

ONWORLD HEALTH
(FORMERLY PALMETTO MEDICAL INITIATIVE, INC.)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

ONEWORLD HEALTH
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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WELCH, ROBERTS, AMBURN & HUTTO, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
OneWorld Health

We have audited the accompanying financial statements of OneWorld Health (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 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 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. 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 OneWorld Health 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.

Welch, Roberts, Amburn & Hutto, LLC

Welch, Roberts, Amburn & Hutto, LLC
Charleston, South Carolina
December 17, 2018

MEMBERS, AMERICAN INSTITUTE OF CPAS, SOUTH CAROLINA ASSOCIATION OF CPAS

157 East Bay Street • Charleston, South Carolina 29401
(843) 577-0148 • Fax (843) 577-4317 • www.wrahcpa.com

ONEWORLD HEALTH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents (Note 2)	\$ 1,038,429	\$ 690,227
Accounts receivable	52,334	36,842
Prepaid expenses	3,106	2,850
Employee advance	228	253
Receivable - related party (Note 9)	-	3,000
Promises to give, net (Note 3)	70,987	136,766
Other assets (Note 4)	37,009	47,024
Property and Equipment, net (Note 5)	1,669,136	1,621,426
Deposits	1,300	1,300
Total Assets	\$ 2,872,529	\$ 2,539,688
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 117,980	\$ 12,056
Credit card payable	6,331	30,995
Payroll tax liabilities	1,731	9,802
Accrued wages	-	13,383
Pension withheld and accrued (Note 13)	1,537	1,341
Accrued employee benefits	12,065	-
Other tax liabilities	3,059	-
Demand note payable (Note 6)	-	4,000
NBSC line of credit (Note 7)	12,874	28,276
Deferred revenue - mission trips (Note 1)	149,927	207,007
Due to Burundi donors (Note 14)	-	110,038
Loans payable (Note 10)	145,840	146,324
Total Liabilities	451,344	563,222
Net Assets:		
Unrestricted	2,350,198	1,839,700
Temporarily Restricted (Note 15)	70,987	136,766
Total Net Assets	2,421,185	1,976,466
Total Liabilities and Net Assets	\$ 2,872,529	\$ 2,539,688

The accompanying Independent Auditors' Report and notes
are an integral part of these consolidated financial statements.

ONEWORLD HEALTH
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributed goods and services (Note 1)	\$ 886,681	\$ -	\$ 886,681
Fundraising events	816,778	-	816,778
Contributions (Note 1)	921,116	-	921,116
Mission trip income (Note 1)	1,114,245	-	1,114,245
Grants received (Note 1)	57,531	-	57,531
Clinic service fees (Note 1)	444,693	-	444,693
Refunds	(3,957)	-	(3,957)
Miscellaneous income	32,039	-	32,039
Currency translation	(9,744)	-	(9,744)
Net Assets Released from Restrictions:			
Expiration of Restrictions	65,779	(65,779)	-
Total Revenue	4,325,161	(65,779)	4,259,382
Expenses:			
Program Services:			
Masindi, Uganda	1,001,326	-	1,001,326
El Viejo, Nicaragua	637,008	-	637,008
Sebaco, Nicaragua	204,270	-	204,270
Bulima, Uganda	50,329	-	50,329
Kijunjubwa, Uganda	862	-	862
Tola, Nicaragua	175,019	-	175,019
Mayoreo, Nicaragua	455	-	455
Nicaragua Regional	562,800	-	562,800
Uganda Regional	397,184	-	397,184
Total Program Services	3,029,253	-	3,029,253
Support Services:			
General and administrative	595,545	-	595,545
Fundraising (Note 11)	189,865	-	189,865
Total Support Services	785,410	-	785,410
Total Expenses	3,814,663	-	3,814,663
Change in Net Assets	510,498	(65,779)	444,719
Net Assets, Beginning of Year	1,839,700	136,766	1,976,466
Net Assets, End of Year	\$ 2,350,198	\$ 70,987	\$ 2,421,185

