

ASSIST INTERNATIONAL, INC.  
CONSOLIDATED FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2017 and 2016

ASSIST INTERNATIONAL, INC.

December 31, 2017 and 2016

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To the Board of Directors  
Assist International, Inc.  
Scotts Valley, California

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Assist International, Inc. and affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 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.

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ASSIST INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 794,681	\$ 111,130
Cash and cash equivalents - restricted	<u>12,164,715</u>	<u>7,782,369</u>
Total cash and cash equivalents	12,959,396	7,893,499
Grant receivable	217,263	358,320
Investments	168,402	146,332
Other assets	<u>13,200</u>	<u>12,708</u>
Total current assets	13,358,261	8,410,859
Noncurrent assets:		
Inventory – project equipment and materials	3,906,997	3,742,907
Property and equipment, net	<u>2,214,162</u>	<u>2,318,884</u>
Total noncurrent assets	<u>6,121,159</u>	<u>6,061,791</u>
Total assets	<u>\$ 19,479,420</u>	<u>\$ 14,472,650</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 84,716	\$ 43,284
Notes payable - current portion	<u>55,494</u>	<u>22,297</u>
Total current liabilities	140,210	65,581
Noncurrent liabilities:		
Notes payable - noncurrent portion	1,034,616	1,107,204
Security deposits	<u>5,275</u>	<u>4,968</u>
Total noncurrent liabilities	<u>1,039,891</u>	<u>1,112,172</u>
Total liabilities	<u>1,180,101</u>	<u>1,177,753</u>
Net assets:		
Without donor restrictions	3,903,591	3,211,845
With donor restrictions	<u>14,395,728</u>	<u>10,083,052</u>
Total net assets	<u>18,299,319</u>	<u>13,294,897</u>
Total liabilities and net assets	<u>\$ 19,479,420</u>	<u>\$ 14,472,650</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Contributions	\$ 9,988,837	\$ 1,829,608	\$ 11,818,445	\$ 7,703,103	\$ 2,258,288	\$ 9,961,391
Investment income, net	110,443	-	110,443	77,857	-	77,857
Other support and revenues	67,339	-	67,339	63,859	-	63,859
Contributed equipment, materials and services	-	3,717,854	3,717,854	-	2,820,154	2,820,154
Net assets released from restrictions	1,234,786	(1,234,786)	-	3,033,671	(3,033,671)	-
Total support and revenues	11,401,405	4,312,676	15,714,081	10,878,490	2,044,771	12,923,261
Expenses:						
Program activities	10,160,042	-	10,160,042	12,230,859	-	12,230,859
Supporting activities:						
General and administrative	469,097	-	469,097	407,794	-	407,794
Fundraising	80,520	-	80,520	78,068	-	78,068
Total supporting activities	549,617	-	549,617	485,862	-	485,862
Total expenses	10,709,659	-	10,709,659	12,716,721	-	12,716,721
Change in net assets	691,746	4,312,676	5,004,422	(1,838,231)	2,044,771	206,540
Net assets, beginning of year, as restated	3,211,845	10,083,052	13,294,897	5,050,076	8,038,281	13,088,357
Net assets, end of year	\$ 3,903,591	\$ 14,395,728	\$ 18,299,319	\$ 3,211,845	\$ 10,083,052	\$ 13,294,897

