HEART TO HEART INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

700 W 47th St Ste 1100 ▪ Kansas City, MO 64112
Main: 816.945.5600 ▪ Fax: (816) 897-11280 ▪ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HEART TO HEART INTERNATIONAL, INC.

We have audited the accompanying financial statements of Heart to Heart International, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 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 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 Heart to Heart International, Inc. as of December 31, 2016 and 2015, and the changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 9, 2017

HEART TO HEART INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,407,796	$ 933,603
Accounts receivable	5,274	103,072
Pledges receivable, current portion	75,000	25,000
Grants receivable, current portion	154,972	-
Notes receivable, current portion	50,000	50,000
Inventory	7,201,291	9,286,864
Other current assets	27,032	23,041
TOTAL CURRENT ASSETS	8,921,365	10,421,580
PLEDGES RECEIVABLE, less current portion above	-	22,417
GRANTS RECEIVABLE, less current portion above	285,707	-
NOTES RECEIVABLE, less current portion above	-	44,205
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	749,069	748,214
INVESTMENTS	67,962	66,369
TOTAL ASSETS	$ 10,024,103	$ 11,302,785
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 65,335	$ 128,914
Accrued liabilities	183,452	257,499
Deferred revenue	230,566	-
Line of credit	249,442	249,442
Capital lease, current portion	12,654	12,654
Long-term debt, current portion	44,890	241,217
TOTAL CURRENT LIABILITIES	786,339	889,726
CAPITAL LEASE, less current portion above	26,493	39,091
LONG-TERM DEBT, less current portion above	430,390	475,633
TOTAL LIABILITIES	1,243,222	1,404,450
NET ASSETS		
UNRESTRICTED NET ASSETS	7,659,632	9,174,465
TEMPORARILY RESTRICTED NET ASSETS	1,053,287	657,501
PERMANENTLY RESTRICTED NET ASSETS	67,962	66,369
TOTAL NET ASSETS	8,780,881	9,898,335
TOTAL LIABILITIES AND NET ASSETS	$ 10,024,103	$ 11,302,785

See Notes to Financial Statements

HEART TO HEART INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED SUPPORT AND REVENUE		
Gifts in kind	$ 70,504,302	$ 120,249,447
Contributions	2,666,256	732,281
Donated shipping	1,955,218	1,017,564
Governmental and corporate grants	986,394	3,553,800
Program revenue	952,958	810,554
Investment income	4,300	4,145
Gain on currency conversion	20,531	13,467
Loss on sale of assets	-	(48,174)
Other income	5,795	8,177
Net assets released from restrictions	1,159,836	2,559,137
TOTAL UNRESTRICTED SUPPORT AND REVENUE	78,255,590	128,900,398
EXPENSES		
Program services - international	73,360,695	139,687,251
Program services - domestic	3,144,564	2,192,894
Total Program services	76,505,259	141,880,145
General and administrative	998,377	795,044
Fundraising and public relations	400,458	631,297
Total Supporting services	1,398,835	1,426,341
TOTAL EXPENSES	77,904,094	143,306,486
CHANGES IN UNRESTRICTED NET ASSETS	351,496	(14,406,088)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	850,919	1,485,143
Governmental and corporate grants	704,703	749,694
Net assets released from restrictions	(1,159,836)	(2,559,137)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	395,786	(324,300)
PERMANENTLY RESTRICTED NET ASSETS		
Investment income (loss)	1,593	(872)
CHANGES IN NET ASSETS BEFORE INVENTORY VALUATION ADJUSTMENT	748,875	(14,731,260)
INVENTORY VALUATION ADJUSTMENT	(1,866,329)	(820,659)
CHANGES IN NET ASSETS	(1,117,454)	(15,551,919)
NET ASSETS, BEGINNING OF YEAR	9,898,335	25,450,254
NET ASSETS, END OF YEAR	$ 8,780,881	$ 9,898,335