The accompanying Independent Auditors' Report and notes
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ONEWORLD HEALTH
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributed goods and services (Note 1)	\$ 1,109,404	\$ -	\$ 1,109,404
Fundraising events	140,100	-	140,100
Contributions (Note 1)	926,999	-	926,999
Mission trip income (Note 1)	733,115	-	733,115
Grants received (Note 1)	225,335	-	225,335
Clinic service fees (Note 1)	350,964	-	350,964
Miscellaneous income	17,999	-	17,999
Interest income	6	-	6
Currency translation	(5,993)	-	(5,993)
Net Assets Released from Restrictions:			
Expiration of Restrictions	228,049	(228,049)	-
Total Revenue	3,725,978	(228,049)	3,497,929
Expenses:			
Program Services:			
Masindi, Uganda	886,106	-	886,106
El Viejo, Nicaragua	612,529	-	612,529
Sebaco, Nicaragua	766,166	-	766,166
Bulima, Uganda	11,181	-	11,181
Kijunjubwa, Uganda	5,995	-	5,995
Tola, Nicaragua	1,822	-	1,822
Nicaragua Regional	340,852	-	340,852
Uganda Regional	234,292	-	234,292
Total Program Services	2,858,943	-	2,858,943
Support Services:			
General and administrative	490,901	-	490,901
Fundraising (Note 11)	86,664	-	86,664
Total Support Services	577,565	-	577,565
Total Expenses	3,436,508	-	3,436,508
Change in Net Assets before Discontinued Operations	289,470	(228,049)	61,421
Discontinued operations - Burundi (Note 14)	9,688	-	9,688
Change in Net Assets	279,782	(228,049)	51,733
Net Assets, Beginning of Year	1,559,918	364,815	1,924,733
Net Assets, End of Year	\$ 1,839,700	\$ 136,766	\$ 1,976,466

The accompanying Independent Auditors' Report and notes
are an integral part of these consolidated financial statements.

ONEWORLD HEALTH
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2017	2016
Cash flows Provided by (Used in) Operating Activities:		
Change in Net Assets	\$ 444,719	\$ 51,733
Adjustments to reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization	140,123	121,935
Gain on asset sale	-	(1,278)
(Increase) Decrease in Assets:		
Accounts receivable	(15,492)	(9,857)
Prepaid expenses	(256)	(1,858)
Employee advance	25	(253)
Burundi funds held by PTI	-	6,160
Receivable - related party	3,000	300
Promises to give, net	65,779	228,049
Other assets	10,015	9,263
Deposits	-	6,450
Increase (Decrease) in Liabilities:		
Accounts payable	105,924	4,063
Credit card payable	(24,664)	29,083
Accrued wages	(13,383)	13,383
Payroll tax liabilities	(8,071)	4,311
Pension withheld and accrued	196	192
Accrued employee benefits	12,065	-
Other tax liabilities	3,059	-
Deferred revenue - mission trips	(57,080)	157,101
Due to Burundi donors	(110,038)	(53,608)
Net Cash Provided by Operating Activities	555,921	565,169
Cash Flows Provided by (Used in) Investing Activities:		
Purchases of property and equipment	(187,833)	(785,914)
Proceeds from sale of fixed assets	-	4,960
Net Cash Used in Investing Activities	(187,833)	(780,954)
Cash Flows Provided by (Used in) Financing Activities:		
Demand note payable borrowing	(4,000)	-
Line of credit borrowing, net	(15,402)	28,276
Long term borrowing	156,000	156,000
Long term repayments	(156,484)	(9,676)
Net Cash Provided by (Used in) Financing Activities	(19,886)	174,600
Net Increase (Decrease) in Cash and Cash Equivalents	348,202	(41,185)
Cash and Cash Equivalents at Beginning of Year	690,227	731,412
Cash and Cash Equivalents at End of Year	\$ 1,038,429	\$ 690,227
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 7,339	\$ 3,955

The accompanying Independent Auditors' Report and notes
are an integral part of these consolidated financial statements.