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program activities	Supporting activities		Total
		General and administrative	Fundraising	
Expenses:				
Accounting	\$ 19,827	\$ 16,223	\$ -	\$ 36,050
Advertising and marketing	19,006	15,551	-	34,557
Auto	8,296	3,555	-	11,851
Bank charges	14,359	5,395	-	19,754
Benevolence	27,002	-	-	27,002
Board meetings	1,738	1,738	-	3,476
Depreciation	76,805	32,916	-	109,721
Dues and subscriptions	-	2,434	-	2,434
Gifts	2,086	522	869	3,477
Insurance	196,182	110,353	-	306,535
Interest expense	60,442	-	-	60,442
Legal	416	415	-	831
Office expenses	62,474	62,474	-	124,948
Office rent	8,700	8,700	-	17,400
Payroll taxes	69,948	8,734	3,639	82,321
Postage	13,898	1,735	723	16,356
Printing and publications	34,924	4,360	1,817	41,101
Relief and outreach efforts	7,633,284	-	-	7,633,284
Repairs and maintenance	15,823	8,901	-	24,724
Salaries and wages	1,412,432	176,367	73,472	1,662,271
Telephone	15,509	8,724	-	24,233
Travel	457,609	-	-	457,609
Warehouse expense	9,282	-	-	9,282
Total expenses	<u>\$ 10,160,042</u>	<u>\$ 469,097</u>	<u>\$ 80,520</u>	<u>\$ 10,709,659</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program activities	Supporting activities		Total
		General and administrative	Fundraising	
Expenses:				
Accounting	\$ 12,210	\$ 9,990	\$ -	\$ 22,200
Auto	7,616	3,264	-	10,880
Bank charges	14,598	5,485	-	20,083
Benevolence	16,292	-	-	16,292
Board meetings	2,489	2,490	-	4,979
Business development	4,975	4,976	-	9,951
Depreciation	105,636	45,273	-	150,909
Dues and subscriptions	-	2,263	-	2,263
Gifts	5,790	1,447	2,412	9,649
Insurance	148,538	83,552	-	232,090
Interest expense	80,549	-	-	80,549
Legal	7,068	7,068	-	14,136
Office expenses	51,133	51,133	-	102,266
Office rent	8,700	8,700	-	17,400
Payroll taxes	63,708	7,512	3,528	74,748
Postage	16,228	1,914	899	19,041
Printing and publications	33,265	3,923	1,842	39,030
Relief and outreach efforts	9,993,237	-	-	9,993,237
Repairs and maintenance	24,461	13,760	-	38,221
Salaries and wages	1,252,933	147,741	69,387	1,470,061
Telephone	12,984	7,303	-	20,287
Travel	359,339	-	-	359,339
Warehouse expense	9,110	-	-	9,110
Total expenses	<u>\$ 12,230,859</u>	<u>\$ 407,794</u>	<u>\$ 78,068</u>	<u>\$ 12,716,721</u>

See accompanying notes and independent auditors' report

ASSIST INTERNATIONAL, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,004,422	\$ 206,540
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	109,721	150,909
Donated equipment and materials, net	(164,090)	(74,543)
Unrealized (gain) loss on investments	(18,191)	(9,516)
Changes in:		
Grant receivable	141,057	(358,320)
Other assets	(492)	14,483
Accounts payable and accrued expenses	41,432	(48,363)
Security deposits	307	725
	<u>5,114,166</u>	<u>(118,085)</u>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of investments	(3,879)	(4,315)
Acquisition of property and equipment	(4,999)	(232,483)
	<u>(8,878)</u>	<u>(236,798)</u>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Funds drawn from line of credit	500	-
Principal payments on line of credit	(500)	-
Principal payments on notes payable	(39,391)	(33,868)
	<u>(39,391)</u>	<u>(33,868)</u>
<b>Net cash from financing activities</b>		
<b>Net change in cash and cash equivalents</b>	5,065,897	(388,751)
<b>Total cash and cash equivalents, beginning of year</b>	<u>7,893,499</u>	<u>8,282,250</u>
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 12,959,396</u>	<u>\$ 7,893,499</u>

See accompanying notes and independent auditors' report

## ASSIST INTERNATIONAL, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### Note 1 – Summary of significant accounting policies

The following significant accounting policies are presented to assist the reader in understanding the financial statements of Assist International, Inc. The consolidated financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

##### Nature of activities

Assist International, Inc. is a nonprofit corporation formed on February 2, 1990, assisting orphans and vulnerable people and strengthening health care systems with a focus on infant and maternal health. Assist International, Inc. has been granted recognition by the Internal Revenue Service as a tax-exempt, publicly supported organization.

##### Basis of consolidation

The consolidated financial statements include the accounts of the Organization including its affiliate, Assist International Global, LLC. (AIG). The consolidation of the two is herein referred to as "the Organization." All significant interorganization balances and transactions have been eliminated in consolidation.

In November 2017, AIG was incorporated as a single member limited liability corporation in the state of Delaware. AIG was formed to act as a Foreign Investment Company in the nation of Ethiopia as AI Medical Oxygen Production, PLC (AIMOP), and is authorized to form business entities in Ethiopia and other African countries to conduct business that is related to AIG's charitable purpose. AIMOP is not consolidated as it had no activity for the year ended December 31, 2017.

##### Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### Concentrations

The Organization maintains several accounts at various banks and credit unions, the balances of which may, at times be in excess of Federal Deposit Insurance Corporation (FDIC) limits. Approximately \$11,819,412 and \$7,515,376 was on deposit at financial institutions in excess of FDIC limits at December 31, 2017 and 2016, respectively. Management does not believe that the Organization is exposed to any significant credit risk in connection with cash and cash equivalents.

For the years ended December 31, 2017 and 2016, approximately 54% and 66% respectively, of the Organization's contributions, including donated equipment, materials and services, were made by its largest donor.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 1 – Summary of significant accounting policies (continued)**

Cash and cash equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. Cash equivalents consisting of money market funds totaled \$11,568,727 and \$7,546,737 at December 31, 2017 and 2016, respectively.

