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Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Medicines for Humanity, Inc.

We have audited the accompanying financial statements of Medicines for Humanity, Inc., which comprise the balance sheet as of September 30, 2014, and the related statements of activities, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

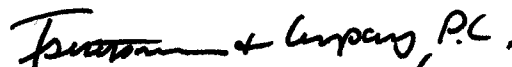
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 Medicines for Humanity, Inc. as of September 30, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Tsoutsouras & Company, P.C.
Certified Public Accountants
Ipswich, Massachusetts
June 26, 2015

Medicines for Humanity, Inc.
Balance Sheet
As of September 30, 2014

Assets	
Cash & Cash Equivalents	\$ 736,292
Investments, At Market Value	950,535
Other Asset	<u>4,000</u>
Total Assets	<u><u>\$ 1,690,827</u></u>
 Liabilities & Net Assets	
Liabilities	
Accounts Payable	\$ 28,559
Accrued Expenses	<u>18,290</u>
Total Liabilities	46,849
Net Assets	
Unrestricted	
Operating Funds	298,355
Dominican Republic - Quisqueya	20,000
Emergency Reserve Fund	<u>200,000</u>
Total Unrestricted	518,355
Temporarily Restricted	
Thomas & Jane Bilodeau Fund	300,082
Dominican Republic & Haiti Funds Accumulated Income	44,471
Other Programs	<u>379,387</u>
Total Temporarily Restricted	723,940
Permanently Restricted	
Haiti - Cite Soleil Fund	170,000
Dominican Republic - Consuelo Fund	136,270
Dominican Republic - Quisqueya Fund	<u>95,413</u>
Total Permanently Restricted	<u>401,683</u>
Total Net Assets	<u>1,643,978</u>
Total Liabilities & Net Assets	<u><u>\$ 1,690,827</u></u>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.
Statement of Activities
For The Year Ended September 30, 2014

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Revenues				
Contributions	\$ 265,021	\$ 507,518	\$ -	\$ 772,539
Interest & Dividend Income	15,484	10,690	-	26,174
Realized & Unrealized Gain (Loss)	40,257	36,841	-	77,098
Special Event Income	\$ 377,786			
Less: Costs of Direct Benefits to Donors	<u>(59,123)</u>			
Net Revenues from Special Events	318,663			318,663
Net Assets Released From Restriction - Satisfaction of Program Restrictions	<u>562,845</u>	<u>(562,845)</u>	<u>-</u>	<u>-</u>
Total Revenues	1,202,270	(7,796)	-	1,194,474
Expenses				
Program Services	1,066,513	-	-	1,066,513
General & Administrative	9,120	-	-	9,120
Fundraising	<u>143,637</u>	<u>-</u>	<u>-</u>	<u>143,637</u>
Total Expenses	<u>1,219,270</u>	<u>-</u>	<u>-</u>	<u>1,219,270</u>
Change in Net Assets	(17,000)	(7,796)	-	(24,796)
Net Assets at Beginning of Year	<u>535,355</u>	<u>731,736</u>	<u>401,683</u>	<u>1,668,774</u>
Net Assets at End of Year	<u>\$ 518,355</u>	<u>\$ 723,940</u>	<u>\$ 401,683</u>	<u>\$ 1,643,978</u>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.
Statement of Functional Expenses
For The Year Ended September 30, 2014

	Program Services	Donor Benefits	General & Administrative	Fundraising	Total Expenses
Medicines, Equipment, & Supplies	\$ 129,522	\$ -	\$ -	\$ -	\$ 129,522
Project Operating Expenses	590,194	-	-	-	590,194
Compensation	179,346	-	3,668	51,939	234,953
Payroll Taxes	9,208	-	289	3,900	13,397
Consulting	34,002	-	947	52,256	87,205
Professional Fees	12,634	-	827	2,539	16,000
Education	751	-	-	-	751
Insurance	10,156	-	66	862	11,084
Office Expense	15,475	-	1,526	17,234	34,235
Other Expense	3,539	-	166	356	4,061
Shipping & Postage	1,088	-	29	1,179	2,296
Printing	2,126	-	1	2,303	4,430
Rent	10,878	-	451	7,001	18,330
Telephone	7,346	-	714	1,875	9,935
Travel	60,248	-	436	2,193	62,877
Special Event Expense	-	59,123	-	-	59,123
Total Expenses	\$ 1,066,513	\$ 59,123	\$ 9,120	\$ 143,637	\$ 1,278,393

