

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE

REPORT ON AUDIT OF COMBINED
FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE

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Certified Public Accountant

P.O. Box 164, Hunt Valley, Maryland 21030

INDEPENDENT AUDITOR'S REPORT

To The Boards of Directors
Health Volunteers Overseas, Inc. and Affiliate

I have audited the accompanying combined financial statements of Health Volunteers Overseas, Inc. and Affiliate (nonprofit organizations) which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities, functional expenses and cash flows 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Health Volunteers Overseas, Inc. and Affiliate as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kimberly F. Palmisano, CPA, P.A.

Kimberly F. Palmisano, CPA, P.A.
Hunt Valley, Maryland
June 7, 2016

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION

December 31,	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 118,114	\$ 305,225
Contributions Receivable	31,800	18,150
Marketable Securities	1,392,149	1,411,663
Promise To Give	326,910	326,910
Prepaid Expenses	22,391	21,396
	<u>1,891,364</u>	<u>2,083,344</u>
TOTAL CURRENT ASSETS		
FURNITURE AND EQUIPMENT		
Equipment	30,793	29,388
Furniture and Fixtures	7,375	7,375
	<u>38,168</u>	<u>36,763</u>
Total		
	38,168	36,763
Less: Accumulated Depreciation	<u>(30,948)</u>	<u>(26,968)</u>
TOTAL FURNITURE AND EQUIPMENT, NET	<u>7,220</u>	<u>9,795</u>
OTHER ASSETS		
Deposits	6,955	5,455
Promise To Give	616,624	907,256
Charitable Remainder Trust Receivable	795,745	801,545
	<u>1,419,324</u>	<u>1,714,256</u>
TOTAL OTHER ASSETS		
	1,419,324	1,714,256
TOTAL ASSETS	<u><u>\$ 3,317,908</u></u>	<u><u>\$ 3,807,395</u></u>

Independent auditor's report and accompanying notes
are an integral part of these financial statements.

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION

December 31,	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 65,320	\$ 82,888
Deferred Registration	800	2,025
TOTAL CURRENT LIABILITIES	66,120	84,913
NET ASSETS		
Unrestricted	1,210,855	1,288,547
Temporarily Restricted	2,040,933	2,433,935
TOTAL NET ASSETS	3,251,788	3,722,482
TOTAL LIABILITIES AND NET ASSETS	\$ 3,317,908	\$ 3,807,395

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HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
INCOME			
Contributions			
In-Kind Contributions	\$ 6,658,935	\$ -	\$ 6,658,935
Member Contributions	264,716	-	264,716
Contributions - Other	273,224	141,481	414,705
Workplace Giving Contributions	7,676	-	7,676
Charitable Remainder Trust - Change in Fair Value	-	(5,800)	(5,800)
Program Service Fees	8,590	-	8,590
Publications	1,850	-	1,850
Registration	6,500	-	6,500
Grant Income	-	301,145	301,145
Net Investment Income (Loss)	(13,086)	-	(13,086)
Overhead	45,616	-	45,616
Miscellaneous	218	-	218
Net Assets Released from Restriction	829,828	(829,828)	-
TOTAL INCOME	8,084,067	(393,002)	7,691,065
General and Administrative Expenses	204,387	-	204,387
PROGRAM EXPENSES			
In-Kind Expenditures			
Professional Services Donations	4,711,402	-	4,711,402
Travel and Living Costs Paid by Volunteers	1,265,422	-	1,265,422
Equipment and Other Donations	682,111	-	682,111
Other Program	1,251,297	-	1,251,297
TOTAL PROGRAM EXPENSES	7,910,232	-	7,910,232
Fundraising Expenses	47,140	-	47,140
TOTAL EXPENSES	8,161,759	-	8,161,759
CHANGE IN NET ASSETS	(77,692)	(393,002)	(470,694)
Net Assets - Beginning of Year	1,288,547	2,433,935	3,722,482
NET ASSETS - END OF YEAR	\$ 1,210,855	\$ 2,040,933	\$ 3,251,788