ONEWORLD HEALTH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Masindi, Uganda	El Viejo, Nicaragua	Sebaco, Nicaragua	Bulima, Uganda	Kijunjubwa, Uganda	Tola, Nicaragua	Mayoreo, Nicaragua	Nicaragua, Regional	Uganda, Regional	General and Administrative	Fundraising	Total Expenses
Auto expense	\$ 5,818	\$ 1,106	\$ 2	\$ 168	\$ 23	\$ 495	\$ -	\$ 7,230	\$ 2,785	\$ -	\$ -	\$ 17,627
Legal and professional fees	-	-	160	-	-	118	371	9,657	2,725	117,400	-	130,431
Contract labor	1,715	19,117	12,939	351	87	2,463	-	9,690	2,021	-	-	48,383
Business registration fees	131	-	-	-	-	831	-	-	50	-	-	1,012
Outside contract services	7,121	29	327	-	-	655	-	1,623	-	2,000	-	11,755
In-kind doctors' services	296,292	373,440	-	-	-	-	-	-	-	-	-	669,732
Consulting	-	-	-	-	-	-	-	-	-	20,546	-	21,593
Depreciation	67,088	36,810	9,710	5,748	-	1,358	-	624	2,045	14,115	-	137,498
Amortization	-	-	-	-	-	-	-	-	-	2,625	-	2,625
Building rent (Note 8)	-	-	44	389	145	185	-	8,190	392	2,350	-	11,695
Equipment rent and maintenance	770	971	77	-	-	181	22	860	-	1,778	-	4,659
Utilities	6,010	4,322	2,878	467	-	2,020	-	2,673	-	4,588	-	22,958
Dues and subscriptions	9	37	37	-	-	37	-	85	51	14,755	-	15,011
Postage	-	-	52	-	-	52	-	344	23	1,889	-	2,308
Bank charges	787	65	200	76	13	59	62	2,045	1,707	3,485	-	8,499
Stationery and printing	7,185	5	6	147	-	-	-	51	-	5,296	-	12,690
Office expenses	2,585	3,031	2,230	51	399	7,249	-	7,446	385	2,966	15	26,357
Repair and maintenance - buildings	11,608	1,082	2,264	290	-	1,215	-	573	1,897	-	-	18,929
Supplies	10,145	3,502	2,271	2,013	-	11,742	-	4,638	586	-	-	34,897
Drugs and supplies	109,796	66,868	47,318	11,182	-	41,540	-	2,727	7,283	-	-	286,714
Uniforms	905	46	227	53	-	236	-	257	-	-	-	1,724
Telephone and internet	3,035	911	1,029	447	-	159	-	2,358	886	8,960	-	17,785
Promotional and marketing (Note 12)	3,191	2,227	2,443	1,154	-	13,447	-	10,896	313	100,664	73,627	207,962
Sponsored patients	1,508	-	-	3,766	75	-	-	538	23,772	-	-	29,121
Liability insurance	-	-	-	-	-	-	-	-	9,246	3,722	-	13,506
Workers' compensation	-	-	-	-	-	-	-	-	-	15,573	-	15,573
Interest expense	-	-	-	-	-	-	-	-	-	7,339	-	7,339
Salaries and wages	79,065	29,309	27,877	15,969	-	16,997	-	175,764	150,227	98,524	84,173	677,905
Payroll taxes	33,854	5,014	5,456	3,291	-	2,509	-	1,557	-	36,453	-	88,134
Taxes and licenses	3,254	2,220	1,629	684	-	625	-	5,758	892	8,061	-	23,123
Employee benefits	43,560	4,509	4,197	3,441	115	4,092	-	13,621	38,183	69,949	7,254	188,921
Retirement plan expense (Note 13)	-	-	-	-	-	-	-	5,147	5,695	2,319	3,490	16,651
Conferences and meetings	871	-	-	-	5	-	-	52	1,538	4,812	-	7,278
Travel	297,734	76,563	80,841	642	-	66,532	-	286,724	142,780	43,434	20,185	1,015,435
Travel meals	-	5,824	56	-	-	150	-	861	-	1,942	-	6,891
Meals and entertainment	-	-	-	-	-	124	-	811	655	-	1,121	4,653
Bad debt expense	3,235	-	-	-	-	-	-	-	-	-	-	3,235
Theft loss	4,054	-	-	-	-	-	-	-	-	-	-	4,054
	\$ 1,001,326	\$ 637,008	\$ 204,270	\$ 50,329	\$ 862	\$ 175,019	\$ 455	\$ 562,800	\$ 397,184	\$ 595,545	\$ 189,865	\$ 3,814,663