See Notes to Financial Statements

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program Services			Fundraising	
	International Projects	Domestic Projects	General and Administrative	and public relations	Total
Distributed aid	$ 252,706	$ 31,065	$ -	$ -	$ 283,771
Donated medical and other services	194,532	62,722	15,688	-	272,942
Donated shipping	418,332	1,536,886	-	-	1,955,218
Insurance	12,011	10,014	33,391	645	56,061
Interest, fees and bank charges	35,642	10,314	35,151	22,989	104,096
Maintenance and repairs	19,493	3,374	4,116	50	27,033
Medical and contract services	947,483	91,661	4,641	13,702	1,057,487
Office	158,380	29,322	21,845	61,699	271,246
Postage and shipping	12,756	2,832	1,182	10,793	27,563
Printing	8,746	14,445	-	37,821	61,012
Professional fees	2,000	7,297	31,001	-	40,298
Publicity	1,498	850	92	3,485	5,925
Rent	202,070	54,445	51,339	9,590	317,444
Salaries and benefits	851,804	273,792	665,112	169,930	1,960,638
Special events	13,557	30,276	903	54,508	99,244
Staff development	4,482	-	5,698	-	10,180
Telephone	63,115	1,564	15,228	98	80,005
Travel and meals	595,089	82,549	15,396	15,148	708,182
Expenses before depreciation and gifts-in-kind distribution	3,793,696	2,243,408	900,783	400,458	7,338,345
Depreciation	35,472	-	97,594	-	133,066
Gifts-in-kind distribution	69,531,527	901,156	-	-	70,432,683
TOTAL EXPENSES	$ 73,360,695	$ 3,144,564	$ 998,377	$ 400,458	$ 77,904,094

See Notes to Financial Statements

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services			Fundraising	
	International Projects	Domestic Projects	General and Administrative	and public relations	Total
Distributed aid	$ 675,225	$ 6,584	$ -	$ -	$ 681,809
Donated medical services	407,844	27,691	-	-	435,535
Donated shipping	1,016,424	1,140	-	-	1,017,564
Insurance	33,850	8,397	9,401	7,793	59,441
Interest, fees and bank charges	60,806	5,960	11,376	25,138	103,280
Maintenance and repairs	98,236	11,026	6,295	2,345	117,902
Medical and contract services	938,699	13,912	3,176	15,899	971,686
Office	328,373	10,101	16,438	59,586	414,498
Postage and shipping	119,976	15,722	4,915	11,285	151,898
Printing	16,040	698	6,027	44,259	67,024
Professional fees	26,312	10,521	18,462	3,414	58,709
Publicity	11,596	-	169	10,239	22,004
Rent	468,814	52,981	55,286	13,039	590,120
Salaries and benefits	2,301,486	204,611	637,954	314,391	3,458,442
Special events	8,576	-	-	63,610	72,186
Staff development	22,963	219	154	2,796	26,132
Telephone	84,235	3,403	5,320	3,498	96,456
Travel and meals	1,377,497	23,229	10,328	22,795	1,433,849
Expenses before depreciation and gifts-in-kind distributed	7,996,952	396,195	785,301	600,087	9,778,535
Depreciation	95,753	14,540	9,743	31,210	151,246
Gifts-in-kind distribution	131,594,546	1,782,159	-	-	133,376,705
TOTAL EXPENSES	$ 139,687,251	$ 2,192,894	$ 795,044	$ 631,297	$ 143,306,486

See Notes to Financial Statements

HEART TO HEART INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,117,454)	$ (15,551,919)
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	133,066	151,246
Loss on disposal of assets	-	48,174
Realized and unrealized (gain) loss on investments	(1,593)	872
Discount on note receivable	(5,795)	-
Donated property and equipment	(75,000)	-
Decrease (increase) in operating assets		
Inventory	2,085,573	14,524,887
Accounts receivable	97,798	153,598
Pledges receivable	(27,583)	119,053
Grant receivable	(440,679)	898,916
Other current assets	(3,991)	92,181
Increase (decrease) in operating liabilities		
Accounts payable	(63,579)	(435,067)
Accrued liabilities	(74,047)	8,082
Deferred revenue	230,566	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	737,282	10,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(58,921)	(93,788)
Proceeds from notes receivable	50,000	50,000
Proceeds from sale of property and equipment	-	30,636
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,921)	(13,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity on line of credit	-	99,442
Repayment of long-term debt	(241,570)	(38,167)
Proceeds from long-term debt	-	100,000
Principal payments on capital lease	(12,598)	(12,091)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(254,168)	149,184
NET CHANGES IN CASH AND CASH EQUIVALENTS	474,193	146,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	933,603	787,548
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,407,796	$ 933,603
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:		
Addition of notes receivable through the sale of warehouse (Note 4)	$ -	$ 144,205
Reduction of notes payable through sale of warehouse (Note 8)	$ -	$ (397,771)
Purchase of property and equipment with capital lease (Note 9)	$ -	$ 63,836
Donated property and equipment (Note 8)	$ 75,000	$ -

