THE BROTHER'S BROTHER FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
For the years ended December 31, 2018 and 2017

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Brother's Brother Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of The Brother's Brother Foundation (Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 (U.S. GAAP); 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.

Auditors' 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 require 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 auditors' 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 Foundation'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 Foundation'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 the Foundation as of December 31, 2018, and the changes in net assets, functional expenses and its cash flows for the year then ended in accordance with U.S. GAAP.

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Emphasis of Matter
As discussed in Note 2 to the financial statements, in 2018, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2018. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
July 11, 2019

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31 2018	December 31 2017
ASSETS		
Cash and cash equivalents	$ 462,223	$ 820,339
Restricted cash and cash equivalents	1,107,802	1,759,946
	1,570,025	2,580,285
Accounts receivable	26,440	71,786
Investments	4,245,391	5,460,296
Inventory	15,679,555	22,787,189
Prepaid expenses	52,185	40,748
Property and equipment, net	2,164,613	2,032,066
Total Assets	$23,738,209	$32,972,370
LIABILITIES		
Accounts payable and accrued liabilities	$ 253,956	$ 636,818
NET ASSETS		
Net Assets Without Donor Restrictions	21,979,417	30,123,348
Net Assets With Donor Restrictions:		
Purpose restricted	1,111,840	1,763,984
Perpetual in nature	392,996	448,220
	1,504,836	2,212,204
Total Net Assets	23,484,253	32,335,552
Total Liabilities And Net Assets	$23,738,209	$32,972,370

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions		
	General Operating	In-Kind	Total
REVENUE AND PUBLIC SUPPORT			
Donated materials and supplies	-	$92,071,032	$92,071,032
Individuals	$1,678,943	-	1,678,943
Foundations	209,422	-	209,422
Program service fees	366,375	-	366,375
Corporations	27,560	-	27,560
Civic and social clubs	7,403	-	7,403
Religious organizations	37,677	-	37,677
	2,327,380	92,071,032	94,398,412
Investment (loss) income, net	(139,848)	-	(139,848)
Rental income	5,500	-	5,500
Special event income	31,000	-	31,000
Other income	61	-	61
Net assets released from restrictions	1,736,707	-	1,736,707
Total Revenue And Public Support	3,960,800	92,071,032	96,031,832
FUNCTIONAL EXPENSES			
Program services	2,642,579	99,232,250	101,874,829
Support services:			
Management and general	1,900,688	-	1,900,688
Fundraising	323,787	-	323,787
Special events	76,459	-	76,459
Total Support Services	2,300,934	-	2,300,934
Total Functional Expenses	4,943,513	99,232,250	104,175,763
Changes In Net Assets	(982,713)	(7,161,218)	(8,143,931)
NET ASSETS			
Beginning of year	7,476,442	22,646,906	30,123,348
End of year	$6,493,729	$15,485,688	$21,979,417

See notes to financial statements.

With Donor Restrictions	Total 2018	Total 2017
-	$92,071,032	$90,077,966
$ 311,625	1,990,568	2,266,204
644,453	853,875	1,591,546
-	366,375	433,014
77,700	105,260	172,780
13,050	20,453	20,540
27,971	65,648	79,516
1,074,799	95,473,211	94,641,566
(45,460)	(185,308)	772,956
-	5,500	31,925
-	31,000	-
-	61	17,011
(1,736,707)	-	-
(707,368)	95,324,464	95,463,458
-	101,874,829	111,785,552
-	1,900,688	1,660,936
-	323,787	310,402
-	76,459	-
-	2,300,934	1,971,338
-	104,175,763	113,756,890
(707,368)	(8,851,299)	(18,293,432)
2,212,204	32,335,552	50,628,984
$ 1,504,836	$23,484,253	$32,335,552

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program Services			
	International Education	International Health	International Humanitarian	Total
Educational materials	$19,272,342	-	-	$ 19,272,342
Pharmaceuticals, medical equipment and supplies	-	$79,886,773	-	79,886,773
Humanitarian supplies	-	-	$ 73,135	73,135
Grants	-	545,533	-	545,533
Packaging and shipping	30,058	305,848	252,341	588,247
Salaries	53,531	481,780	-	535,311
Payroll taxes	3,947	35,519	-	39,466
Pension	2,591	23,315	-	25,906
Employee benefits - other	5,794	52,144	-	57,938
Consulting services	-	-	-	-
Outside services	4,743	42,686	-	47,429
Utilities	3,911	35,199	-	39,110
Printing expense	32	284	-	316
Maintenance	1,192	10,732	-	11,924
Telephone	389	3,497	-	3,886
Postage	2,069	41,224	-	43,293
Training expense	30	-	-	30
Audit and accounting	-	-	-	-
Insurance	2,128	19,150	-	21,278
Office supplies	1,442	12,980	-	14,422
Purchased program supplies	50,014	460,002	3,876	513,892
Miscellaneous	3,563	32,063	-	35,626
Meals	447	4,022	-	4,469
Truck expense	1,111	10,003	-	11,114
Travel	1,081	20,954	-	22,035
Rent	465	4,184	-	4,649
Dues and subscriptions	175	1,579	-	1,754
Total Expenses Before Depreciation	19,441,055	82,029,471	329,352	101,799,878
Depreciation	7,495	67,456	-	74,951
Total Functional Expenses	$19,448,550	$82,096,927	$329,352	$101,874,829