The accompanying Independent Auditors' Report and notes are an integral part of these consolidated financial statements.

ONEWORLD HEALTH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Masindi, Uganda	El Viejo, Nicaragua	Sebaco, Nicaragua	Bulima, Uganda	Kijunjubwa, Uganda	Tola, Nicaragua	Nicaragua, Regional	Uganda, Regional	General and Administrative	Fundraising	Total Expenses
Auto expense	\$ 2,512	\$ 201	\$ -	\$ -	\$ -	\$ 117	\$ 5,917	\$ 2,769	\$ 252	\$ -	\$ 11,768
Legal and professional fees	-	4,023	2,850	-	-	400	17,993	5,515	55,180	-	85,961
Contract labor	2,695	16,958	8,059	-	-	-	980	1,123	-	-	29,815
Business registration fees	1,134	-	-	131	567	-	-	3,791	-	-	5,623
Outside contract services	8,591	-	-	-	-	-	-	-	-	-	8,591
In-kind doctors' services	144,900	235,008	-	-	-	-	-	-	-	-	379,908
Consulting	-	-	-	-	-	-	-	-	31,850	-	31,850
Depreciation	62,655	36,712	7,422	2,377	-	-	321	1,576	-	-	120,286
Amortization	-	-	-	-	-	-	-	-	1,649	-	1,649
Building rent (Note 8)	-	-	-	-	-	-	9,150	1,363	7,956	-	18,469
Equipment rent and maintenance	-	-	-	84	-	-	110	-	374	-	568
Utilities	4,166	3,437	1,583	-	-	-	410	-	2,628	-	12,224
Dues and subscriptions	-	-	-	-	-	-	107	-	16,423	-	16,530
Postage	9	-	-	-	-	-	1,221	140	1,102	-	2,472
Bank charges	237	384	250	3	-	-	3,070	1,749	2,386	-	8,079
Stationery and printing	4,281	257	329	-	-	-	101	-	7,796	-	12,764
Office expenses	983	2,254	2,989	424	-	34	1,862	648	4,260	-	13,454
Repair and maintenance - buildings	4,816	1,569	3,078	263	116	-	299	-	7,343	-	17,484
Supplies	8,369	5,292	4,428	1,396	5,277	713	785	2,496	-	-	28,756
Drugs and supplies	122,781	48,880	607,526	5,559	-	404	1,792	1,007	-	-	787,949
Laundry	-	62	-	-	-	-	-	-	-	-	62
Uniforms	717	274	1,367	-	-	-	-	-	-	-	2,358
Telephone and internet	1,663	1,776	3,066	70	20	-	3,048	970	11,217	-	21,830
Promotional and marketing (Note 12)	5,037	3,150	3,604	389	15	-	710	121	55,182	195	68,403
Fundraising expenses	-	-	-	-	-	-	-	-	-	1,144	1,144
Sponsored patients	6,282	25	59	-	-	-	-	-	-	-	6,366
Liability insurance	-	-	-	-	-	-	-	9,824	11,089	-	20,913
Workers' compensation	-	-	-	-	-	-	-	-	23,619	-	23,619
Interest expense	-	-	-	-	-	-	-	-	3,955	-	3,955
Penalties	-	18	-	-	-	-	-	-	-	-	18
Salaries and wages	90,211	30,933	26,481	-	-	-	134,781	128,990	96,267	50,712	558,375
Payroll taxes	20,672	5,373	3,989	-	-	-	1,831	-	30,852	-	62,717
Taxes and licenses	2,138	665	1,253	-	-	-	5,407	-	1,712	-	11,175
Employee benefits	46,044	1,109	314	313	-	-	19,877	20,302	20,111	4,673	112,743
Retirement plan expense (Note 13)	-	-	-	-	-	-	4,290	4,320	2,853	2,029	13,492
Conferences and meetings	122	168	100	172	-	143	8,161	260	9,723	-	18,534
Travel	347,449	213,706	87,320	17	-	11	117,311	47,046	7,662	25,684	846,493
Travel meals	-	36	17	-	-	-	156	-	-	-	220
Meals and entertainment	-	100	82	-	-	-	1,162	282	449	2,227	4,302
Bad debt expense	746	-	-	-	-	-	-	-	66,121	-	66,867
(Gain)/loss on asset sale	(3,104)	159	-	-	-	-	-	-	1,667	-	(1,278)
	\$ 886,106	\$ 612,529	\$ 766,166	\$ 11,181	\$ 5,995	\$ 1,822	\$ 340,852	\$ 234,292	\$ 490,901	\$ 86,664	\$ 3,436,508