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization – Heart To Heart International, Inc. (the "Organization"), a Kansas non-profit corporation, provides crisis response assistance and specific ongoing health care support to communities in need domestically and internationally. The Organization actively engages the services of volunteers through its initiatives, and it distributes medical supplies, pharmaceuticals and other products to other relief agencies and communities in need.

The Organization currently operates and supports more than a dozen clinics in Haiti. The Organization responded after the earthquake in January 2010 and continues to work towards healthier communities in Haiti – providing continuing medical education and other needs in Haiti.

The Organization was awarded a grant from the United States Agency for International Development (USAID) in December 2014 to operate an Ebola treatment unit in Liberia. The grant totaled $7,001,161 for reimbursement of operating expenses through March 31, 2015. The Organization subsequently requested extensions to the date of grant with a request to de-obligate $1,945,901 of the funds to reflect a new total of $5,055,260 to support operations beyond the original date. These requests were approved by USAID initially through May 31, 2015, and subsequently through July 31, 2015, at which time the project was completed.

The Organization's donor base for cash contributions primarily consists of individuals, businesses, civic groups and foundations located throughout the United States. Gifts-in-kind are also received primarily from medical supply and pharmaceutical companies located throughout the United States.

Basis of accounting – The Organization's financial statements are prepared on the accrual basis of accounting.

Basis of presentation – In accordance with the limitations, designations and restrictions placed on the use of resources available to the Organization, the following classifications are utilized according to the nature and purpose of the resources:

- Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Organization's Board of Directors.

- Temporarily restricted net assets: Net assets whose use by the Organization is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. Temporarily restricted net assets are released from restriction when the expenses are incurred for their designated purpose.

- Permanently restricted net assets: Net assets subject to donor-imposed stipulations and those which are interpreted by the Board of Directors that are maintained permanently by the Organization. At times, the donors of these assets may permit the Organization to use all or part of the income earned on these assets. However, the donors have required that the income earned on the Organization's permanently restricted net assets held at December 31, 2016 is to be held in perpetuity and, therefore, cannot be used.

Cash and cash equivalents – Cash and cash equivalents consist of available cash balances on deposit at financial institutions and short-term money market investments as well as short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

(1) Summary of significant accounting policies (continued)

Concentration of risk – The Organization largely maintains its cash balances in financial institutions located in the greater Kansas City, Kansas area. These accounts were insured up to $250,000 per bank. The Organization also has checking accounts in Haiti that are uninsured. Accordingly, at December 31, 2016 and 2015, the Organization's uninsured cash and cash equivalents amounts to $242,378 and $468,964, respectively.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit organization. In addition, the Organization has been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision has been made for Federal income tax.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at December 31, 2016 or 2015, as management does not believe any material uncertainties exist.

Inventory – Purchased inventory is recorded at the lower of cost or market and is valued on a first-in, first-out basis. Donated inventory is recorded at the fair value of the donated goods at the date of donation based upon the estimated wholesale value of gifts received (as further described in Note 1 under "Revenue Recognition"). The inventory is not available for sale. The Organization records a loss for the decrease in value of any slow-moving or expired inventory.

Investments – The Organization carries its investments at their fair values. Unrealized gains and losses are included in the change in net assets.