See notes to financial statements.

Support Services				Total	
Management and General	Fundraising	Special Events	Total	2018	2017
-	-	-	-	$ 19,272,342	$ 5,046,535
-	-	-	-	79,886,773	104,125,630
-	-	-	-	73,135	72,182
$ 1,800	-	-	$ 1,800	547,333	842,832
15,770	-	-	15,770	604,017	677,577
993,574	$160,165	-	1,153,739	1,689,050	1,464,129
80,641	11,995	-	92,636	132,102	115,556
71,068	9,689	-	80,757	106,663	62,297
76,881	11,038	-	87,919	145,857	136,460
7,119	-	-	7,119	7,119	19,510
41,630	112,868	-	154,498	201,927	145,300
8,876	-	-	8,876	47,986	30,097
40,347	-	-	40,347	40,663	24,430
47,422	-	-	47,422	59,346	41,739
18,067	-	-	18,067	21,953	18,107
2,393	12,014	-	14,407	57,700	53,889
948	-	-	948	978	528
30,356	-	-	30,356	30,356	34,494
23,649	180	-	23,829	45,107	33,958
28,797	-	-	28,797	43,219	37,975
-	-	-	-	513,892	196,043
59,847	653	$76,459	136,959	172,585	125,288
18,824	725	-	19,549	24,018	18,451
28,314	-	-	28,314	39,428	29,380
27,917	2,785	-	30,702	52,737	59,362
195,783	-	-	195,783	200,432	216,349
15,117	1,675	-	16,792	18,546	15,570
1,835,140	323,787	76,459	2,235,386	104,035,264	113,643,668
65,548	-	-	65,548	140,499	113,222
$1,900,688	$323,787	$76,459	$2,300,934	$104,175,763	$113,756,890

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Changes in net assets	$ (8,851,299)	$(18,293,432)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	140,499	113,222
Gain on disposition of assets	-	(13,912)
Realized and unrealized loss (gain) on investment, net	247,756	(730,696)
Inventory	7,107,634	19,287,923
Changes in assets and liabilities:		
Accounts receivable	45,346	30,525
Prepaid expenses	(11,437)	(7,880)
Accounts payable and accrued liabilities	(382,862)	477,167
Net Cash (Used In) Provided By Operating Activities	(1,704,363)	862,917
INVESTING ACTIVITIES		
Purchases of investments	(1,988,189)	(43,725)
Proceeds from sale of investments	2,955,338	835,000
Purchases of property and equipment	(273,046)	(214,131)
Proceed from sale of property and equipment	-	29,883
Net Cash Provided By Investing Activities	694,103	607,027
Net (Decrease) Increase In Cash And Cash Equivalents	(1,010,260)	1,469,944
CASH AND CASH EQUIVALENTS		
Beginning of year	2,580,285	1,110,341
End of year	$ 1,570,025	$ 2,580,285

See notes to financial statements.

NOTE 1 - ORGANIZATION

The Brother's Brother Foundation (Foundation) is an organization formed for the purpose of coordinating efforts and resources for the benefit of the ill and needy worldwide. The Foundation promotes international health and education through the distribution and provision of donated medical, educational, agricultural and other resources. The Foundation has operations in Pittsburgh, Pennsylvania and northern Virginia.

The Foundation depends principally upon cash donors, donations of materials and supplies, and third-party reimbursement arrangements to carry out its program activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets - The Foundation classifies and reports net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.
>
> Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be satisfied by actions of the Foundation and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that the assets be maintained in perpetuity by the Foundation.