Cash and cash equivalents – restricted

The Organization routinely receives contributions that are subject to donor-imposed restrictions. Restricted cash consists of those amounts set aside to comply with such restrictions.

Grant receivable

Grant receivable consists of amounts due from donors. The amounts due are a reimbursement of expenses incurred during the year.

Investments

Investments in marketable securities with readily determinable values are carried at fair value based on quoted market prices and recognizes the realized and unrealized gain/loss in the change in net assets in the year that it occurs. Donated securities are recorded at fair value at the date of donation and are thereafter carried in accordance with the above provision.

Inventory – project equipment and materials

Inventory represents donated medical equipment and supplies and is priced according to fair value. The first-in, first-out method is not observed because equipment is designated for specific projects. See Note 7.

Property and equipment

Capital expenditures over \$2,000 for property and equipment are capitalized, and presented at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Donated assets are capitalized at their approximate fair value at the date of the gift. Depreciation expense for the years ended December 31, 2017 and 2016, was \$109,721 and \$150,909, respectively.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 1 – Summary of significant accounting policies (continued)**

Property and equipment (continued)

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2017 and 2016, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Net assets

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. At December 31, 2017 and 2016, net assets with donor restrictions consisted of \$14,395,728 and \$10,083,052, respectively.

Revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a benefit interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Contributed materials and services

Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by the Organization. However, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed materials are recorded at fair value at the date of the donation. Donated professional services are recorded at their respective fair values. No significant contributions of such materials or services were received during the years ended December 31, 2017 and 2016.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 1 – Summary of significant accounting policies (continued)**

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain significant expenses are allocated on a basis of square footage, such as occupancy and depreciation; while others are allocated on a basis of time and effort estimates, such as salaries and wages and related expenses.

Income taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3). The Organization is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended December 31, 2017 and 2016, the Organization received rental income which was subject to unrelated business taxable income, and therefore incurred tax liability due to unrelated business income. The Organization does not believe their consolidated financial statements include any uncertain tax positions.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year expenses have been reclassified to conform to the current year presentation.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 2 – Liquidity and availability**

As part of liquidity management, the Organization has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at December 31, 2017:

Total cash and cash equivalents	\$ 12,959,396
Grant receivable	217,263
Investments	168,402
Other assets	<u>13,200</u>
 Total financial assets	 <u>13,358,261</u>
 Contractual or donor-imposed restrictions:	
Donor contributions with specific purpose restrictions	2,666,345
Funds restricted by grant agreements	<u>9,498,370</u>
 Total contractual or donor-imposed restrictions	 <u>12,164,715</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,193,546</u>

**Note 3 – Investments**

Investments consisted of the following at December 31:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
December 31, 2017			
Equity securities	<u>\$ 168,402</u>	<u>\$ 83,645</u>	<u>\$ 84,757</u>
 Total investments	 <u>\$ 168,402</u>	 <u>\$ 83,645</u>	 <u>\$ 84,757</u>
 December 31, 2016			
Equity securities	<u>\$ 146,332</u>	<u>\$ 79,766</u>	<u>\$ 66,566</u>
 Total investments	 <u>\$ 146,332</u>	 <u>\$ 79,766</u>	 <u>\$ 66,566</u>

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 3 – Investments (continued)**

Investment income consisted of the following for the years ended December 31:

	2017	2016
Interest and dividends	\$ 92,381	\$ 68,404
Net unrealized gains (losses)	18,191	9,516
Investment fees	<u>(129)</u>	<u>(63)</u>
Investment income, net	<u>\$ 110,443</u>	<u>\$ 77,857</u>

**Note 4 – Property and equipment**

Property and equipment consisted of the following at December 31:

	2017	2016
Land and improvements	\$ 2,916,290	\$ 2,916,290
Automobiles	147,683	198,104
Office equipment	<u>73,313</u>	<u>131,415</u>
Total property and equipment, net	<u>3,137,286</u>	<u>3,245,809</u>
Less: accumulated depreciation	<u>(923,124)</u>	<u>(926,925)</u>
Property and equipment, net	<u>\$ 2,214,162</u>	<u>\$ 2,318,884</u>

Land and improvements are encumbered. See Note 6.