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HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
INCOME			
Contributions			
In-Kind Contributions	\$ 7,477,621	\$ -	\$ 7,477,621
Member Contributions	290,732	-	290,732
Contributions - Other	574,880	1,392,396	1,967,276
Workplace Giving Contributions	12,677	-	12,677
Charitable Remainder Trust - Change in Fair Value	-	82,773	82,773
Program Service Fees	6,420	-	6,420
Publications	2,055	-	2,055
Registration	7,700	-	7,700
Grant Income	-	599,602	599,602
Investment Income	58,002	-	58,002
Overhead	80,363	-	80,363
Miscellaneous	583	-	583
Net Assets Released from Restriction	707,638	(707,638)	-
TOTAL INCOME	9,218,671	1,367,133	10,585,804
General and Administrative Expenses	172,711	-	172,711
PROGRAM EXPENSES			
In-Kind Expenditures			
Professional Services Donations	5,028,921	-	5,028,921
Travel and Living Costs Paid by Volunteers	1,271,722	-	1,271,722
Equipment and Other Donations	1,176,978	-	1,176,978
Other Program	1,280,101	-	1,280,101
TOTAL PROGRAM EXPENSES	8,757,722	-	8,757,722
Fundraising Expenses	41,678	-	41,678
TOTAL EXPENSES	8,972,111	-	8,972,111
CHANGE IN NET ASSETS	246,560	1,367,133	1,613,693
Net Assets - Beginning of Year	1,041,987	1,066,802	2,108,789
NET ASSETS - END OF YEAR	\$ 1,288,547	\$ 2,433,935	\$ 3,722,482

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HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

FUNCTIONAL EXPENSES	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total</u>
In-Kind Expenditures				
Professional Services	\$ -	\$ -	\$ 4,711,402	\$ 4,711,402
Travel and Living	-	-	1,265,422	1,265,422
Equipment and Other	-	-	682,111	682,111
Salary, Payroll Taxes and Benefits	153,353	31,233	573,019	757,605
Bank, Credit Card and Investment Fees	3,388	690	12,662	16,740
Commodities	-	-	15,482	15,482
Communications	1,151	1,287	4,016	6,454
Depreciation	805	164	3,010	3,979
Dues and Subscriptions	-	-	-	-
Fundraising	-	232	-	232
Housing	-	-	70,714	70,714
Insurance	2,057	419	7,687	10,163
Licenses and Fees	962	1,808	-	2,770
Meetings, Conferences, Trainings	1,613	-	63,197	64,810
Miscellaneous	-	-	17,808	17,808
Office Supplies	1,331	666	6,170	8,167
Overhead	-	-	45,616	45,616
Overseas Program Contractors	-	-	32,221	32,221
Postage	2,590	1,574	9,292	13,456
Printing	3,174	2,163	11,505	16,842
Professional Fees	6,962	1,355	35,674	43,991
Rent	22,111	4,499	82,628	109,238
Shipping	-	-	1,152	1,152
Special Projects	-	-	5,781	5,781
Stipends	-	-	5,400	5,400
Telephone and Internet	965	251	4,794	6,010
Travel	3,925	799	243,469	248,193
TOTAL FUNCTIONAL EXPENSES	\$ 204,387	\$ 47,140	\$ 7,910,232	\$ 8,161,759

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HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

FUNCTIONAL EXPENSES	General and Administrative	Fundraising	Program	Total
In-Kind Expenditures				
Professional Services	\$ -	\$ -	\$ 5,028,921	\$ 5,028,921
Travel and Living	-	-	1,271,722	1,271,722
Equipment and Other	-	-	1,176,978	1,176,978
Salary, Payroll Taxes and Benefits	124,124	25,117	456,528	605,769
Bank, Credit Card, and Investment Fees	3,247	658	11,940	15,845
Commodities	-	-	19,929	19,929
Communications	1,439	716	7,080	9,235
Depreciation	741	150	2,727	3,618
Dues and Subscriptions	138	28	508	674
Fundraising	-	2,689	-	2,689
Housing	-	-	66,588	66,588
Insurance	1,766	358	6,493	8,617
Licenses and Fees	-	1,636	-	1,636
Meetings, Conferences, Trainings	1,351	63	94,975	96,389
Miscellaneous	-	-	22,287	22,287
Office Supplies	800	162	7,189	8,151
Overhead	-	-	80,363	80,363
Overseas Program Contractors	-	-	67,334	67,334
Postage	2,369	1,861	8,016	12,246
Printing	2,542	2,346	10,560	15,448
Professional Fees	8,773	775	37,507	47,055
Rent	21,576	4,370	79,354	105,300
Shipping	-	-	17,320	17,320
Special Projects	-	-	3,001	3,001
Stipends	-	-	13,797	13,797
Telephone and Internet	1,051	213	5,185	6,449
Travel	2,794	536	261,420	264,750
TOTAL FUNCTIONAL EXPENSES	\$ 172,711	\$ 41,678	\$ 8,757,722	\$ 8,972,111

