (Note 10)	90,753	-	90,753
Loss on disposition of assets	(2,644)	-	(2,644)
Net assets released from restrictions	102,610	(102,610)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>88,332,865</b>	<b>(23,330)</b>	<b>88,309,535</b>
<b>EXPENSES:</b>			
Program activities:			
Health products and relief	84,541,200	-	84,541,200
Medical equipment	2,204,229	-	2,204,229
Supporting activities:			
General and administrative	615,623	-	615,623
Fundraising	337,832	-	337,832
<b>TOTAL EXPENSES</b>	<b>87,698,884</b>	<b>-</b>	<b>87,698,884</b>
<b>CHANGE IN NET ASSETS</b>	<b>633,981</b>	<b>(23,330)</b>	<b>610,651</b>
<b>NET ASSETS</b> , beginning of year	<b>1,652,283</b>	<b>44,996</b>	<b>1,697,279</b>
<b>NET ASSETS</b> , end of year	<b>\$ 2,286,264</b>	<b>\$ 21,666</b>	<b>\$ 2,307,930</b>

*See accompanying notes to financial statements.*



**INTERNATIONAL AID, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	Program Activities		
	Health Products and Relief	Medical Equipment	Total Program
Gifts in-kind	\$ 76,442,539	\$ 528,690	\$ 76,971,229
Salaries and benefits	387,577	471,919	859,496
Cost of goods and repair parts	7,393	486,004	493,397
Freight	144,663	59,970	204,633
Professional and contract services	-	23,122	23,122
Depreciation and amortization	21,687	26,250	47,937
Utilities	8,010	30,697	38,707
Travel and meetings	24,263	16,962	41,225
Promotion and advertising	1,107	340	1,447
Office supplies and postage	4,134	3,052	7,186
Repairs and maintenance	4,485	17,034	21,519
Insurance	2,355	9,024	11,379
Communication	4,349	1,564	5,913
Awards and grants	22,200	-	22,200
Interest expense	-	-	-
Miscellaneous operating expense	88	236	324
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 77,074,850</b>	<b>\$ 1,674,864</b>	<b>\$ 78,749,714</b>

*See accompanying notes to financial statements.*

Supporting Activities

<u>General and Administra- tive</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ 76,971,229
407,338	208,257	1,475,091
-	-	493,397
28	-	204,661
48,269	70,174	141,565
49,243	3,547	100,727
35,006	555	74,268
19,518	12,395	73,138
662	57,456	59,565
14,209	23,587	44,982
20,020	308	41,847
20,867	163	32,409
17,200	3,534	26,647
-	-	22,200
393	-	393
13,992	8,762	23,078
<u>\$ 646,745</u>	<u>\$ 388,738</u>	<u>\$ 79,785,197</u>

**INTERNATIONAL AID, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Program Activities		
	Health Products and Relief	Medical Equipment	Total Program
Gifts in-kind	\$ 83,919,860	\$ 1,282,411	\$ 85,202,271
Salaries and benefits	438,208	436,362	874,570
Cost of goods and repair parts	3,535	330,844	334,379
Professional and contract services	-	1,630	1,630
Depreciation and amortization	27,131	44,563	71,694
Utilities	9,330	23,153	32,483
Travel and meetings	30,487	7,464	37,951
Promotion and advertising	149	-	149
Office supplies and postage	3,469	3,280	6,749
Repairs and maintenance	6,836	17,729	24,565
Insurance	3,171	7,867	11,038
Communication	4,313	1,761	6,074
Awards and grants	2,928	-	2,928
Interest expense	-	-	-
Freight	91,783	46,933	138,716
Miscellaneous operating expense	-	232	232
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 84,541,200</b>	<b>\$ 2,204,229</b>	<b>\$ 86,745,429</b>

*See accompanying notes to financial statements.*

Supporting Activities

<u>General and Administra- tive</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ 85,202,271
371,230	216,840	1,462,640
38	-	334,417
39,510	42,561	83,701
53,746	2,058	127,498
33,312	497	66,292
13,695	10,241	61,887
61	44,008	44,218
19,949	15,003	41,701
23,974	358	48,897
22,852	169	34,059
16,557	3,879	26,510
-	-	2,928
1,244	-	1,244
393	-	139,109
19,062	2,218	21,512
<u>\$ 615,623</u>	<u>\$ 337,832</u>	<u>\$ 87,698,884</u>