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.
Statement of Cash Flows
For The Year Ended September 30, 2014
Increase (Decrease) In Cash

Operating Activities	
Change in Net Assets	\$ (24,796)
Adjustments to Reconcile Change in Net Assets to Cash Flow from Operating Activities	
Realized & Unrealized (Gain) Loss on Investments	(77,098)
Changes in Assets & Liabilities:	
Accounts, Pledges & Investment Income Receivables	(2,803)
Accounts Payable and Accrued Expenses	<u>6,571</u>
Net Cash Provided by Operating Activities	(98,126)
Investing Activities	
Purchase of Investments	(54,956)
Sale of Investments	<u>40,222</u>
Net Cash Provided by Investing Activities	<u>(14,734)</u>
Net Increase (Decrease) in cash During Year	(112,860)
Cash - Beginning of Year	<u>849,152</u>
Cash - End of Year	<u><u>\$ 736,292</u></u>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

1. Organization

Medicines for Humanity, Inc. (MFH) is a nonprofit organization originally incorporated in 1997 in Massachusetts under the name of Magnificat Global Health Foundation Inc. MFH is a tax exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code (IRC).

MFH's purpose is to improve child survival rates in impoverished communities within emerging countries. MFH's program services focus on healthcare initiatives that have demonstrated effectiveness in reducing child mortality. These initiatives include increasing access of these impoverished communities to essential medicines, to primary healthcare services, to nutrition services, and to training programs for community health workers. MFH collaborates with organizations based in these countries, as well as with other U.S. based organizations, that share the commitment to improve healthcare in the most vulnerable communities around the world.

2. General & Administrative and Fundraising Expenses

General & administrative and fundraising expenses combined were 12.5% of total expenses. This ratio is computed by dividing the sum of general & administrative and fundraising expenses by total expenses on the statement of activities.

3. Summary of Significant Accounting Policy

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals in the United States of America.

Net Asset Categories

MFH classifies its resources for financial reporting purposes into net asset classes (unrestricted, temporarily restricted and permanently restricted) based on donor imposed restrictions as opposed to reporting resources under fund accounting. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. A description of the net asset categories follows:

Unrestricted Net Assets

This category includes resources which contain no external restrictions and resources for which restrictions have been fulfilled in the current fiscal year, a board designated emergency reserve of \$200,000, and a board designated fund of \$20,000 for the Dominican Republic – Quisqueya.

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

Summary of Significant Accounting Policy - Continued

Temporarily Restricted Net Assets

Temporarily restricted net assets include donations and income that contain restrictions specifying how or when the funds may be expended. At September 30, 2014, this category includes the balance of funds that have not yet been expended for the specified purpose or are to be expended in a future year. To ensure observance of restrictions on resources within the framework of Accounting Standards Codification (ASC) 958-205 Not-for-Profit Entities, MFH accounts for restricted resources in fund groups.

Included in this category is the original principal balance of the Thomas and Jane Bilodeau Fund. All income, including gains, is available for general use by MFH, and is included in unrestricted net assets. Principal may only be expended in an emergency. This category also includes other funds raised which may only be expended on specific programs.

MFH manages its endowment under the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Under UPMIFA, MFH may appropriate for expenditure so much of the endowment fund as is prudent taking into consideration: the duration and preservation of the endowment fund, the purposes of MFH and the endowment fund, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of MFH, and the investment policy. MFH has interpreted UPMIFA as requiring the preservation of the original gifts to the endowment fund. As a result of this interpretation, MFH classified the original gifts as permanently restricted. The remaining portion of the endowment is classified as temporarily restricted until those assets are appropriated for expenditure.

