



FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

MONROE, SWEERIS & TROMP P.L.C.

INTERNATIONAL AID, INC.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3-4
Financial Statements:	
Statements of Financial Position	
- June 30, 2017 and 2016	5
Statement of Activities	
- Year Ended June 30, 2017	6
- Year Ended June 30, 2016	7
Statement of Functional Expenses	
- Year Ended June 30, 2017	8
- Year Ended June 30, 2016	9
Statements of Cash Flows	
- Year Ended June 30, 2017 and 2016	10-11
Notes to Financial Statements	12-20

MONROE, SWEERIS & TROMP P.L.C.

Certified Public Accountants and Consultants

September 1, 2017

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), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 audits. We conducted our audits 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

the entity's internal control. Accordingly, we express no such opinion. 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, 2017 and 2016, 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, Sweeris & Tromp

INTERNATIONAL AID, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS:		
Cash (Note 2)	\$ 947,884	\$ 2,022,808
Investments (Note 3 and 4)	1,007,602	-
Accounts receivable (less \$1,500 allowance for uncollectible accounts in 2017 and 2016)	103,941	32,720
Pledges receivable (Note 4)	24,225	22,725
Inventory	117,957	136,220
Prepaid expenses	46,904	39,056
	2,248,513	2,253,529
PROPERTY AND EQUIPMENT:		
Land and improvements	202,002	195,575
Buildings and building equipment (Note 6)	2,499,445	2,474,645
Transportation equipment	101,211	102,086
Furniture and fixtures	156,368	149,305
Computer equipment	163,726	181,128
	3,122,752	3,102,739
Less accumulated depreciation	2,205,320	2,137,698
	917,432	965,041
OTHER ASSETS:		
Trademarks, net of accumulated amortization (Note 1)	2,862	6,021
	2,862	6,021
	\$ 3,168,807	\$ 3,224,591

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	June 30,	
	2017	2016
CURRENT LIABILITIES:		
Accounts payable	\$ 82,132	\$ 85,018
Customer deposits	2,817	42,842
Accrued payroll and payroll taxes	55,121	43,708
Accrued compensated absences	30,232	35,551
Deferred revenue (Note 6)	57,690	70,000
Other liabilities	-	2,447
TOTAL CURRENT LIABILITIES	227,992	279,566
DEFERRED REVENUE,		
Net of current portion (Note 6)	-	64,082
TOTAL LIABILITIES	227,992	343,648
COMMITMENTS AND CONTINGENCIES		
(NOTE 6)		
NET ASSETS:		
Unrestricted	2,871,674	2,846,728
Temporarily restricted (Note 5)	69,141	34,215
TOTAL NET ASSETS	2,940,815	2,880,943
	\$ 3,168,807	\$ 3,224,591

INTERNATIONAL AID, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Public support:			
Gifts-in-kind (Notes 7, 9 and 11)	\$ 55,349,241	\$ -	\$ 55,349,241
Monetary contributions (Note 11)	1,119,535	222,205	1,341,740
Program service revenue (Note 9):			
Medical equipment revenue	809,624	-	809,624
Health product revenue	720,151	-	720,151
Shipping fees	139,982	-	139,982
Other revenue (Note 10)	112,405	-	112,405
Net assets released from restrictions	187,279	(187,279)	-
TOTAL SUPPORT AND REVENUE	58,438,217	34,926	58,473,143
EXPENSES:			
Program activities:			
Health products and relief	55,772,260	-	55,772,260
Medical equipment	1,557,905	-	1,557,905
Supporting activities:			
General and administrative	624,560	-	624,560
Fundraising	458,546	-	458,546
TOTAL EXPENSES	58,413,271	-	58,413,271
CHANGE IN NET ASSETS	24,946	34,926	59,872
NET ASSETS , beginning of year	2,846,728	34,215	2,880,943
NET ASSETS , end of year	\$ 2,871,674	\$ 69,141	\$ 2,940,815

See accompanying notes to financial statements.

INTERNATIONAL AID, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Public support:			
Gifts in-kind (Notes 7, 9 and 11)	\$ 63,230,463	\$ -	\$ 63,230,463
Monetary contributions (Note 11)	1,166,492	99,619	1,266,111
Program service revenue (Note 9):			
Medical equipment revenue	737,471	-	737,471
Health product revenue	586,277	-	586,277
Shipping fees	95,822	-	95,822
Other revenue (Note 10)	101,998	-	101,998
Net assets released from restrictions	212,565	(212,565)	-
TOTAL SUPPORT AND REVENUE	66,131,088	(112,946)	66,018,142
EXPENSES:			
Program activities:			
Health products and relief	63,006,426	-	63,006,426
Medical equipment	1,970,240	-	1,970,240
Supporting activities:			
General and administrative	615,429	-	615,429
Fundraising	472,640	-	472,640
TOTAL EXPENSES	66,064,735	-	66,064,735
CHANGE IN NET ASSETS	66,353	(112,946)	(46,593)
NET ASSETS, beginning of year	2,780,375	147,161	2,927,536
NET ASSETS, end of year	\$ 2,846,728	\$ 34,215	\$ 2,880,943

See accompanying notes to financial statements.

