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., which comprise the statements of financial position as of December 31, 2014 and 2013, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart to Heart International, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Kansas City, Missouri
August 14, 2015
### HEART TO HEART INTERNATIONAL, INC.

#### STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$787,548</td>
<td>$1,084,651</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>256,670</td>
<td>5,283</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>116,470</td>
<td>154,225</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>898,916</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>23,811,751</td>
<td>11,146,793</td>
</tr>
<tr>
<td>Other current assets</td>
<td>115,222</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>25,986,577</strong></td>
<td><strong>12,390,952</strong></td>
</tr>
</tbody>
</table>

| PLEDGES RECEIVABLE | 50,000 | 175,000 |

| PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation | 1,362,622 | 1,495,779 |

| INVESTMENTS | 67,241 | 65,868 |

| **TOTAL ASSETS** | **$27,466,440** | **$14,127,599** |

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$563,981</td>
<td>$72,511</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>249,417</td>
<td>100,352</td>
</tr>
<tr>
<td>Line of credit</td>
<td>150,000</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>64,074</td>
<td>902,085</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>1,027,472</strong></td>
<td><strong>1,074,948</strong></td>
</tr>
</tbody>
</table>

| LONG-TERM DEBT, less current portion above | 988,714 | 186,000 |

| **TOTAL LIABILITIES** | **2,016,186** | **1,260,948** |

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UNRESTRICTED NET ASSETS</td>
<td>24,401,212</td>
<td>11,744,011</td>
</tr>
<tr>
<td>TEMPORARILY RESTRICTED NET ASSETS</td>
<td>981,801</td>
<td>1,056,772</td>
</tr>
<tr>
<td>PERMANENTLY RESTRICTED NET ASSETS</td>
<td>67,241</td>
<td>65,868</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>25,450,254</strong></td>
<td><strong>12,866,651</strong></td>
</tr>
</tbody>
</table>

| TOTAL LIABILITIES AND NET ASSETS | **$27,466,440** | **$14,127,599** |

See Notes to Financial Statements
HEART TO HEART INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNRESTRICTED SUPPORT AND REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts in kind</td>
<td>$ 95,109,406</td>
<td>$ 89,157,523</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,096,432</td>
<td>1,113,373</td>
</tr>
<tr>
<td>Donated shipping</td>
<td>867,995</td>
<td>1,139,555</td>
</tr>
<tr>
<td>Governmental and corporate grants</td>
<td>1,849,759</td>
<td>529,536</td>
</tr>
<tr>
<td>Program revenue</td>
<td>734,166</td>
<td>894,369</td>
</tr>
<tr>
<td>Investment income</td>
<td>596</td>
<td>608</td>
</tr>
<tr>
<td>Rent income</td>
<td>-</td>
<td>11,270</td>
</tr>
<tr>
<td>Gain on currency conversion</td>
<td>21,900</td>
<td>12,208</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>18,730</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>262</td>
<td>103</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,725,211</td>
<td>1,624,411</td>
</tr>
<tr>
<td><strong>TOTAL UNRESTRICTED SUPPORT AND REVENUE</strong></td>
<td>101,424,457</td>
<td>94,482,956</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services - international</td>
<td>82,401,114</td>
<td>130,795,291</td>
</tr>
<tr>
<td>Program services - domestic</td>
<td>3,568,481</td>
<td>5,071,832</td>
</tr>
<tr>
<td>General and administrative</td>
<td>718,734</td>
<td>781,540</td>
</tr>
<tr>
<td>Fundraising and public relations</td>
<td>567,397</td>
<td>670,604</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>87,255,726</td>
<td>137,319,267</td>
</tr>
<tr>
<td><strong>CHANGES IN UNRESTRICTED NET ASSETS</strong></td>
<td>14,168,731</td>
<td>(42,836,311)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TEMPORARILY RESTRICTED NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>1,402,414</td>
<td>1,155,166</td>
</tr>
<tr>
<td>Governmental and corporate grants</td>
<td>247,826</td>
<td>517,395</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(1,725,211)</td>
<td>(1,624,411)</td>
</tr>
<tr>
<td><strong>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</strong></td>
<td>(74,971)</td>
<td>48,150</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PERMANENTLY RESTRICTED NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,373</td>
<td>2,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGES IN NET ASSETS BEFORE INVENTORY VALUATION ADJUSTMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14,095,133</td>
<td>(42,785,448)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVENTORY VALUATION ADJUSTMENT</strong></td>
<td>(1,511,530)</td>
<td>(297,714)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGES IN NET ASSETS</strong></td>
<td>12,583,603</td>
<td>(43,083,162)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS, BEGINNING OF YEAR</strong></td>
<td>12,866,651</td>
<td>55,949,813</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td>$ 25,450,254</td>
<td>$ 12,866,651</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements

-3-
HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

See Notes to Financial Statements
**HEART TO HEART INTERNATIONAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Program Services</th>
<th>International Projects</th>
<th>Domestic Projects</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs and fees</td>
<td>$ 50,974</td>
<td>$ 414</td>
<td>$ 713</td>
<td>$ 1,753</td>
<td>$ 53,854</td>
</tr>
<tr>
<td>Distributed aid</td>
<td>49,455</td>
<td>9,422</td>
<td>13,423</td>
<td>-</td>
<td>72,300</td>
</tr>
<tr>
<td>Donated medical services</td>
<td>624,954</td>
<td>294,096</td>
<td>-</td>
<td>-</td>
<td>919,050</td>
</tr>
<tr>
<td>Donated rent</td>
<td>-</td>
<td>11,270</td>
<td>-</td>
<td>-</td>
<td>11,270</td>
</tr>
<tr>
<td>Donated shipping</td>
<td>375,830</td>
<td>763,725</td>
<td>-</td>
<td>-</td>
<td>1,139,555</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>202</td>
<td>22,130</td>
<td>603</td>
<td>22,935</td>
</tr>
<tr>
<td>Interest</td>
<td>31,261</td>
<td>4,755</td>
<td>6,417</td>
<td>9,205</td>
<td>51,638</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>64,332</td>
<td>3,014</td>
<td>2,335</td>
<td>245</td>
<td>69,926</td>
</tr>
<tr>
<td>Medical and contract services</td>
<td>159,385</td>
<td>89</td>
<td>25,058</td>
<td>52,875</td>
<td>237,407</td>
</tr>
<tr>
<td>Office</td>
<td>64,569</td>
<td>5,238</td>
<td>42,318</td>
<td>52,098</td>
<td>164,223</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>12,292</td>
<td>391</td>
<td>4,603</td>
<td>16,767</td>
<td>34,053</td>
</tr>
<tr>
<td>Printing</td>
<td>564</td>
<td>1,392</td>
<td>878</td>
<td>12,998</td>
<td>15,832</td>
</tr>
<tr>
<td>Professional fees</td>
<td>6,036</td>
<td>-</td>
<td>66,755</td>
<td>4,581</td>
<td>77,372</td>
</tr>
<tr>
<td>Publicity</td>
<td>-</td>
<td>170</td>
<td>-</td>
<td>2,632</td>
<td>2,802</td>
</tr>
<tr>
<td>Rent</td>
<td>23,377</td>
<td>1,630</td>
<td>49,985</td>
<td>10,301</td>
<td>85,293</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>899,673</td>
<td>126,799</td>
<td>470,715</td>
<td>419,102</td>
<td>1,916,289</td>
</tr>
<tr>
<td>Special events</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,767</td>
<td>10,767</td>
</tr>
<tr>
<td>Staff development</td>
<td>2,372</td>
<td>6</td>
<td>565</td>
<td>267</td>
<td>3,210</td>
</tr>
<tr>
<td>Telephone</td>
<td>39,378</td>
<td>6,161</td>
<td>17,730</td>
<td>12,273</td>
<td>75,542</td>
</tr>
<tr>
<td>Travel and meals</td>
<td>483,456</td>
<td>6,251</td>
<td>54,953</td>
<td>52,443</td>
<td>597,103</td>
</tr>
<tr>
<td>Warehouse</td>
<td>93,505</td>
<td>12,991</td>
<td>252</td>
<td>132</td>
<td>106,880</td>
</tr>
</tbody>
</table>