Property and equipment – Property and equipment are stated at cost or the fair market value at date of gift for donated assets, less accumulated depreciation. If a donor stipulates how long the assets must be used, the contribution is recorded as restricted support. In the absence of such stipulation, a contribution of property and equipment is recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Estimated Useful Lives
Building and improvements	15 – 39 years
Furniture and equipment	5 – 10 years
Computer equipment	3 – 5 years
Leasehold improvements	5 years
Vehicles	3 – 10 years

(1) Summary of significant accounting policies (continued)

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The significant estimates used in the Organization's financial statements include the valuation of gift-in-kind contributions and related inventory, the allocation of expenses on a functional basis to various program services and supporting activities and the estimated useful lives used to depreciate property and equipment.

Gifts-in-kind: Donated shipping – The Organization recorded $1,955,218 and $1,017,564 in shipping expense for overseas and domestic freight during the years ended December 31, 2016 and 2015, respectively. The donated shipping is also included as revenue in unrestricted support and revenue.

Revenue recognition – Cash and gift-in-kind contributions are received from individuals as well as domestic and multinational organizations. These contributions, including unconditional promises, are recognized as revenues when the donor's unconditional commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

The Organization receives donations of medical supplies and other goods for use in its programs. These donations are recorded at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal market, considering their condition and utility for use at the time the goods are donated. Several methodologies are used in the determination of estimated wholesale value, including values provided by the donor, published industry pricing guides, internally-researched values, and internal average values for like-kind items.

A number of unpaid volunteers have made significant contributions of their time to the activities of the Organization without compensation. The Organization receives many volunteer hours from a variety of skilled personnel such as doctors, nurses and other specialists. The value of these donated services that meets the criteria for recognition is reported as donated services in the accompanying statement of activities. These amounts are reflected at fair value in the financial statements which amounted to $272,942 and $435,535 for the years ended December 31, 2016 and 2015, respectively. In addition, approximately 29,900 and 14,900 volunteer hours were provided to the Organization during the years ended December 31, 2016 and 2015, respectively, for which no value has been assigned. Contributed service time meets the criteria to be recorded in the financial statements if it requires specialized skills, the service is being provided by an individual who possesses those skills and if the service would typically need to be purchased if not contributed.

Deferred revenue – The Organization records deferred revenue related to funds received for future programmatic events and for unspent funds received classified as exchange transactions.

(1) Summary of significant accounting policies (continued)

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Direct benefit to donor costs have been included in fundraising costs on the statement of functional expenses as the associated costs are not material in relation to the financial statements taken as a whole.

(2) Pledges receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value and are not discounted. Pledges receivable that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing pledges receivable was 4%. Amortization of the discounts is included in contribution revenue.

	2016	2015
In less than one year	$ 75,000	$ 25,000
In one to five years	-	25,000
	75,000	50,000
Less present value discount	-	(2,583)
Total pledges receivable	$ 75,000	$ 47,417

(3) Grants receivable

Grants receivable that are expected to be collected within one year are recorded at net realizable value and are not discounted. Grants receivable that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing grants receivable was 5%. Amortization of the discounts is included in contribution revenue.

	2016	2015
In less than one year	$ 154,972	$ -
In one to five years	306,205	-
	461,177	-
Less present value discount	(20,498)	-
Total grants receivable	$ 440,679	$ -

(4) Notes receivable

The Organization entered into three promissory notes receivable in the amount of $50,000 each that were given as value for disposed building improvements in 2015. Notes receivable that are expected to be collected within one year are recorded at net realizable value and are not discounted. Notes receivable that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the imputed interest rate of 5.25%. Each of the promissory notes receivables in the amount of $50,000 were paid in full during December 2015 and December 2016. The Organization's notes receivable consist of the following:

	2016	2015
Note receivable, principal without interest, due on December 1, 2016.	$ -	$ 50,000
Note receivable, principal without interest, due on December 1, 2017.	50,000	50,000
Total notes receivable	$ 50,000	$ 100,000

	2016	2015
In less than one year	$ 50,000	$ 50,000
In one to five years	-	50,000
	50,000	100,000
Less present value discount	-	(5,795)
Total notes receivable	$ 50,000	$ 94,205

(5) Inventory

Inventory consists of the following at December 31:

	2016	2015
Pharmaceutical supplies	$ 5,889,058	$ 6,439,734
Medical and other supplies	1,312,233	2,847,130
Total inventory	$ 7,201,291	$ 9,286,864

(6) Fair value measurements of assets and liabilities

FASB Accounting Standards Codification 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), requires additional disclosures as part of the financial statements. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(6) Fair value measurements of assets and liabilities (continued)

The three levels are defined as follows:

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

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities were measured on a recurring basis at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	$ 53,274	$ -	$ -	$ 53,274
Beneficial interest in community foundation	-	-	14,688	14,688
Total assets - recurring basis	$ 53,274	$ -	$ 14,688	$ 67,962

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities were measured on a recurring basis at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	$ 52,447	$ -	$ -	$ 52,447
Beneficial interest in community foundation	-	-	13,922	13,922
Total assets - recurring basis	$ 52,447	$ -	$ 13,922	$ 66,369

The management of the Organization endeavors to utilize the best available information in measuring fair value. Fair value for the Organization's trading securities was determined by using Level 1 valuation methods. Fair value for the Organization's interest in the common funds of a community foundation was determined using Level 3 valuation methods. The Level 3 investments were based upon stated values obtained from a community foundation.

(7) Investments

Investments consist of the following at December 31:

	2016	2015
Equity securities	$ 32,139	$ 30,667
Fixed income	5,092	4,926
Money market funds	30,731	30,776
Total investments	$ 67,962	$ 66,369

Investment return is as follows:

	2016	2015
Interest and dividends	$ 4,300	$ 4,145
Realized and unrealized gains (losses) on investments	1,593	(872)
Total investment return	$ 5,893	$ 3,273

(8) Property and equipment

Property and equipment consists of the following at December 31:

	2016	2015
Cost		
Land	$ 86,000	$ 86,000
Buildings	344,000	344,000
Building improvements	289,841	173,731
Furniture and equipment	253,003	253,003
Computer equipment	550,817	533,005
Vehicles	446,802	446,802
Total cost	1,970,463	1,836,541
Accumulated depreciation	(1,221,394)	(1,088,327)
Net property and equipment	$ 749,069	$ 748,214

(9) Long-term debt

The Organization's long-term debt consists of the following:

	2016	2015
Note payable, secured by real property, monthly payments of $5,038, including interest at 5.24%, with a final balloon payment in the amount of $292,530 due February 2019.	$ 378,351	$ 417,850
Note payable, secured by real property, interest only payments at 5.5%. This note payable was paid in full in January 2016.	-	199,000
Note payable, secured by real property, monthly payments of $646, including interest at 4.75%, with a final balloon payment in the amount of $83,397 due December 2020.	96,929	100,000
Total debt	475,280	716,850
Less current portion	(44,890)	(241,217)
Non-current debt	$ 430,390	$ 475,633

Maturities for notes payable are as follows:

2017	$ 44,890
2018	47,283
2019	296,315
2020	86,792
Total	$ 475,280

The total amount of interest paid during the years ended December 31, 2016 and 2015 was $46,364 and $45,925, respectively.

During the year ended December 31, 2016 the Organization had available a line of credit up to $250,000 with a bank at an interest rate at 5.25%. Outstanding principal and unpaid interest were due in one payment on December 4, 2016. The Organization renewed the line of credit in December 2016, resulting in a new interest rate of 5.50% with outstanding principal and unpaid interest due in one payment on February 2, 2017. Subsequent to December 31, 2016, on February 2, 2017, the Organization renewed the line of credit resulting in a new interest rate of 5.75% with outstanding principal and unpaid interest due in one payment on December 2, 2017. The balance on the line of credit was $249,442 as of both December 31, 2016 and 2015.

(10) Capital lease obligation

The capital lease obligation consists of the following:

	2016	2015
Capital lease obligation for dice alarm (A)	$ 7,955	$ 10,156
Capital lease obligation for pallet racking (B)	31,192	41,589
Total capital lease obligation	39,147	51,745
Less current portion	(12,654)	(12,654)
Non-current debt	$ 26,493	$ 39,091

(A) Payable in 63 monthly installments of $188.08 with a maturity date of June 1, 2020.
(B) Payable in 60 monthly installments of $866.45 with a maturity date of January 25, 2020.