All unconditional donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Cash and Cash Equivalents - The Foundation maintains, in several banks in the United States, cash that may at times exceed federally insured amounts. In addition, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents held by investment managers are included in investments. The Foundation also has restricted cash funds that will be used at the direction of the donor for the Foundation's various programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable are primarily composed of program service fees and are recorded at the amount management expects to collect from balances outstanding. Based on management's assessment of the credit history of those having outstanding balances and current relationships with the Foundation, it believes that realization of losses on balances outstanding at December 31, 2018 and 2017 will be immaterial. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. As of December 31, 2018 and 2017, no allowance for doubtful accounts is considered necessary.

Investments - Investment securities are carried at fair value based on published quotations, or estimates when such quotations are not available. These valuations may be at other than the current date and are estimated as of the statements of financial position dates. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of investments could differ from the values that would have been used had a ready market existed for the investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis. Unrealized appreciation on investments is reflected within net investment income (loss) in the statements of activities. Investment income is reported net of internal and external expenses.

Inventory - Inventory consists of undistributed in-kind materials at year-end. The Foundation receives a substantial amount of in-kind goods from various regional and national donors, primarily consisting of medical and educational materials. These materials are included in the financial statements at amounts that approximate net realizable value on the date of donation. In accordance with FASB ASC topic Fair Value Measurement, net realizable value was determined using transactional data in similar markets. For example, the valuation methodology for donated pharmaceuticals utilized published reimbursement pricing guidelines from federal (Center for Medicare and Medicaid Services - CMS) and state (West Virginia State Maximum Allowable Cost - WV SMAC) sources as a primary reference. The valuation methodology for donated educational materials utilized net price, which according to publishers is the lowest price at which the title will be available. The total of all net prices provided is divided by the total number of units donated to calculate an average cost per unit. The average cost is then multiplied by the total units to determine net realizable value. The Foundation evaluates the net realizable value of the inventory donated during the year and may make additional adjustments based on the evaluation. During 2018 and 2017, inventory adjustments based on the net realizable value at the date of donation related mostly to the Foundation's planned decision to destroy medical supplies believed not suitable for distribution, and totaled approximately $12,700,000 and $21,000,000, respectively. These inventory adjustments are included as in-kind program services on the accompanying statement of activities and changes in net assets, as well as medical equipment and supplies on the accompanying statement of functional expenses.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value at the date of contribution, with depreciation provided on the straight-line method over estimated useful lives. All purchases of property and equipment over $1,000 are capitalized. Repairs and maintenance that do not extend the lives of the applicable assets are expensed as incurred. Gain or loss from the retirement or other disposition of assets is included in the statement of activities and changes in net assets. Upon identification of indicators of impairment, management first compares the carrying value of its long-lived assets to the undiscounted cash flows of such assets. If the carrying value is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds fair value. Fair values are determined based on quoted market value, discounted cash flows or appraisals, as applicable. There were no such impairments identified during 2018 or 2017.

Shipping and Handling Costs - The Foundation records the costs of shipping and handling in program services. These costs were approximately $604,000 and $678,000 for the years ended December 31, 2018 and 2017, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs - Advertising costs are charged to expense during the period in which they are incurred. Total advertising costs were approximately $115,000 and $96,000 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes - The Foundation is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is also classified as an entity that is not a private foundation under the meaning of Section 509(a) of the IRC. In addition, the Foundation has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. The Foundation is no longer subject to examinations by taxing authorities in any major tax jurisdiction for years before December 31, 2015.

Donated Services - The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation also receives contributed services from volunteers who donate time to the Foundation's activities. No amounts have been recognized in the accompanying statement of activities and changes in net assets for those services, since they would not have been purchased had they not been donated.

Though Board of Director (Board) members have donated a substantial amount of time to the operation of the Foundation, no amounts have been reflected in the accompanying financial statements for donated services because no objective basis is available to measure the value of such services.

Recently Issued Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09), which replaces all current U.S. GAAP guidance on this topic and eliminates all industry-specific guidance. ASU 2014-09 provides a unified model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, making this guidance effective for the Foundation beginning January 1, 2019. It can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation is currently assessing the impact to its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 is expected to impact the Foundation's financial statements, since the Foundation has certain operating lease arrangements for which it is the lessee. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation is currently in the process of evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements and related disclosures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB has issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. The Foundation is currently in the process of evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements and related disclosures.

Recently Adopted Accounting Pronouncement - In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of ASU 2016-14 include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. ASU 2016-14 also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification. The Foundation adopted the provisions of ASU 2016-14 on its financial statements in the current year.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	$ 30,123,348	-	$ 30,123,348
Temporarily restricted	-	$ 1,763,984	1,763,984
Permanently restricted	-	448,220	448,220
Total net assets	$ 30,123,348	$ 2,212,204	$ 32,335,552

Subsequent Events - Management has evaluated subsequent events through July 11, 2019, which is the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Foundation receives grants and contributions with donor restrictions to be used in accordance with the stated purpose or associated time restriction. These funds are not available to be used as operating funds in the year received.