The accompanying Independent Auditors' Report and notes are an integral part of these consolidated financial statements.

ONEWORLD HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies:

Nature of the Organization:

OneWorld Health (the "Organization") (a nonprofit organization) was organized in 2009 under the name of Palmetto Medical Initiative, Inc. The name of the Organization was changed to OneWorld Health on December 21, 2016 to better describe the Organization's global mission. The purpose of the Organization is to assist with healthcare needs of third world countries by providing healthcare professionals with the opportunity and resources to administer healthcare in such countries. The Organization is supported primarily through donor contributions in the United States. Mission trips are organized to third world countries for the purpose of administering healthcare. The Organization also assists with operating clinics in Uganda, Nicaragua, and Burundi (See Note 14). The Consolidated Statement of Functional Expenses includes the costs associated with operating the local clinics and expenses of the mission trips.

The Organization incurred \$862 and \$455 of startup costs related to locations in Kijunjubwa, Uganda and Mayoreo, Nicaragua, respectively, during the year ended June 30, 2017. An additional \$5,995 of start up costs were incurred at the Kijunjubwa, Uganda location during the year ended June 30, 2016. These expenses were incurred in the planning and development phase in preparation for operating future clinics at these locations. As of June 30, 2017 and 2016, no clinical operations or healthcare were being provided at these locations.

Basis of Accounting and Consolidation:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the Organization, its wholly owned subsidiary, Palmetto Medical Initiative Uganda, and the not-for-profit entity Fundacion Cristiana Iniciativa Medica Palmetto. All significant intercompany transactions have been eliminated.

Basis of Presentation:

The financial statements are presented following the requirements of the Financial Accounting Standards Board in its statement of Accounting Standards Codification (FASB ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC No. 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restriction on their use. Temporarily restricted net assets are restricted as to time or purpose as designated by the donor. All net assets other than those subject to temporary or permanent donor-imposed restrictions, including Board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. As of June 30, 2017 and 2016, the Organization had temporarily restricted net assets of \$70,987 and \$136,766 respectively, and no permanently restricted net assets.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

ONEWORLD HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Revenue, Receivables, and Other Support:

Contributions are recognized when they are received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. All revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions. Restricted donations that are received and have their restriction expire in the same period are included in unrestricted net assets. The Organization did not receive any temporarily or permanently restricted contributions during the years ended June 30, 2017 or 2016.