**Expenses before depreciation and gifts-in-kind distributed**

<table>
<thead>
<tr>
<th>International Projects</th>
<th>Domestic Projects</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,981,413</td>
<td>1,248,016</td>
<td>778,830</td>
<td>659,042</td>
<td>5,667,301</td>
</tr>
<tr>
<td>Depreciation</td>
<td>24,972</td>
<td>147,618</td>
<td>2,710</td>
<td>11,562</td>
</tr>
<tr>
<td>Gifts-in-kind distribution</td>
<td>127,788,906</td>
<td>3,676,198</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>International Projects</th>
<th>Domestic Projects</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 130,795,291</td>
<td>$ 5,071,832</td>
<td>$ 781,540</td>
<td>$ 670,604</td>
<td>$ 137,319,267</td>
<td></td>
</tr>
</tbody>
</table>

|                      | 95.25%                 | 3.69%             | 0.57%                      | 0.49%       | 100.00%     |

See Notes to Financial Statements

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HEART TO HEART INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ 12,583,603</td>
<td>$ (43,083,162)</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>185,548</td>
<td>186,862</td>
</tr>
<tr>
<td>Gain on disposal of assets</td>
<td>(18,100)</td>
<td>-</td>
</tr>
<tr>
<td>Realized and unrealized gain on investments</td>
<td>(1,373)</td>
<td>(2,713)</td>
</tr>
<tr>
<td>Decrease (increase) in operating assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>(12,664,958)</td>
<td>43,508,739</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(251,387)</td>
<td>-</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>162,755</td>
<td>(1,849)</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>(898,916)</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(115,222)</td>
<td>(266,332)</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>491,470</td>
<td>4,459</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>149,065</td>
<td>9,961</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td>(377,515)</td>
<td>347,047</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |              |              |
| Acquisition of property and equipment | (165,539)    | (188,854)    |
| Proceeds from sale of property and equipment | 131,248      | -            |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | (34,291)     | (188,854)    |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |              |              |
| Net activity on line of credit     | 150,000      | -            |
| Repayment of long-term debt        | (929,297)    | (552,138)    |
| Proceeds from long-term debt       | 894,000      | -            |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | 114,703      | (552,138)    |

| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (297,103)    | (393,945)    |

| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 1,084,651    | 1,478,596    |

| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 787,548    | $ 1,084,651  |
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 no request for an increase in funding to support operations after the end of the original grant term. These requests were approved by USAID initially through May 31, 2015, and subsequently through July 31, 2015.

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 or may otherwise be limited by contractual agreements with outside parties.

- 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 designated 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. Support that is restricted by the donor is reported as an unrestricted contribution if the restriction expires in the reporting period in which the support is recognized.

- 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. Generally, the donors of these assets permit the Organization to use all or part of the income earned on these assets. Earnings on permanently restricted net assets that are to be expended in accordance with the desires of donors are recorded as temporarily restricted net assets. Once expenses are incurred for their donor-restricted purpose, the earnings are released from restriction.

Cash and cash equivalents - Cash and cash equivalents consist of available cash balances on deposit at financial institutions and short-term money market investments.
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Concentration of risk – The Organization maintains its cash balances in two financial institutions located in the greater Kansas City, Kansas area. The Organization’s domestic cash accounts are fully insured by the Federal Deposit Insurance Corporation. Effective January 1, 2013, 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, 2014 and 2013, the Organization’s uninsured cash and cash equivalents amounts to $392,313 and $483,191, 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, 2014 or 2013, 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:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Estimated Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>15 – 39 years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>5 – 7 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>3 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3 – 10 years</td>
</tr>
</tbody>
</table>

Fair value of financial instruments – The carrying amounts of financial instruments including cash and cash equivalents, receivables, accounts payable and accrued liabilities approximated fair values as of December 31, 2014 and 2013 due to their short-term nature. The carrying amount of notes payable approximated fair value due to similar available terms.
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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 $867,995 and $1,139,555 in shipping expense for overseas and domestic freight during the years ended December 31, 2014 and 2013, 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 $949,133 and $919,050 for the years ended December 31, 2014 and 2013, respectively. In addition, approximately 18,200 and 18,800 volunteer hours were provided to the Organization during the years ended December 31, 2014 and 2013 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.

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.
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

(2) **Unconditional promises to give**

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 interest rates applicable to the years in which the promises are received. The discount rate used in valuing unconditional promises to give was 4%. Amortization of the discounts is included in contribution revenue.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>In less than one year</td>
<td>$ 125,000</td>
<td>$ 175,000</td>
</tr>
<tr>
<td>In one to five years</td>
<td>50,000</td>
<td>175,000</td>
</tr>
<tr>
<td></td>
<td>175,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Less present value discount</td>
<td>(8,530)</td>
<td>(20,775)</td>
</tr>
<tr>
<td>Total unconditional promises to give</td>
<td>$ 166,470</td>
<td>$ 329,225</td>
</tr>
</tbody>
</table>

(3) **Inventory**

Inventory consists of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical supplies</td>
<td>$ 20,181,248</td>
<td>$ 7,074,678</td>
</tr>
<tr>
<td>Medical and other supplies</td>
<td>3,630,503</td>
<td>4,072,115</td>
</tr>
<tr>
<td>Total inventory</td>
<td>$ 23,811,751</td>
<td>$ 11,146,793</td>
</tr>
</tbody>
</table>

(4) **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.