**INTERNATIONAL AID, INC.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 141,110	\$ 610,651
Adjustment to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	100,727	127,498
Loss on disposal of property and equipment	-	2,644
Non-cash rental income	(69,152)	(57,324)
Changes in operating assets and liabilities:		
Accounts receivable	(100,180)	36,155
Pledges receivable	-	25,138
Inventory	(53,233)	24,746
Prepaid expenses and other receivables	(7,934)	(4,432)
Accounts payable	18,001	693
Customer deposits	169,620	56,774
Accrued payroll, payroll taxes and compensated absences	14,419	(2,439)
Other liabilities	39,338	(580)
Net cash provided by operating activities	<u>252,716</u>	<u>819,524</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	-	2,016
Additions to property and equipment	(37,085)	(14,842)
Proceeds from sale of investments	251,595	-
Purchase of investment	-	(251,595)
Net cash provided by (used in) investing activities	<u>214,510</u>	<u>(264,421)</u>
<b>NET INCREASE IN CASH</b>	467,226	555,103
<b>CASH, beginning of year</b>	<u>1,489,358</u>	<u>934,255</u>
<b>CASH, end of year</b>	<u><u>\$ 1,956,584</u></u>	<u><u>\$ 1,489,358</u></u>

*See accompanying notes to financial statements.*

**INTERNATIONAL AID, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(CONTINUED)**

	Year Ended June 30,	
	2014	2013
Supplemental schedule of noncash activities:		
Non-cash rental activities (Note 4):		
Rent income	\$ 69,152	\$ 57,324
Reduction of deferred revenue	(69,152)	(57,324)
Non-cash contributions		
Gifts in-kind received	76,971,229	85,202,271
Gifts in-kind expensed	(76,971,229)	(85,202,271)
Net cash received (disbursed)	\$ -	\$ -

*See accompanying notes to financial statements.*

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**PURPOSE**

International Aid was organized to respond to Biblical mandates to provide relief to the world's poor, sick, and suffering both in the United States of America and in other countries throughout the world, in the name of Jesus Christ. It does so through its Health Products & Relief program and Medical Equipment program.

Health Products and Relief

Access to non-equipment products such as over-the-counter and prescription medicines, nutritional supplements and personal care items play a key role in health care systems. International Aid's goal is to excel in directing health products from socially responsible corporations to humanitarian organizations with great ministry opportunity.

International Aid responds to disasters around the world. With the help of our local partners and donors, we are able to support the rebuilding efforts for people in greatest need. International Aid's emergency response goals are to support others in first response, to replenish medical equipment and supplies, to focus on rebuilding efforts to restore the area, and finally to prevent disease with portable medical labs and hygiene kits.

Medical Equipment

International Aid serves as a critical link between equipment donors and recipients to guarantee equipment donations are ready to use. The organization is one of the largest refurbishers of medical equipment in the non-profit world, providing anything from anesthesia machines to x-ray equipment. The organization helps hospitals in developing nations attain self-sufficiency in equipment operations by supplying them with new and refurbished medical equipment, operations manuals and technical field support. Additionally, International Aid offers assessments for hospitals and medical centers preparing to expand or enhance current operations. Onsite evaluations, recommendations for next steps and a list of needed resources are provided. Lastly, medical professionals in remote areas lack access to proper equipment and accurate diagnosis is nearly impossible. International Aid's solution is a portable lab (Lab-in-a-Suitcase) capable of being powered by solar energy and able to provide accurate and immediate results. The lab is perfect for short term medical mission teams, rural clinics and hospitals, community health surveys, and government ministry of health.

*Note 1 continued on next page.*

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING**

The financial statements of International Aid have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

**MONETARY CONTRIBUTIONS**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. From time to time the board of directors designates special purposes for the use of otherwise unrestricted net assets. No permanently restricted contributions have been received as of June 30, 2014 or 2013.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

**INVENTORY**

Inventory, consisting primarily of purchased medical equipment supplies, is stated at the lower of cost (first-in, first-out) or market.

**INVESTMENTS**

Investments are stated at fair market value.

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost, if purchased, or fair value at date of gift, if donated. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Buildings and building equipment are generally depreciated on a straight-line basis over 25 to 30 years, land improvements, furniture and fixtures over 15 years on a straight-line basis. All remaining equipment is primarily depreciated over 3 to 7 years depending on use.