Revenues from government and private grants are recognized as earned in accordance with the terms of the grant or contract. Any grant payments received before they have been expended are recorded as a refundable advance. Projects funded by grants that incur expenses prior to payment receipt are recorded as revenue with a corresponding receivable. There were no refundable advances or receivables at June 30, 2017 or 2016.

Revenues from providing clinical services to patients are recognized as earned at the time the services are performed. The clinics perform ongoing credit evaluations of its patients' financial condition and generally issues credit to patients and requires no collateral before performing services.

The Organization invoices mission trip volunteers for the cost of travel and lodging, plus a service fee to cover associated overhead costs. Funds received from volunteers related to mission trips scheduled subsequent to the end of the fiscal year are recorded as deferred revenue - mission trips in the Consolidated Statement of Financial Position. Mission trip income for the year ended June 30, 2017, was \$1,114,245 and payments for future trips recorded as deferred revenue - mission trips was \$149,927 at June 30, 2017. Mission trip income for the year ended June 30, 2016 was \$733,115 and payments for future trips recorded as deferred revenue - mission trips was \$207,007 at June 30, 2016.

Allowance for Doubtful Accounts:

The Organization allows for estimated losses on patient accounts receivable and promises to give based on prior bad debt experience and management's review of existing receivables and promises to give. Bad debt recoveries are charged against the allowance account as realized. Based on these factors, there is no allowance for doubtful accounts at June 30, 2017 or 2016. The corresponding charge to bad debts was \$3,235 and \$66,867 for the years ended June 30, 2017 and 2016, respectively, representing losses on patient accounts receivable for the year ended June 30, 2017 and primarily promises to give that were determined to be uncollectible for the year ended June 30, 2016.

ONEWORLD HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Property and Equipment:

The Organization capitalizes property and equipment costing over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets: 3 to 10 years for website design, equipment, furniture and fixtures, and vehicles and 39 years for buildings.

Income Taxes:

OneWorld Health was organized as a corporation under the laws of the State of South Carolina. The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and from State taxation under South Carolina Code of Laws, 1962, Section 65-222. The Organization is classified by the Internal Revenue Service as other than a private foundation.

The Organization follows accounting guidance with respect to how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. As of June 30, 2017 and 2016, management has reviewed all open tax years and jurisdictions and concluded the accounting guidance resulted in no impact to the Organization's financial position or results of operations. The Organization's Form 990, Return of an Organization Exempt from Income Tax, for the years ending June 30, 2017, 2016 and 2015 are subject to examination by the IRS generally for three years after they were filed.

Contributed Goods and Services:

For the years ended June 30, 2017 and 2016, \$886,681 and \$1,109,404, respectively, are reflected in the Consolidated Statement of Activities for donated goods and services. These services consist primarily of medical supplies, accounting and taxation assistance and over 10,600 and 7,500 hours respectively, of healthcare services provided to patients during mission trips. There are other volunteer services that the Organization receives throughout the year. However, these services do not meet the criteria for recognition as contributed services.

Contributed goods and services consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Accounting and tax services	\$ 87,550	\$ 51,830
Volunteer medical services	669,732	379,908
Orthopedic implants	107,371	588,736
Other supplies	22,028	36,430
Furniture	-	52,500
	<u>\$ 886,681</u>	<u>\$ 1,109,404</u>

ONEWORLD HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - Summary of 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 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.

Foreign Currency Transactions and Balances:

Foreign currency transactions are translated into the functional currency of the Organization using the weighted average exchange rate during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the Statement of Activities. Non-monetary items are not retranslated at year-end and are measured at historical cost translated using the weighted average exchange rate at the transaction date.