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HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (470,694)	\$ 1,613,693
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Charitable Remainder Trust - Change in Fair Value	5,800	(82,773)
Net Realized and Unrealized (Gains) and Losses - Marketable Securities	71,897	8,089
Depreciation	3,979	3,618
(Increase) Decrease in Operating Assets:		
Accounts and Contributions Receivable	(13,650)	578
Prepaid Expenses	(995)	(11,239)
Deposits	(1,500)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(17,568)	(2,426)
Deferred Registration	(1,225)	(75)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(423,956)</u>	<u>1,529,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,405)	(4,281)
Promises To Give	290,632	(1,234,166)
Purchase of Investment and Marketable Securities	(431,140)	(428,214)
Proceeds from Sales of Marketable Securities	378,758	179,235
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>236,845</u>	<u>(1,487,426)</u>
NET INCREASE (DECREASE) IN CASH	(187,111)	42,039
Cash and Cash Equivalents - Beginning of Year	<u>305,225</u>	<u>263,186</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 118,114</u>	<u>\$ 305,225</u>

Independent auditor's report and accompanying notes
are an integral part of these financial statements.

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 1: Summary of Significant Accounting Policies

The Organizations

Health Volunteers Overseas, Inc. ("HVO") and Orthopaedics Overseas, Inc. ("OO") (the Organizations) were incorporated as nonprofit organizations. The purpose of the Organizations is to improve the availability and quality of health care through the education, training, and professional development of the health workforce in resource-scarce countries. The Organizations design and implement educational programs which are staffed by short-term volunteers (physicians, nurses, dentists and other health care professionals). These volunteers travel overseas to teach and train local health care workers in a wide range of medical specialties.

Basis of Combination

The combined financial statements include the accounts of Health Volunteers Overseas, Inc. (HVO) and Orthopaedics Overseas, Inc. (OO). All significant inter-company accounts and transactions have been eliminated in combination. Expenses are allocated between HVO and OO (the Organizations) based on percentages agreed upon by both Boards of Directors. These expenses are allocated between functional categories based on estimated percentages of time.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*, the Organizations are required to report 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.

These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted net assets: Unrestricted net assets are not subject to donor-imposed stipulations and reflect revenue earned and expenses incurred in the operation of all the Organizations' activities. Contributions received in support of activities and investment earnings are recorded as revenue in this category unless such amounts are restricted by the donor.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed stipulations that can be met through the passage of time (time restrictions) or actions of the Organizations (purpose restrictions). As grants are awarded, expenses are incurred or time periods are met which satisfy the requirements of the restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal be invested in perpetuity and only the investment earnings be expended.

The Organizations had no permanently restricted net assets as of December 31, 2015 and 2014.

Property and Equipment

Donations of property and equipment are recorded at cost if purchased, or as support at their estimated fair value. Such donations are reported as unrestricted support 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

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organizations reclassify temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which are determined as three to five years.

Use of Estimates

The Organizations use estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Marketable Securities

Marketable Securities, whether purchased or donated, are recorded at fair value based on quoted market prices. All gains and losses are included in the statement of activities. Unrealized gains or losses on such securities are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in the market value of the assets from the beginning of the fiscal year to the date of sale.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the Organizations and the amounts reported in the combined statement of activities.

Cash Equivalents

Cash equivalents or temporary cash investments are carried at cost, which approximates market. For purposes of the statement of cash flows, the Organizations consider all temporary cash investments purchased with a maturity of three months or less and certain certificates of deposit to be cash equivalents.

In-Kind Contributions

For the year ended December 31, 2015, 486 volunteers completed 515 assignments. These volunteers donated significant amounts of their time to serve overseas. Almost all travel and living expenses associated with the training visits are paid for by the participating physicians and other health professionals. During 2015, these volunteers contributed approximately 7,118 days of service in resource-scarce countries around the world. Management's estimate of the value of such time and related travel and living expenses paid personally by such professionals is \$5,976,824. In addition to the services and expenses donated during 2015, management's estimate of the value of equipment and supplies donated to sites, along with other in-kind support, is \$682,111. These donations of in-kind support are reflected on the financial statements as offsetting contributions and program expenses.