INTERNATIONAL AID, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Activities		
	Health Products and Relief	Medical Equipment	Total Program
FUNCTIONAL EXPENSES:			
Gifts-in-kind	\$ 55,038,880	\$ 310,361	\$ 55,349,241
Salaries and benefits	390,288	535,736	926,024
Cost of goods and repair parts	113,742	504,784	618,526
Freight	107,765	103,173	210,938
Professional and contract services	-	6,112	6,112
Depreciation and amortization	24,039	24,830	48,869
Travel and meetings	29,350	16,455	45,805
Promotion and advertising	5,479	253	5,732
Utilities	9,685	25,678	35,363
Repairs and maintenance	7,112	18,371	25,483
Awards and grants	37,500	-	37,500
Insurance	3,191	8,280	11,471
Office supplies and postage	3,218	2,785	6,003
Communication	1,961	794	2,755
Interest expense	-	-	-
Business fees and miscellaneous expense	50	293	343
TOTAL FUNCTIONAL EXPENSES	\$ 55,772,260	\$ 1,557,905	\$ 57,330,165

See accompanying notes to financial statements.

Supporting Activities

<u>General and Administra- tive</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ 55,349,241
403,326	252,101	1,581,451
-	-	618,526
-	-	210,938
44,941	91,798	142,851
40,935	1,939	91,743
11,057	19,421	76,283
426	68,258	74,416
32,770	683	68,816
24,053	498	50,034
-	-	37,500
19,612	225	31,308
10,735	14,004	30,742
14,227	3,302	20,284
295	-	295
<u>22,183</u>	<u>6,317</u>	<u>28,843</u>
<u>\$ 624,560</u>	<u>\$ 458,546</u>	<u>\$ 58,413,271</u>

INTERNATIONAL AID, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Activities		
	Health Products and Relief	Medical Equipment	Total Program
FUNCTIONAL EXPENSES:			
Gifts-in-kind	\$ 62,352,344	\$ 878,119	\$ 63,230,463
Salaries and benefits	397,523	492,684	890,207
Cost of goods and repair parts	89,359	386,468	475,827
Freight	64,522	100,022	164,544
Professional and contract services	4,802	6,063	10,865
Depreciation and amortization	23,405	27,321	50,726
Travel and meetings	31,472	19,008	50,480
Promotion and advertising	7,824	550	8,374
Utilities	7,818	25,697	33,515
Repairs and maintenance	6,500	21,567	28,067
Awards and grants	12,411	-	12,411
Insurance	2,639	8,670	11,309
Office supplies and postage	2,599	2,704	5,303
Communication	3,208	1,367	4,575
Interest expense	-	-	-
Business fees and miscellaneous expense	-	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 63,006,426	\$ 1,970,240	\$ 64,976,666

See accompanying notes to financial statements.

Supporting Activities

<u>General and Administra- tive</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ 63,230,463
394,033	272,600	1,556,840
-	-	475,827
-	10	164,554
36,519	90,575	137,959
40,954	3,279	94,959
22,752	20,701	93,933
67	53,695	62,136
30,147	481	64,143
25,096	400	53,563
-	-	12,411
19,707	162	31,178
15,794	21,303	42,400
13,670	3,878	22,123
393	-	393
<u>16,297</u>	<u>5,556</u>	<u>21,853</u>
<u>\$ 615,429</u>	<u>\$ 472,640</u>	<u>\$ 66,064,735</u>

INTERNATIONAL AID, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 59,872	\$ (46,593)
Adjustment to reconcile changes in net assets to cash used in operating activities:		
Depreciation and amortization	91,743	94,959
Loss on disposal of property and equipment	658	-
Non-cash rental income	(76,392)	(76,040)
Changes in operating assets and liabilities:		
Accounts receivable	(71,221)	67,290
Pledges receivable	(1,500)	(20,550)
Inventory	18,263	(64,482)
Prepaid expenses	(7,848)	19,223
Accounts payable	(2,886)	18,209
Customer deposits	(40,025)	(2,358)
Accrued payroll, payroll taxes and compensated absences	6,094	4,306
Other liabilities	(2,447)	(318)
Net cash used in operating activities	<u>(25,689)</u>	<u>(6,354)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(42,633)	(37,807)
Proceeds upon disposition of property and equipment	1,000	-
Purchase of investments	(1,007,602)	-
Net cash used in investing activities	<u>(1,049,235)</u>	<u>(37,807)</u>
NET DECREASE IN CASH	(1,074,924)	(44,161)
CASH, beginning of year	<u>2,022,808</u>	<u>2,066,969</u>
CASH, end of year	<u><u>\$ 947,884</u></u>	<u><u>\$ 2,022,808</u></u>

*Statements of cash flows continued on next page.
See accompanying notes to financial statements.*

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

	Year Ended June 30,	
	2017	2016
Supplemental schedule of noncash activities:		
Non-cash rental activities (Note 5):		
Rental income	\$ 76,392	\$ 76,040
Reduction of deferred revenue	(76,392)	(76,040)
Net cash received (disbursed)	<u>\$ -</u>	<u>\$ -</u>
Non-cash contributions:		
Gifts in-kind received	55,349,241	63,230,463
Gifts in-kind expensed	(55,349,241)	(63,230,463)
Net cash received (disbursed)	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

INTERNATIONAL AID, INC.
NOTES TO FINANCIAL STATEMENTS

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 and Relief program and Medical Equipment program. International Aid, Inc. is primarily supported by contributions from the general public.