Note 2 - Cash and Cash Equivalents:

Cash and cash equivalents consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 1,851	\$ 5,649
Checking	1,036,478	684,478
Savings	<u>100</u>	<u>100</u>
Total cash and cash equivalents	<u>\$ 1,038,429</u>	<u>\$ 690,227</u>

The Organization maintains its checking accounts at several banks. Accounts at U.S. financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The amount in excess of the insured limits at June 30, 2017 and 2016 was \$555,606 and \$258,284, respectively. Accounts at Uganda financial institutions are insured by the Deposit Protection Fund for up to 5,000,000 UGX (approximately \$1,400 at June 30, 2017). The amount in excess of the insured limits at June 30, 2017 and 2016 was 355,815,063 UGX or approximately \$99,628 and 195,816,373 UGX or approximately \$54,829, respectively. Accounts at Nicaragua financial institutions are insured by the Financial Deposit Guarantee Fund up to \$10,000. The amount in excess at June 30, 2017 and 2016 was \$117,975 and \$107,475, respectively. The Organization maintains its cash balances at high quality institutions and has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3 - Promises to Give:

Unconditional promises to give consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 63,542	\$ 68,242
One to five years	<u>7,638</u>	<u>69,780</u>
	71,180	138,022
Less discount to present value	<u>(193)</u>	<u>(1,256)</u>
	<u>\$ 70,987</u>	<u>\$ 136,766</u>

Promises to give are considered temporarily restricted and are recognized at fair value, using present value techniques when the donor makes an unconditional promise to give to the Organization. The discount rate increased .55% during the year from 1.41% at June 30, 2016 to 1.96% at June 30, 2017. During the prior year, the discount rate decreased .19% from 1.60% at June 30, 2015 to 1.41% at June 30, 2016.

Note 4 - Other Assets:

Other assets are comprised primarily of medical items donated by various donors and used in patient care.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Website design	\$ 26,250	\$ 26,250
Buildings	1,015,092	873,364
Medical Equipment	407,180	362,098
Furniture and fixtures	115,716	112,196
Vehicles	241,171	241,171
Construction in progress	<u>309,804</u>	<u>312,301</u>
	2,115,213	1,927,380
Less accumulated depreciation	<u>(446,077)</u>	<u>(305,954)</u>
	<u>\$ 1,669,136</u>	<u>\$ 1,621,426</u>

Depreciation and amortization included in expenses amounted to \$140,123 and \$121,935 for the years ended June 30, 2017 and 2016, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6 - Demand Note Payable:

The Organization's demand note payable consists of the following at June 30,

	<u>2017</u>	<u>2016</u>
Interest free note payable to Monica Alicia Rios Carillo, due on demand, secured by land and building	<u>\$ -</u>	<u>\$ 4,000</u>

Note 7 - Line of Credit:

During the fiscal year ended June 30, 2016, the Organization entered into a \$100,000 revolving line of credit with NBSC, to be used for working capital purposes. The line of credit expired on November 19, 2016 and was renewed on December 2, 2016 for one year. Amounts outstanding under the revolving loan bear interest at the bank's prime rate plus 1% (4.25% at June 30, 2017). Borrowings under this agreement at June 30, 2017 and 2016 totaled \$12,874 and \$28,276, respectively. The loan is due on demand, and accordingly, has been classified as current.

Note 8 - Leases:

The Organization leased its offices in Charleston, South Carolina on a month to month basis from July 1, 2014 through September 30, 2015. Rent expense under this lease for the year ended June 30, 2016 was \$5,654. On August 11, 2015, the Organization purchased a building for its U.S. corporate offices and are no longer leasing office space. (See Note 10 - Long term debt).

Note 9 - Related Parties:

During the year ended June 30, 2015, the Organization sold a vehicle to one of its employees in Nicaragua for \$3,600 resulting in a gain of \$324. At June 30, 2016, the employee owed the Organization \$3,000 for the vehicle. This debt was repaid during the fiscal year ended June 30, 2017.