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions (Continued)

For the year ended December 31, 2014, 472 volunteers completed 515 assignments. These volunteers donated significant amounts of their time to serve overseas. Almost all travel and living expenses associated with the training visits are paid for by the participating physicians and other health professionals. During 2014, these volunteers contributed approximately 7,324 days of service in resource-scarce countries around the world. Management's estimate of the value of such time and related travel and living expenses paid personally by such professionals is \$6,300,643. In addition to the services and expenses donated during 2014, management's estimate of the value of equipment and supplies donated to sites, along with other in-kind support, is \$1,176,978. These donations of in-kind support are reflected on the financial statements as offsetting contributions and program expenses.

Management believes that these estimates of such expenditures provide a reasonable basis for recording offsetting in-kind contributions and donations. The recording of in-kind contributions and donations has no net impact on the reported change in net assets.

Income Taxes

The Organizations are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. In addition, the Organizations have been determined by the Internal Revenue Service not to be private foundations within the meaning of §509(a) of the code. The Organizations are subject to the examination by taxing authorities of any uncertain tax positions taken. In accordance with FASB Accounting Standards Codification 740 - Income Taxes, management continually evaluates the expiring statutes of limitations, changes in tax laws and new authoritative rulings for potential examinations of income tax returns by the Internal Revenue Service. The Organizations' Forms 990 "Return of Organization Exempt From Income Tax", for the years ended 2012, 2013 and 2014 remain subject to examination by the IRS, generally for three years after filing.

Contributions Receivable

The Organizations consider contributions receivable fully collectible, therefore no allowance for doubtful accounts is required. The amounts receivable represent contributions unconditionally donated as of the year end but not as yet received, and other miscellaneous receivables.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Investment income and gains not restricted by donors are reported as increases in unrestricted net assets.

Date of Management's Review

The Organizations have evaluated subsequent events through June 7, 2016, the date which the financial statements were available to be issued.

Note 2: Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014, represent contributions from donors specified to be used in various programs sponsored by the Organizations, and time restricted contributions such as the present value of promises to give (Note 9), and the present value of charitable remainder trusts (Note 6).

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 3: Commitments

On January 10, 2003, the Organization (HVO) entered into a non-cancellable lease agreement for the operating facilities for a term of seven years commencing March 1, 2003.

Monthly rentals are adjusted throughout the lease term as defined in the lease. On April 7, 2009, the Organization entered into an amended lease agreement effective May 1, 2009 for a term of ten years.

Future minimum rentals due under the term of these leases (including lease extensions) are the following for the years ending December 31,

2016	\$ 113,721
2017	117,133
2018	120,647
2019	<u>40,610</u>
TOTAL	<u>\$ 392,111</u>

Total rent expense for the years ended December 31, 2015 and 2014 amounted to \$109,238 and \$105,300, respectively.

Note 4: Deferred Compensation Plan

HVO has available to all eligible employees a deferred compensation plan. The Organization's contribution to the Plan totaled \$39,510 and \$30,649 for the years ended December 31, 2015 and 2014, respectively.

Note 5: Credit Risk

The Organizations maintain cash and cash equivalents in certain financial institutions. At times during the year, balances in these institutions may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any to any significant credit risk on cash and cash equivalents.

Note 6: Charitable Remainder Trust

The Organization, Orthopaedics Overseas, Inc. is the beneficiary of an irrevocable charitable remainder trust created by a private donor. Upon the death of the life beneficiary, the Organization will receive the residual assets of the trust.

Based on the life beneficiary life expectancy and the use of a 4.2% discount rate, the fair value of the trust attributable to the present value of the future benefits expected to be received by the Organization is estimated to be \$795,745 and \$801,545 as of December 31, 2015 and 2014, respectively. The trust was originally recorded in the statement of activities as a temporarily restricted contribution in the period the trust was established and in the statement of financial position as a charitable remainder trust receivable.

The Organization has not been designated as the trustee of the trust, and therefore does not hold any of the trust assets, nor is it liable for payment of distribution to the life beneficiary. The present value of the

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 6: Charitable Remainder Trust (Continued)

estimated future payments was calculated using a discount rate based on the U.S. Treasury yield rate. The discount period is based on the designated life beneficiary's expected life based on the applicable mortality tables.