Permanently Restricted Net Assets

This category includes gifts for which donors require that the original gift be invested in perpetuity and that all investment income be expended for designated purposes. Accumulated investment income is accounted for in temporarily restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and other institutions, and time deposits with an original maturity of ninety days or less.

Investments

Investment securities are carried at fair value. Fair value is determined based on quoted market prices (a Level 1 measurement)

Accounts and Pledges Receivable

It is MFH's policy to provide an allowance for doubtful accounts, if necessary. At September 30, 2014, no allowance was deemed necessary.

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

Summary of Significant Accounting Policy - Continued

Revenue Recognition

Contributions

MFH recognizes revenue in accordance with (ASC) 958-605-25 Not-for-Profit Entities Revenue Recognition. Under ASC 958-605-25, unconditional contributions are recognized as revenues when received or pledged in the appropriate net asset category, depending upon the nature of any donor restrictions. When donor restrictions expire, temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Contributions of assets other than cash are reported at fair value on the date the property is pledged or donated. The initial fair value measurement is generally considered a Level 1 measurement. Pledges that are expected to be collected in less than one year are reported at net realizable value. Pledges that are expected to be collected in more than one year from the financial statement date are recorded at fair value at the date of promise. Fair value is computed using a present value technique, anticipated cash flows and a risk adjusted discount rate. MFH uses a discount rate of 5%. This is considered Level 2 fair value measurement. Amortization of the discount is recorded as additional contribution revenue. Conditional gifts and grants are recognized as revenue when the conditions on which they depend are met.

In countries where MFH operates programs, certain labor, facilities and materials are provided at no cost by local government, community or other charitable organizations. Although these services contribute significantly to the program, the value of these services is not recorded in the financial statements, as MFH would not purchase these services.

Agency Funds

Periodically, MFH acts as an agent for donors and will receive funds that must be transferred to a specific beneficiary designated by the donor. In accordance with ASC 958-605-25 Not-for-Profit Entities Revenue Recognition, these funds are not included in contribution revenue, but instead are reflected as a liability until the funds are transferred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

MFH uses fair value measurements in the financial statements as follows:

- Non-recurring initial measurement of non-cash gifts and pledges receivable
- Recurring measurement of investments (note 4)

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

Summary of Significant Accounting Policy - Continued

ASC 820-10, Fair Value Measurements and Disclosures defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement that should utilize market data or assumptions that market participants would use in pricing assets or liabilities including assumptions about risks. The ASC establishes a hierarchy that prioritizes assumptions input into the measurement of fair value into three levels, level 1 being the highest and level 3 being the lowest as follows:

- Level 1 –Quoted prices which are available in active markets for identical assets or liabilities
- Level 2 –Inputs other than level 1, quoted prices for similar assets or liabilities in markets that are not active or model derived valuations whose inputs are observable either directly or indirectly through market corroboration
- Level 3 –Inputs that are generally unobservable for which market data is not available and developed using best information available about assumptions that the market would use to price the assets or liabilities.

Income Taxes

MFH is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization as defined in IRC Section 509(a)(1). MFH may, however, incur a tax liability on certain ancillary activities. There was no such liability for fiscal year 2014.

In accordance with ASC 740-Income Taxes, MFH recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

In addition, interest and penalties are accrued on any unrecognized tax benefit from uncertain tax positions.

Tax years 2010, 2011, and 2012 are within the statute of limitations and are open for examination by Federal and State jurisdictions.