*Note 1 continued on next page.*



**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**TRADEMARKS**

Trademarks are amortized over their estimated useful lives of 15 years using the straight-line method. Annual amortization expense on trademark assets is \$3,159. Accumulated amortization at June 30, 2014 and 2013 is \$35,045 and \$31,886, respectively.

**GIFTS IN-KIND**

International Aid receives donations of pharmaceuticals, medical supplies and equipment, personal care items and other commodities for use in relief and development programs. The source of such donations may vary from year-to-year. Such gifts are recorded at average wholesale prices using externally verifiable sources both as public support revenue and as program activity expense at the date the donation is received and, as such, are not recorded as inventory. Received gifts-in-kind that later become subject to expired dating or are deemed by management to no longer be useful, are disposed of and reported as a reduction of both public support revenue and program activity expense.

**PROGRAM SERVICE REVENUE**

International Aid charges service fees to various donees to defray the costs of procuring, warehousing, repairing, and distributing donated and purchased medical equipment and supplies, pharmaceuticals, and personal care items. Revenue from such fees is recognized when materials are shipped.

**GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses include costs of directing the overall affairs of International Aid through executive, financial and administrative services.

**FUNDRAISING**

Fundraising includes costs that are related to the procurement of financial support for programs and supporting services.

**SHIPPING AND HANDLING**

Costs related to shipping and handling of gifts in-kind and purchased inventory items are included in program activities expense.

*Note 1 continued on next page.*

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROMOTION AND ADVERTISING**

Promotion and advertising costs are expensed as incurred.

**FUNCTIONAL EXPENSE ALLOCATION**

International Aid segregates costs by the major classes of expense: Health products and relief, Medical equipment, General and administrative, and Fundraising. Whenever appropriate, an expense is charged directly to one of these major classes of expense. Indirect costs are allocated according to activities and functionality related to their utilization.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. While management believes it has consistently applied its best judgment in those areas requiring estimates, actual results could differ from those estimates.

**TAX STATUS**

International Aid is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a “publicly supported” organization. The Organization has implemented the accounting guidance established in FASB ASC 740-10 associated with accounting for uncertainty in income taxes and does not believe it has any uncertain tax positions that are material to the financial statements. The organization files its IRS Form 990 in the U.S. federal jurisdiction and is generally no longer subject to examination by the Internal Revenue Service for years ending prior to June 30, 2011.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 15, 2014, which was the date that the financial statements were available to be issued.

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 2 - CASH**

At June 30, 2014 and 2013, cash includes \$1,842,324 and \$1,353,937 invested in interest bearing accounts. The Organization's cash balances are maintained with financial institutions providing federal deposit insurance coverage. At June 30, 2014 and 2013 the Organization's balances on deposit exceed the coverage limit by \$1,211,677 and \$1,103,937, respectively.

**NOTE 3 - INVESTMENTS**

Investments at June 30, 2013 were comprised of a certificate of deposit which matured during the year ended June 30, 2014.

**NOTE 4 - FAIR VALUE MEASUREMENT**

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair values. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

	<u>Total Fair Value</u>	<u>Significant Other Observable Output (Level 2)</u>
<u>June 30, 2013</u>		
Investments	\$ 251,595	\$ 251,595

Investments were comprised of certificates of deposit the fair value of which was determined by quoted prices for similar assets in active markets.

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Net assets are temporarily restricted as follows:

	June 30,	
	2014	2013
Philippine Relief	\$ 72,744	\$ -
Other Global Relief	6,740	6,292
Domestic Relief	-	15,153
Haiti Relief	-	221
	<u>\$ 79,484</u>	<u>\$ 21,666</u>

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**RETIREMENT PLANS**

The Organization has established a SIMPLE IRA plan covering all qualified employees. Employer contributions to the plan and administrative expenses totaled \$25,844 and \$26,751 for the years ended June 30, 2014 and 2013, respectively.

**SELF-INSURED STATE UNEMPLOYMENT FUND**

In accordance with state law, the Organization has elected to be a reimbursing employer for the purpose of state unemployment taxes and, in lieu of quarterly tax contributions, will be required to reimburse the state for any employment claims made. State law requires the establishment of a surety bond as guarantee of payment under this program.