Note 7: Marketable Securities

The aggregate amount of marketable securities by major type recorded at fair value at December 31, 2015 and 2014 were as follows:

<u>December 31, 2015</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Gross Unrealized Gains (Losses)</u>
Fixed Income	\$ 508,200	\$ 531,104	\$ (22,904)
Certificates of Deposit	200,000	200,000	-
Equity Mutual Funds	<u>683,949</u>	<u>669,839</u>	<u>14,110</u>
TOTAL INVESTMENTS	<u>\$ 1,392,149</u>	<u>\$ 1,400,943</u>	<u>\$ (8,794)</u>

Investment return is summarized as follows:

Interest and Dividend Income	\$ 58,811
Net Realized and Unrealized Gains (Losses)	<u>(71,897)</u>
NET INVESTMENT INCOME (LOSS)	<u>\$ (13,086)</u>

<u>December 31, 2014</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Gross Unrealized Gains</u>
Fixed Income	\$ 493,836	\$ 490,163	\$ 3,673
Certificates of Deposit	200,000	200,000	-
Equity Mutual Funds	<u>717,827</u>	<u>640,742</u>	<u>77,085</u>
TOTAL INVESTMENTS	<u>\$ 1,411,663</u>	<u>\$ 1,330,905</u>	<u>\$ 80,758</u>

Investment return is summarized as follows:

Interest and Dividend Income	\$ 66,091
Net Realized and Unrealized Gains (Losses)	<u>(8,089)</u>
NET INVESTMENT INCOME (LOSS)	<u>\$ 58,002</u>

HEALTH VOLUNTEERS OVERSEAS, INC. AND AFFILIATE NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 8: Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Codification establishes a framework for measuring fair value, a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This topic applies to all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Organizations assess the levels of investments at each measurement date, and transfers between the levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Organizations' accounting policy regarding the recognition of transfers between the levels of the fair value hierarchy. For the years ended December 31, 2015 and 2014, there were no transfers.

Marketable Securities include various mutual funds and government bonds. Mutual funds are stated at their reported net asset value as of the valuation date and government bonds are stated at the last reported sales price on the date of valuation.

Fair value of the assets held in the charitable remainder trust is determined by calculating the present value of the expected cash flows. The discount rate used for the years ended December 31, 2015 and 2014 was 4.2%.

While the Organizations believe that the valuation methods are appropriate and consistent with other market participants, the use of different assumptions or methods to determine fair value could result in a different fair value measurement at the reporting date.

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Note 8: Fair Value Measurements (Continued)

Fair Values For the Year Ended December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income	\$ 508,200	\$ -	\$ -	\$ 508,200
Certificates of Deposit	-	200,000	-	200,000
Equity Mutual Funds	683,949	-	-	683,949
Charitable Remainder Trust	-	-	795,745	795,745
Total Investments at Fair Value	<u>\$ 1,192,149</u>	<u>\$ 200,000</u>	<u>\$ 795,745</u>	<u>\$ 2,187,894</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Charitable Remainder Trust:

Balance January 1, 2015	\$ 801,545
Change in Value, Net of Discount	(5,800)
Balance December 31, 2015	<u>\$ 795,745</u>

Fair Values For the Year Ended December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income	\$ 493,836	\$ -	\$ -	\$ 493,836
Certificates of Deposit	-	200,000	-	200,000
Equity Mutual Funds	717,827	-	-	717,827
Charitable Remainder Trust	-	-	801,545	801,545
Total Investments at Fair Value	<u>\$ 1,211,663</u>	<u>\$ 200,000</u>	<u>\$ 801,545</u>	<u>\$ 2,213,208</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Charitable Remainder Trust:

Balance January 1, 2014	\$ 718,772
Change in Value, Net of Discount	82,773
Balance December 31, 2014	<u>\$ 801,545</u>

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Note 9: Promise To Give

Promise to give at December 31, 2015 and 2014 consists of a contribution in the original amount of \$1,360,000 due from a donor in equal installments of \$340,000 per year through December 31, 2018. The promise to give from the donor has been discounted at a rate of 4%, resulting in a net discounted amount due in the amount of \$943,534 and \$1,236,166 as of December 31, 2015 and 2014, respectively.

	2015	2014
Amounts Due In 1 to 5 Years:	\$ 1,020,000	\$ 1,360,000
Less: Amounts Considered Uncollectible:	-	-
Less: Present Value Discount:	(76,466)	(125,834)
Net Discounted Amount Due at December 31,	\$ 943,534	\$ 1,234,166