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The foundation manages its cash available to meet general and program expenditures by forecasting future needs and activities, and proactively applying for anticipated funds needed.

The Foundation's cash flows have seasonal variations during the year, attributable to revenue fluctuations tied to specific events. Grant funds received as restricted due to time or purpose are used accordingly, while other revenue is not restricted and can be accessed for operational requirements.

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

Total financial assets:	
Cash and cash equivalents	$ 462,223
Restricted cash and cash equivalents	1,107,802
Accounts receivable	26,440
Investments not subject to donor restriction	3,852,395
Endowment - Spending rate appropriation	8,169
	5,457,029
Donor-imposed restrictions:	
Funds subject to purpose restrictions	1,111,840
Financial assets available to meet general expenditures	$ 4,345,189

NOTE 4 - INVESTMENTS

Investments are presented in the financial statements at fair value. Fair value and related cost basis at December 31 are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money Market Fund	$ 63,331	$ 63,331	$ 9,784	$ 9,784
Fixed-Income Mutual Funds	1,599,293	1,658,963	1,105,224	1,129,066
Equity Mutual Funds	702,459	769,925	605,044	498,750
TIFF Multi-Asset Fund	1,880,308	2,480,590	3,740,244	4,135,172
Total investments	$ 4,245,391	$ 4,972,809	$ 5,460,296	$ 5,772,772

NOTE 4 - INVESTMENTS (Continued)

TIFF Multi-Asset Fund is a mutual fund consisting of a variety of investments, including cash equivalents, global stocks, high-yield bonds, commodities, REITs, inflation and inflation-linked bonds.

Investment (loss) income for the years ended December 31 is composed of the following:

	2018	2017
Interest	$ 1,526	$ 958
Dividends	66,705	45,196
General and administrative expense	(15,547)	(11,471)
Endowment transfer	9,764	7,577
Capital gains and other additions	58,222	531,667
Realized and unrealized (loss) gain, net	(305,978)	199,029
	$ (185,308)	$ 772,956

Investments are exposed to various risks such as interest rate, market and credit risks. The Foundation's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation's investment policy. The degree and concentration of credit risk varies by type of investment. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 5 - FAIR VALUE MEASUREMENT

The Foundation has implemented FASB ASC topic Fair Value Measurement, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

The Foundation discloses the category of assets and liabilities measured at fair value into one of three different levels, depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active, but for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of inputs significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation measures fair value based on actively traded markets where prices are either based on direct market quotes or observed transactions, where available. While the Foundation believes that these valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

The valuations of the Foundation's assets and liabilities measured at fair value on a recurring basis according to the fair value hierarchy are summarized as follows at December 31:

	Fair Value Measurement at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 63,331	-	-	$ 63,331
Fixed-income mutual funds:				
Other fixed income	1,599,293	-	-	1,599,293
Equity mutual funds:				
Large cap funds	446,805	-	-	446,805
Mid cap funds	104,228	-	-	104,228
Small cap funds	84,557	-	-	84,557
International developed	48,200	-	-	48,200
Emerging markets	18,669	-	-	18,669
Assets in the fair value hierarchy	$ 2,365,083	-	-	2,365,083
Investments measured at NAV (a)				
TIFF multi-asset fund				1,880,308
Total fair value of assets				$ 4,245,391

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

	Fair Value Measurement at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 9,784	-	-	$ 9,784
Fixed-income mutual funds:				
Other fixed income	1,105,224	-	-	1,105,224
Equity mutual funds:				
Large cap funds	366,067	-	-	366,067
Mid cap funds	97,541	-	-	97,541
Small cap funds	79,680	-	-	79,680
International developed	44,998	-	-	44,998
Emerging markets	16,758	-	-	16,758
Assets in the fair value hierarchy	$ 1,720,052	-	-	1,720,052
Investments measured at NAV (a)				
TIFF multi-asset fund				3,740,244
Total fair value of assets				$ 5,460,296

(a) In accordance with the Foundation's adoption of ASU 2015-07 and ASC Subtopic 820-10, certain investments were measured at NAV per share (or its equivalent) as a practical expedient, and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

NOTE 6 - INVENTORY

The Foundation's inventory at December 31 is summarized as follows:

	2018	2017
Pharmaceuticals	$ 8,395,932	$ 21,165,253
Medical equipment and supplies	872,379	967,637
Educational materials	6,365,946	610,438
Humanitarian supplies	45,298	43,861
	$ 15,679,555	$ 22,787,189