**Note 5 – Fair value measurements**

The fair value of the Organization's investments is measured based on levels of observable and reliable assumptions as follows:

**Level 1:** Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 5 – Fair value measurements (continued)

**Level 2:** Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

**Level 3:** Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The tables below set out fair value measurements based on the levels described above for December 31:

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 11,568,727	\$ -	\$ -	\$ 11,568,727
Investments:				
Equity securities	<u>168,402</u>	<u>-</u>	<u>-</u>	<u>168,402</u>
Total	<u>\$ 11,737,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,737,129</u>
	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 7,546,737	\$ -	\$ -	\$ 7,546,737
Investments:				
Equity securities	<u>146,332</u>	<u>-</u>	<u>-</u>	<u>146,332</u>
Total	<u>\$ 7,693,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,693,069</u>

There were no transfers between Levels 1, 2, or 3 during the years ended December 31, 2017 and 2016. There were no assets or liabilities measured as fair value on a nonrecurring basis at December 31, 2017 and 2016.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 6 – Notes payable**

Notes payable consisted of the following at December 31:

	2017	2016
On July 7, 2008, the Organization obtained a note payable, secured by real property, to Assemblies of God Loan Fund in the amount of \$1,518,000. The note was payable in monthly interest installments of \$8,584 at a 7.00% rate of interest through March 15, 2029. The note was refinanced in March 2017.	\$ -	\$ 1,129,501
In March 2017, the Organization refinanced a note payable, secured by real property, to Farmers & Merchants Bank in the amount of \$1,133,297. The note is payable in monthly principal and interest installments of \$9,331 at a 5.55% fixed rate of interest through March 15, 2032.	<u>1,090,110</u>	<u>-</u>
Total notes payable	1,090,110	1,129,501
Less: current portion of notes payable	<u>(55,494)</u>	<u>(22,297)</u>
Noncurrent portion of notes payable	<u>\$ 1,034,616</u>	<u>\$ 1,107,204</u>

Future minimum principal payments for note payable consist of the following for the years ended December 31:

2018	\$ 55,494
2019	55,965
2020	59,152
2021	62,519
2022	66,079
Thereafter	790,901

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 7 – Net assets with donor restrictions**

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

	2017	2016
Romania projects	\$ 213,599	\$ 232,534
General Electric projects	11,415,112	7,014,918
Africa projects	243,644	300,752
Inventory – project equipment and materials	2,231,013	2,300,683
Other relief and outreach efforts	<u>292,360</u>	<u>234,165</u>
Total net assets with donor restrictions	<u>\$ 14,395,728</u>	<u>\$ 10,083,052</u>

**Note 8 – Rental Income**

The Organization leases a portion of their warehouse in Ripon, California to unrelated parties with various terms. Most are on a month-to-month basis, but some are considered non-cancelable over three year terms. Lease income for the years ended December 31, 2017 and 2016 was \$77,833 and \$62,180, respectively.

Future minimum lease payments consist of the following for the years ended December 31:

2018	\$ 51,990
2019	46,800
2020	11,700
2021	-
2022	-

**Note 9 – Operating leases**

The Organization leases office space in Scotts Valley, California, and various office equipment from an unrelated party on month-to-month terms. Lease expense on these various agreements was \$20,045 and \$22,836 for the years ended December 31, 2017 and 2016, respectively.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 10 – Supplemental disclosures to the consolidated statements of cash flows**

	2017	2016
Cash paid during the year for:		
Interest	\$ <u>60,442</u>	\$ <u>80,549</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

There were no non-cash financing or investing activities during the years ended December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, the Organization received donations of equipment and materials in the amounts of \$3,717,854 and \$2,820,154, respectively. During the years ended December 31, 2017 and 2016, the Organization used donated equipment and materials of \$1,234,786 and \$3,033,671, respectively, in relief efforts and projects.

**Note 11 - New accounting standards adopted**

The Organization has elected to early adopt Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires significant changes in the following areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. There was a material impact on the Organization's results of operations or financial condition upon adoption of the new standard. See Note 12.

**Note 12 – Prior period adjustment**

Restricted net assets

While implementing Accounting Standards Updated 2016-14, it was discovered that funds recorded as contributions and expenses in 2016 that were determined to be pass through funds, and as such, should have been recorded as an asset and liability. Due to this, revenues decreased by \$36,451 and expenses decreased by the same amount, creating a net effect of zero. Through testing, it was also discovered that the prior years ending balances of net assets with donor restrictions included certain inventory balances that were not donor restricted. Thus, net assets with donor restrictions has been reduced and net assets without donor restrictions has been increased by the same amount of \$1,208,059 for 2016 and \$1,217,612 for 2015. The change to 2015 is reflected as a restatement of beginning balances in the 2016 presentation. These reclassifications had no effect on the change in net assets.

ASSIST INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**Note 12 – Prior period adjustment (continued)**

Depreciation expense

During the year it was discovered that depreciation was calculated incorrectly for the year ended December 31, 2016. As a result, accumulated depreciation increased by \$95,496 and change in net assets decreased by the same amount.

**Note 13 – Subsequent events**

New entity

In January 2018, AIG created AI Medical Oxygen Production, PLC in Ethiopia.

Management's review

Management has evaluated the impact of any of subsequent events through May 7, 2018, the date on which the accompanying consolidated financial statements were available to be issued.