*Note 6 continued on next page*

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**DEFERRED REVENUE/LEASE INCOME AGREEMENT**

The Organization rents space in its facility to another not-for-profit entity (the tenant) that was related through a previous board member. Under terms of the agreement:

- The tenant has paid all costs necessary to ready the facility for its use.
- The annual rent under the agreement is to be equivalent to 40% of the total operating costs of the facility as defined in the agreement. Rent revenue recognized under the agreement for the years ended June 30, 2014 and 2013 is \$69,152 and \$57,324.
- The term of the lease is 25 years with the tenant having the option to renew for an additional 25 year period.
- Since the tenant incurred a significant capital cost in readying the facility for its occupancy, the Organization has agreed that, during the term of the lease, should it decide to dispose of the facility, the tenant shall have the right to either (a) first right of refusal to acquire the land and building, or (b) reimbursement for its investment in the build-out costs based on a 20 year straight-line amortization of the costs. The contingent obligation to the tenant as of June 30, 2014 in the event of disposition of the facility is \$1,709,153.
- Certain building improvement costs, totaling \$487,510 were incurred for the primary benefit of the Organization and paid for by the tenant. Accordingly, these costs have been recorded by the Organization as an addition to the asset category, property and equipment. Since these payments made by the tenant offset future rent payments under the agreement, a deferred revenue obligation has been recognized for the net present value of the estimated future rent payments effectively paid in advance.

At June 30, 2014, the Organization's net-of-depreciation basis in the portion of land and building leased to the tenant is \$334,144.

**CONTRACTS**

The Organization has entered into a contract to make required repairs and improvements to its facility subsequent to year end in the amount of \$201,000.

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 7 - GIFTS-IN-KIND**

Gifts-in-kind received are valued at the average wholesale price using externally verifiable sources taking into consideration the condition and utility for use. Gifts-in-kind total \$76,971,229 and \$85,202,271 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 8 - CONTRIBUTED SERVICES**

The Organization benefits significantly from unpaid volunteers who provide valuable services including arranging and organizing donated goods and performing other key duties and responsibilities on behalf of the Organization that do not meet the requirements of the Financial Accounting Standard to be reported on the statements of activities. Based upon an independent sector's dollar valuation of \$22.14 and 21.79 per volunteer hour in the years ended June 30, 2014 and 2013, management has determined the value of the contributed time to be approximately \$50,700 and \$64,500, respectively, for the years then ended.

**NOTE 9 - RISK CONCENTRATION**

Gifts-in-kind donations include gifts from three entities comprising 69% and 77% of the category total for 2014 and 2013, respectively. Program service fees include 26% and 31% attributable to two of the Organization's distribution partners, respectively, in the years ended June 30, 2014 and 2013.

**NOTE 10 - OTHER REVENUE**

Other revenue consists of:

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Rental income	\$ 69,152	\$ 57,324
Royalty income	34,335	27,063
Interest income	6,913	5,451
Miscellaneous	<u>4,659</u>	<u>915</u>
	<u>\$ 115,059</u>	<u>\$ 90,753</u>

**INTERNATIONAL AID, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

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**NOTE 11 - RELATED PARTY TRANSACTIONS**

A member of the Organization's board of directors serves as a key employee of another not-for-profit entity that received gifts-in-kind distributions from International Aid in the years ended June 30, 2014 and 2013 valued at \$13,191,177 and \$8,279,501, respectively, for which International Aid assessed program service fees of \$164,466 and \$22,600 in the years then ended. The program service fees for the year ended in 2014 were waived, a practice applied by International Aid to other entities as well. The same related party donated gifts-in-kind to International Aid valued at \$146,720 in the year ended in 2014 and \$338,114 in the year ended in 2013. The 2014 gifts recorded by International Aid were reduced by \$129,315 in accordance with the accounting standard limiting the recognition of a gift-in-kind to one entity. Another member of the board of directors of the Organization is a key employee of a for-profit entity that (1) donated \$3,740,193 and \$8,662,828 of gifts-in-kind to International Aid in the fiscal years ended June 30, 2014 and 2013, respectively, and (2) made monetary contributions of \$25,000 each of the years then ended. A third member of the Organization's board of directors is a key employee of another not-for-profit entity that donated gifts-in-kind to International Aid valued at \$58,971 in the year ended June 30, 2014 and \$79,590 in fiscal 2013. Additionally, the Organization paid \$300 to an individual related to a fourth member of the board for a re-design of its website.