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.
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>$ 53,075</td>
<td>-</td>
<td>-</td>
<td>$ 53,075</td>
</tr>
<tr>
<td>Beneficial interest in community foundation</td>
<td>-</td>
<td>-</td>
<td>14,166</td>
<td>14,166</td>
</tr>
<tr>
<td><strong>Total assets - recurring basis</strong></td>
<td>$ 53,075</td>
<td>-</td>
<td>14,166</td>
<td>$ 67,241</td>
</tr>
</tbody>
</table>

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, 2013:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>$ 52,311</td>
<td>-</td>
<td>-</td>
<td>$ 52,311</td>
</tr>
<tr>
<td>Beneficial interest in community foundation</td>
<td>-</td>
<td>-</td>
<td>13,557</td>
<td>13,557</td>
</tr>
<tr>
<td><strong>Total assets - recurring basis</strong></td>
<td>$ 52,311</td>
<td>-</td>
<td>13,557</td>
<td>$ 65,868</td>
</tr>
</tbody>
</table>

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.

(5) Investments

Investments consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>$ 8,485</td>
<td>$ 8,232</td>
</tr>
<tr>
<td>Fixed income</td>
<td>4,988</td>
<td>4,674</td>
</tr>
<tr>
<td>Stock and bond mutual funds</td>
<td>22,919</td>
<td>22,091</td>
</tr>
<tr>
<td>Money market funds</td>
<td>30,849</td>
<td>30,871</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>$ 67,241</td>
<td>$ 65,868</td>
</tr>
</tbody>
</table>

Investment return is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 596</td>
<td>$ 608</td>
</tr>
<tr>
<td>Realized and unrealized gains on investments</td>
<td>1,373</td>
<td>2,713</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>$ 1,969</td>
<td>$ 3,321</td>
</tr>
</tbody>
</table>
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Property and equipment

Property and equipment consists of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$161,000</td>
<td>$161,000</td>
</tr>
<tr>
<td>Buildings</td>
<td>344,000</td>
<td>344,000</td>
</tr>
<tr>
<td>Warehouse</td>
<td>575,000</td>
<td>575,000</td>
</tr>
<tr>
<td>Building improvements</td>
<td>664,485</td>
<td>622,640</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>235,503</td>
<td>211,800</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>506,972</td>
<td>439,709</td>
</tr>
<tr>
<td>Construction in process</td>
<td>51,500</td>
<td>141,421</td>
</tr>
<tr>
<td>Vehicles</td>
<td>488,430</td>
<td>607,678</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>3,026,890</td>
<td>3,103,248</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>1,664,268</td>
<td>1,607,469</td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td>$1,362,622</td>
<td>$1,495,779</td>
</tr>
</tbody>
</table>

(7) Long-term debt

The Organization’s obligation under notes payable consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 $629,180 due February 2019.</td>
<td>$725,688</td>
<td>$-</td>
</tr>
<tr>
<td>Note payable, secured by real property, monthly payments of $2,892, including interest at 5.74%, due February 2019.</td>
<td>128,100</td>
<td>-</td>
</tr>
<tr>
<td>Note payable, secured by real property, monthly payments of $6,090, including interest at 4.0%, paid off in January 2014.</td>
<td>-</td>
<td>889,085</td>
</tr>
<tr>
<td>Note payable, secured by real property, interest only payments at 5.5%, principal due May 2016.</td>
<td>199,000</td>
<td>199,000</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td>1,052,788</td>
<td>1,088,085</td>
</tr>
<tr>
<td><strong>Less current portion</strong></td>
<td>(64,074)</td>
<td>(902,085)</td>
</tr>
<tr>
<td><strong>Non-current debt</strong></td>
<td>$988,714</td>
<td>$186,000</td>
</tr>
</tbody>
</table>
(7) **Long-term debt (continued)**

**Years ending December 31,**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$64,074</td>
</tr>
<tr>
<td>2016</td>
<td>$239,963</td>
</tr>
<tr>
<td>2017</td>
<td>$57,017</td>
</tr>
<tr>
<td>2018</td>
<td>$60,242</td>
</tr>
<tr>
<td>2019</td>
<td>$631,492</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,052,788</strong></td>
</tr>
</tbody>
</table>

The total amount of interest paid during the years ended December 31, 2014 and 2013 was $55,345 and $51,638, respectively.