Note 10 - Long Term Debt:

Long term debt consisted of the following at June 30,

	<u>2017</u>	<u>2016</u>
Mortgage note payable to NBSC, monthly payments of \$908.79 including interest at the rate of 3.5%. Secured by land and building. Balloon payment due August 10, 2020	\$ 145,840	\$ 146,324
Less current portion	<u>5,900</u>	<u>5,880</u>
Total long term debt	<u>\$ 139,940</u>	<u>\$ 140,444</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 10 - Long Term Debt (Continued):

Annual maturities of long term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 5,900
2019	6,110
2020	<u>133,830</u>
	<u>\$ 145,840</u>

Note 11 - Fundraising Activities:

The Organization's CEO and Executive Director devote a percentage of their time traveling, meeting and soliciting donors. For the year ended June 30, 2017 the CEO spent 75% of his time and for the years ended June 30, 2017 and 2016, the Executive Director spent 25% and 40% respectively on these fundraising activities. For the years ended June 30, 2017 and 2016, these expenses amounted to \$189,865 and \$86,664, respectively, and are included in the Consolidated Statement of Functional Expenses.

Note 12 - Promotional and Marketing:

During the year ended June 30, 2017 and 2016, the Organization incurred \$207,962 and \$68,403 of promotional and marketing expenses, respectively. Included in this amount, for the year ended June 30, 2017, is \$73,627 of expenses related to promoting fundraising events. Included in this amount, for the year ended June 30, 2016, is \$7,085 of rebranding expenses associated with the Organization's name change from Palmetto Medical Initiative, Inc. to OneWorld Health.

Note 13 - Retirement Plan:

The Organization sponsors a 401(k) plan, (the "Plan"), which provides employees the ability to defer up to 100% of their annual compensation up to a maximum of \$18,000 for the years ended June 30, 2017 and 2016. The Organization makes matching contributions up to a maximum of 4% of employee wages. Discretionary employer contributions are also permitted. Employer matching and discretionary contributions made in the years ended June 30, 2017 and 2016 were \$16,651 and \$13,492, respectively.

Note 14 - Discontinued Operations - Burundi:

During the fourth quarter of the year ended June 30, 2015, the Burundi clinical operations were terminated due to the country's unstable social climate. At that time, the Organization had \$163,646 in contributions that had been received specifically for use in Burundi clinical operations. During the fiscal year ended June 30, 2017 and 2016, \$110,038 and \$53,608 was returned to the original donors, respectively. Expenses during the year ended June 30, 2016 totaling \$9,688 are related to winding up the affairs in Burundi and are included on the Statement of Activities as discontinued operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 15 - Restrictions on Net Assets:

Funds Received for Future Purposes:

Temporary restrictions on net assets as of June 30, 2017 and 2016 are related to contributions received for future years. Temporarily restricted net assets were restricted for the following purposes and periods as of June 30,

	<u>2017</u>	<u>2016</u>
For Subsequent Periods	<u>\$ 70,987</u>	<u>\$ 136,766</u>

Net Assets Released from Restrictions:

Net assets were released by the passage of time for contributions received in the prior year restricted by donors for future years and by the use of funds as restricted by the donor. Net assets released from restrictions consisted of the following for the years ending June 30,

	<u>2017</u>	<u>2016</u>
Expiration of Time Restrictions	<u>\$ 65,779</u>	<u>\$ 228,049</u>

Note 16 - Subsequent Events:

The Organization has evaluated events through December 17, 2018, the date which the financial statements were available to be issued, and no matters came to their attention that would require adjustments to the consolidated financial statements. Further, no matters came to the Organization's attention that would require disclosure in the financial statements, except for the following matter.

The Organization recognizes that there is political instability in Nicaragua. The Organization will continue to monitor the situation as it has potential impact on future operations in that country.