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

4. Investments

At September 30, 2014, investments consist of the following:

	Cost	Carrying Value (Level 1 Fair Value)	Unrealized Gain (Loss)
	<u> </u>	<u> </u>	<u> </u>
Certificates of Deposit	\$ 50,000	\$ 49,960	\$ (40)
Stock Mutual Funds	442,765	624,123	181,358
Corporate Debt Securities	<u>252,164</u>	<u>276,452</u>	<u>24,288</u>
	<u>\$ 744,929</u>	<u>\$ 950,535</u>	<u>\$ 205,606</u>

Realized and unrealized gains and losses are reported in the statement of activities. The following table sets forth the change in unrealized gain/loss and realized gain/loss on investments for 2014:

Unrealized Gain (Loss) - Beginning of Year	\$ 137,708
Unrealized Gain (Loss) - End of Year	<u>205,606</u>
Change in Unrealized Gain (Loss)	67,898
Realized Gain (Loss)	<u>9,200</u>
Total Realized and Unrealized Investment Gain (Loss)	<u>\$ 77,098</u>

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

5. Changes in Endowment Net Assets

The following schedule summarizes the changes in endowment net assets at September 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ -	\$ 39,918	\$ 401,683	\$ 441,601
Investment Return				
Investment Income	-	10,690	-	10,690
Net Gains (Realized & Unrealized)	-	36,841	-	36,841
Total Investment Return	-	47,531	-	47,531
Contributions	-	-	-	-
Expenses	-	(42,978)	-	(42,978)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 44,471</u>	<u>\$ 401,683</u>	<u>\$ 446,154</u>

The primary objective of the Organization's investment policy is to preserve the original principal of the endowment. To achieve this objective, the Organization targets a balanced portfolio of equities, fixed income, and cash equivalents. As a general rule, the spending policy allows for appropriation of total return as long as it does not reduce the original principal.

6. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject MFH to concentrations of credit risk consist principally of cash and cash equivalents and investment securities. Cash and cash equivalents consist of the following:

Eastern Bank	\$ 213,366
Petty Cash	120
Charles Schwab	522,806
	<u>\$ 736,292</u>

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

Financial Instruments with Concentrations of Credit Risk - Continued

The FDIC provides insurance of up to \$250,000 in Eastern Bank. The Deposit Insurance Fund (DIF) provides insurance of amounts over \$250,000 in Eastern Bank. Funds in the Charles Schwab cash reserve and money market accounts are insured up to a total of \$500,000 by Securities Investors Protection Corp (SIPC).

Investments are exposed to various risks, such as interest rate, market volatility and credit risk. MFH's diversification mitigates some of this potential exposure, as no individual investment accounts for more than 15% of the total assets.

MFH does not require collateral on receivables.

7. Use of Estimates

The preparation of financial statements 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.

8. Special Event Net Income

Special event net income is comprised as follows:

	<u>Golf Tournament</u>	<u>Annual Dinner</u>	<u>Boston Marathon</u>	<u>Total</u>
Revenue	\$ 38,385	\$ 309,250	\$ 30,151	\$ 377,786
Expense	<u>20,309</u>	<u>37,278</u>	<u>1,536</u>	<u>59,123</u>
	<u>\$ 18,076</u>	<u>\$ 271,972</u>	<u>\$ 28,615</u>	<u>\$ 318,663</u>

9. Leases

MFH leases its office space as a tenant-at-will. Total rent expense paid in 2014 was \$18,330.

Medicines for Humanity, Inc.
Notes To The Financial Statements
For The Year Ended September 30, 2014

10. Change in Net Assets

The Change in Net Assets is influenced by the timing of the receipt and expenditure of Temporarily Restricted Net Assets and is an important factor in determining whether Total Change in Net Assets is positive or negative in any particular year. In years when temporarily restricted funds are received and not spent, the change in temporarily restricted net assets will appear as a positive amount. In subsequent years when the temporarily restricted net assets are spent, the change in temporarily restricted net assets will appear as a negative amount. For the year ended September 30, 2014, temporarily restricted revenues received were less than temporarily restricted expenditures, which resulted from spending monies in FY14 that were received in prior years. Accordingly, the change in temporarily restricted net assets is a negative \$7,796.

11. Subsequent Events

The Organization has evaluated subsequent events through June 26, 2015, the date the financial statements were available to be issued.