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 their local partners and donors, International Aid is 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 reconditioners 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)

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.

Basis of Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. No permanently restricted contributions have been received as of June 30, 2017 or 2016.

Pledges Receivable

Pledges receivable are recorded at their estimated realizable value at date of pledge and are expected to be collected within one year.

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, completed hygiene kits, and corresponding components, is stated at the lower of cost (first-in, first-out) or market.

Note 1 continued on next page.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair market value. The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments would result in a different fair value measurement at the reporting date.

Certificate of deposit with initial maturities of greater than three months are classified as investments.

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.

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, 2017 and 2016 is \$44,522 and \$41,363, 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.

Note 1 continued on next page.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Note 1 continued on next page.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

Management has evaluated subsequent events through September 1, 2017, which was the date that the financial statements were available to be issued.

NOTE 2 - CASH

At June 30, 2017 and 2016, cash includes \$882,764 and \$1,982,559 invested in interest bearing accounts. The Organization's cash balances are maintained with financial institutions providing federal deposit insurance coverage. At June 30, 2017 and 2016 the Organization's balances on deposit included cash that exceeded the coverage limit by \$423,431 and \$1,376,368, respectively.

NOTE 3 - INVESTMENTS

Investments held by International Aid, Inc. at June 30, 2017 consist of certificates of deposit with maturities exceeding three months with the intent to be held to maturity and are excluded from cash accordingly. The certificates of deposit are in excess of the financial institution's federal deposit insurance coverage limit.

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

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).

	Total Fair Value	Significant Other Observable Output (Level 2)
<u>June 30, 2017</u>		
Pledges receivable	\$ 24,225	\$ 24,225
Investments	1,007,602	1,007,602

Fair value of pledges receivable is determined by calculating the present value at the risk adjusted market discount rate. Investments comprised of certificate of deposit are stated at cost plus accrued interest which substantially approximates fair value. The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2017 and 2016.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted as follows:

	June 30,	
	2017	2016
Domestic Relief	\$ 22,080	\$ 4,205
Other Global Relief	47,061	30,010
	\$ 69,141	\$ 34,215

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

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 \$29,400 and \$30,048 for the years ended June 30, 2017 and 2016, 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.

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, 2017 and 2016 is \$76,392 and \$76,040, respectively.
- 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, 2017 in the event of disposition of the facility is \$1,398,398.

Note 6 continued on next page.

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

NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Deferred Revenue/Lease Income Agreement (continued)

- 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, 2017, the Organization's net-of-depreciation basis in the portion of land and building leased to the tenant is \$356,735.

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 \$55,349,241 and \$63,230,463 for the years ended June 30, 2017 and 2016, 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 \$23.67 and \$23.54 per volunteer hour in the years ended June 30, 2017 and 2016, management has determined the value of the contributed time to be approximately \$230,819 and \$104,648, respectively, for the years then ended.

NOTE 9 - RISK CONCENTRATION

Gifts-in-kind donations include gifts from three entities comprising 60% and 67% of the category total for 2017 and 2016, respectively. Program service fees include 50% and 33% attributable to four and three of the Organization's distribution partners in the years ended June 30, 2017 and 2016, respectively.

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

NOTE 10 - OTHER REVENUE

Other revenue consists of:

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Rental income	\$ 76,392	\$ 76,040
Royalty income	10,796	11,043
Interest income	13,046	8,453
Miscellaneous	<u>12,171</u>	<u>6,462</u>
	<u>\$ 112,405</u>	<u>\$ 101,998</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

A member of the Organization's board of directors serves as a board member and key employee of another not-for-profit entity that received gifts-in-kind distributions from International Aid in the years ended June 30, 2017 and 2016 valued at \$32,528 and \$730, respectively, and for which International Aid received program service fees of \$267,220 and \$4,738 each of the fiscal years then ended. This same member is a key employee of another not-for-profit entity that donated gifts-in-kind to International Aid valued at \$58,850 in the year ended June 30, 2017 and \$68,658 in fiscal 2016. Another member of the board of directors of the Organization is a key employee of a for-profit entity that (1) donated \$2,684,476 and \$3,217,849 of gifts-in-kind to International Aid in the fiscal years ended June 30, 2017 and 2016, respectively, and (2) made monetary contributions of \$25,000 each of the years then ended.

NOTE 12 - SUBSEQUENT EVENT

Subsequent to year end, International Aid, Inc. agreed to enter into a collaborative agreement with Cure International, a US based not-for-profit that operates charitable hospitals and programs in 29 countries. The purpose of the collaborative agreement is to help both organizations more effectively and economically meet the needs of the individuals, organizations and constituents within each of their service areas, and to offer a broader range of products, services, and programs.