The Organization has available a line of credit up to $250,000 with a bank at an interest rate at 5.25%. Outstanding principal and unpaid interest are due in one payment on December 4, 2015. The balance on this line of credit was $150,000 and $0 as of December 31, 2014 and 2013, respectively.

(8) **Leases**

The Organization leases office space and certain office equipment under operating leases through August 2019. Lease expense totaled $78,207 and $62,840 for the years ended December 31, 2014 and 2013, respectively. Subsequent to December 31, 2014, the Organization entered into a lease for warehouse space through June 2022. This commitment is included in the schedule below. 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,**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$118,402</td>
</tr>
<tr>
<td>2016</td>
<td>$266,244</td>
</tr>
<tr>
<td>2017</td>
<td>$268,806</td>
</tr>
<tr>
<td>2018</td>
<td>$239,204</td>
</tr>
<tr>
<td>2019</td>
<td>$175,956</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$269,532</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,338,144</strong></td>
</tr>
</tbody>
</table>

(9) **Rental income**

The Organization recorded $11,270 in rental income as it provided space rent-free to another not-for-profit organization at its warehouse during the year ended December 31, 2013. Approximately 6,000 square feet was used for storage and 16,400 for office space. The donated rent is also included in Program services-Domestic expenses.
HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

(10) **Restricted net assets**

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporarily Restricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Crisis Response</td>
<td>$ 6,675</td>
<td>$ 586,114</td>
</tr>
<tr>
<td>Joplin, Missouri</td>
<td>$470,280</td>
<td>$470,658</td>
</tr>
<tr>
<td>Liberia, Africa</td>
<td>$335,230</td>
<td></td>
</tr>
<tr>
<td>Care Kits</td>
<td>$91,748</td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>$77,868</td>
<td></td>
</tr>
<tr>
<td><strong>Total Temporarily Restricted Net Assets</strong></td>
<td>$981,801</td>
<td>$1,056,772</td>
</tr>
<tr>
<td><strong>Permanently Restricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heart to Heart International Endowment Fund</td>
<td>$14,166</td>
<td>$13,557</td>
</tr>
<tr>
<td>Staff Development</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>General</td>
<td>$51,075</td>
<td>$50,311</td>
</tr>
<tr>
<td><strong>Total Permanently Restricted Net Assets</strong></td>
<td>$67,241</td>
<td>$65,868</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Assets Released from Temporary Restrictions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Crisis Response</td>
<td>$244,209</td>
<td>$1,410,814</td>
</tr>
<tr>
<td>Joplin, Missouri</td>
<td>$ 378</td>
<td>$ 30,587</td>
</tr>
<tr>
<td>U.S. Programs</td>
<td>$60,474</td>
<td>$40,682</td>
</tr>
<tr>
<td>General Disaster</td>
<td>$264,892</td>
<td>$142,328</td>
</tr>
<tr>
<td>Haiti</td>
<td>$1,118,706</td>
<td></td>
</tr>
<tr>
<td>Care Kits</td>
<td>$36,552</td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets Released from Temporary Restrictions</strong></td>
<td>$1,725,211</td>
<td>$1,624,411</td>
</tr>
</tbody>
</table>

(11) **Endowment fund**

The Organization has contributed total assets of $14,166 and $13,557 as of December 31, 2014 and 2013, 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, with the annual net income to be distributed to the Organization. The Fund is donor-advised, whereby the Foundation seeks input from the Organization regarding distribution of grants from the principal. The assets are refundable to the Organization upon request.

(12) **Significant gift-in-kind contributors**

The Organization receives a significant portion of its gifts-in-kind contributions from pharmaceutical and medical supply companies. One and three companies provided approximately 85% and 81% of the gifts-in-kind contributions in the years ended December 31, 2014 and 2013, respectively.
(13) **Subsequent events**

The Organization has evaluated subsequent events through August 14, 2015, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.