Leased property under the capital lease includes:

	2016	2015
Equipment included in property and equipment	$ 63,836	$ 63,836
Less accumulated amortization	(24,689)	(12,091)
Total leased property under capital lease	$ 39,147	$ 51,745

Future minimum lease payments under the capital lease obligation are as follows:

Years ending December 31,	
2017	$ 12,654
2018	12,654
2019	12,654
2020	1,185
Total	$ 39,147

(11) Leases

The Organization leases office space, certain office equipment, and vehicles under operating leases through June 2022. Lease expense totaled $322,389 and $301,560 for the years ended December 31, 2016 and 2015, respectively. The future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

Years ending December 31,	
2017	$ 280,230
2018	282,792
2019	242,833
2020	179,688
2021	179,688
Thereafter	89,844
Total	$ 1,255,075

(12) Restricted net assets

Restricted net assets consist of funds held for the following purposes:

	2016	2015
Temporarily Restricted Net Assets:		
Cameroon, Africa	$ 178,624	$ -
Hygiene Kits	74,205	159,182
Cuba	20,054	-
NAFC - Lab Project	245,591	-
Nepal	-	251,302
Power Serve	-	74,535
Rural Health	479,578	-
Shipping Grant	50,872	136,090
U.S. Programs	4,363	36,392
Total Temporarily Restricted Net Assets	$ 1,053,287	$ 657,501

	2016	2015
Permanently Restricted Net Assets:		
Heart to Heart International Endowment Fund	$ 14,688	$ 13,922
Staff Development	2,000	2,000
General	51,274	50,447
Total Permanently Restricted Net Assets	$ 67,962	$ 66,369

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

	2016	2015
Net Assets Released from Temporary Restrictions:		
Cameroon, Africa	$ 159,876	$ -
Hygiene Kits	206,177	77,366
Cholera Response	225,992	-
Cuba	12,946	-
General Disaster	-	118,276
Global Crisis Response	-	114,372
Haiti	-	1,255,265
Joplin, Missouri	-	470,280
Liberia, Africa	-	374,685
NAFC - Lab Project	4,409	-
Nepal	88,153	-
Power Serve	74,535	101,965
Rural Health	1,827	-
Shipping Grant	285,218	-
U.S. Programs	100,703	46,928
Total Net Assets Released from Temporary Restrictions	$ 1,159,836	$ 2,559,137

(13) Endowment fund

The Organization has contributed total assets of $14,688 and $13,922 as of December 31, 2016 and 2015, respectively to The Greater Kansas City Community Foundation and Affiliated Trusts (the Foundation), which established the Heart to Heart International Endowment Fund (the Fund). The purpose of the fund is to serve as an endowment for the Organization and its successors. The annual earnings on the account are to be held in perpetuity.

(14) Concentrations

All of the Organization's pledges receivable were due from two and one donor(s) at December 31, 2016 and 2015, respectively.

Approximately 95% of the Organization's grants receivables were due from one donor at December 31, 2016. There were no grants receivables at December 31, 2015.

There were no concentrations in accounts receivable at December 31, 2016. Approximately 76% of the Organization's accounts receivable were due from two entities at December 31, 2015.

The Organization receives a significant portion of its gifts-in-kind contributions from pharmaceutical and medical supply companies. One company provided approximately 73% and 79% of the gifts-in-kind contributions in the years ended December 31, 2016 and 2015, respectively.

The Organization provides crisis response assistance to support communities, both domestically and internationally, and relies on contributions from its donor base to assist in crisis response activities. The Organization is subject to risks from changes in economic conditions and the occurrence of natural and worldwide disasters. A downturn in the economy or a lack of natural disasters could cause a significant decrease in contributions.

(15) Subsequent events

The Organization has evaluated subsequent events through June 9, 2017, which is the date the financial statements were available to be issued. No significant matters, except as disclosed in Note 9, were identified for disclosure during this evaluation.