NOTE 7 - PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31 are summarized as follows:

	2018	2017
Building and improvements	$ 2,070,431	$ 1,928,329
Equipment and furniture	716,233	585,291
	2,786,664	2,513,620
Less - Accumulated depreciation	835,252	694,755
	1,951,412	1,818,865
Land	213,201	213,201
Property and equipment, net	$ 2,164,613	$ 2,032,066

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consist of the following:

	2018	2017
Subject to expenditure for specified purpose:		
Worldwide health and educational programs	$ 1,111,840	$ 1,763,984
Perpetual in nature	392,996	448,220
	$ 1,504,836	$ 2,212,204

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose were $1,736,707 and $1,402,725 for the years ended December 31, 2018 and 2017, respectively.

NOTE 9 - ENDOWMENT

The endowment consists of an investment fund established primarily for programming and operating needs of the Foundation and includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 9 - ENDOWMENT (Continued)

Interpretation of Relevant Law - The Board of Trustees of the Foundation has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) for the donor-restricted endowment funds. Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect, in writing, a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on the previous 12 quarters. The Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included net assets with donor restrictions as well. In accordance with Act 141, the Foundation has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Foundation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund;
2. Preserving the spending power of the assets;
3. Obtaining maximum investment return with reasonable risk and operational consideration; and
4. Complying with applicable laws.

Change in the endowment fund for the years ended December 31 is represented as follows:

	2018	2017
Endowment net assets beginning of year	$ 448,220	$ 386,391
Investment return:		
Investment income	9,456	60,268
Net (depreciation) appreciation	(54,916)	9,138
	402,760	455,797
Appropriation of endowment assets for expenditure	(9,764)	(7,577)
Endowment net assets end of year	$ 392,996	$ 448,220

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding for programs and initiatives supported by the endowment. The policies are also intended to protect the integrity of the assets and achieve the optimal return possible within the specified risk parameters. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation viewing the assets as having a long-term horizon with moderate liquidity needs, and has taken a long-term investment posture, which favors equity holdings.

NOTE 9 - ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy - In accordance with Act 141, the Foundation annually transfers between 2% and 7% of the previous three years' market value average of the endowment fund to unrestricted net assets for use in operations. In 2018 and 2017, the spendable return totaled 2% or $9,764 and $7,577, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation has no underwater endowment funds at December 31, 2018 and 2017. The original corpus of the endowment funds is $300,000.

NOTE 10 - GIFTS-IN-KIND

Recognition of donated materials and supplies or "gifts-in-kind" (GIK) revenue is limited to such contributions that the Foundation takes possession of, or gains constructive title to, as the original recipient; are received and/or handled in partnership with an end-user agency; or are used in Foundation programs. During 2018 and 2017, respectively, the Foundation had three contributors that donated medical materials that aggregated 95% and 84% of total contributed materials.

The Foundation also assists as an agent in the shipment of GIK that are designated for other charitable organizations. The value of these shipments is minimal and is not reflected in the accompanying financial statements, since the Foundation does not have variance power over these transactions.

NOTE 11 - RETIREMENT PLANS

The Foundation has a noncontributory pension plan covering all qualified personnel. Contributions to the plan are determined by the Foundation but are limited to 15% of the total compensation of the participants for the year. The Foundation's contributions to the plan approximated $107,000 and $62,000 for 2018 and 2017, respectively.

In addition, the Foundation has a Section 403(b) plan covering substantially all employees. Participants may contribute up to 15% of their compensation. The plan does not provide for contributions by the Foundation.

NOTE 12 - ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited based on an analysis of staff time spent on, and/or floor space dedicated to, the related activities.

NOTE 13 - LEASES

The Foundation has a lease agreement for warehouse space, which, as amended, is effective through June 30, 2020. The amendment restated the monthly rent payments to approximately $6,400 for the next year and $6,500 for the final year.

The Foundation also has an operating lease agreement for the rental of warehouse space in Maryland on a month-to-month basis. The terms of the lease agreement call for monthly base rent of approximately $3,631, and additional monthly operating expense overhead charges and a one-month abatement period.

Additionally, from time to time, the Foundation leases office equipment. Each lease agreement is typically effective for a period of five years. The future rental payments are included in the table below.

Total rental expense amounted to approximately $200,000 and $216,000 at December 31, 2018 and 2017, respectively.

Future minimum rental payments under the operating leases are expected to be as follows:

Year Ending December 31	Amount
2019	$ 88,000
2020	49,000
2021	6,000
2022	3,000
	$ 146,000