

Medical Bridges, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Medical Bridges, Inc.

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Independent Auditors' Report

To the Board of Directors of
Medical Bridges, Inc.:

We have audited the accompanying financial statements of Medical Bridges, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, of functional expenses, and of 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 our 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 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 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 Medical Bridges, Inc. as of December 31, 2020 and 2019 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.

Blazek & Vetterling

June 13, 2021

Medical Bridges, Inc.

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 114,473	\$ 84,648
Inventory of donated medical supplies and equipment (Note 7)	1,280,198	1,337,602
Contributions receivable and other assets	6,500	155,600
Property, net (Note 3)	<u>605,965</u>	<u>617,694</u>
 TOTAL ASSETS	 <u>\$ 2,007,136</u>	 <u>\$ 2,195,544</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,389	\$ 5,436
Advanced contributions for shipments	33,024	25,112
Note payable (Note 4)	<u>4,058</u>	<u>303,112</u>
Total liabilities	<u>52,471</u>	<u>333,660</u>
Net assets:		
Without donor restrictions (Note 5)	1,874,733	1,647,284
With donor restrictions (Note 6)	<u>79,932</u>	<u>214,600</u>
Total net assets	<u>1,954,665</u>	<u>1,861,884</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,007,136</u>	 <u>\$ 2,195,544</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statements of Activities for the years ended December 31, 2020 and 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:						
Contributions of medical supplies and equipment (<i>Note 7</i>)	\$ 7,748,893		\$ 7,748,893	\$ 6,420,829		\$ 6,420,829
Loss on valuation of inventory of donated medical supplies and equipment	(54,940)		(54,940)	(256,639)		(256,639)
Contributions restricted for shipments		\$ 622,782	622,782		\$ 514,250	514,250
Contributions	330,841	13,500	344,341	188,578	10,000	198,578
Special events	352,807		352,807	260,705		260,705
Direct donor benefit costs of special events	(12,875)		(12,875)	(52,283)		(52,283)
Total revenue	8,364,726	636,282	9,001,008	6,561,190	524,250	7,085,440
Net assets released from restrictions:						
Expenditures for program purposes	605,350	(605,350)		514,250	(514,250)	
Expiration of time restrictions	165,600	(165,600)		201,900	(201,900)	
Total	9,135,676	(134,668)	9,001,008	7,277,340	(191,900)	7,085,440
EXPENSES:						
Program services:						
Shipments of medical supplies and equipment (<i>Note 7</i>)	7,716,763		7,716,763	8,312,525		8,312,525
Distribution and warehousing	742,361		742,361	611,473		611,473
Total program services	8,459,124		8,459,124	8,923,998		8,923,998
Management and general	306,645		306,645	264,182		264,182
Fundraising	142,458		142,458	140,845		140,845
Total expenses	8,908,227		8,908,227	9,329,025		9,329,025
CHANGES IN NET ASSETS	227,449	(134,668)	92,781	(2,051,685)	(191,900)	(2,243,585)
Net assets, beginning of year	1,647,284	214,600	1,861,884	3,698,969	406,500	4,105,469
Net assets, end of year	\$ 1,874,733	\$ 79,932	\$ 1,954,665	\$ 1,647,284	\$ 214,600	\$ 1,861,884

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Functional Expenses for the year ended December 31, 2020

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Shipments of medical supplies and equipment	\$ 7,716,763			\$ 7,716,763
Payroll and related benefits	518,355	\$ 218,759	\$ 84,734	821,848
Office supplies and expense	71,060	7,690	8,411	87,161
Postage and printing	35,948	145	7,174	43,267
Depreciation	12,054	12,054	12,073	36,181
Communications	15,853	8,175	6,153	30,181
Professional services	4,360	21,910	2,000	28,270
Insurance	18,537	2,849	3,166	24,552
Repair and maintenance	24,331			24,331
Contract labor	2,988	10,501	10,501	23,990
Utilities	16,670	1,876	1,249	19,795
Transportation	17,644			17,644
Interest expense		3,556		3,556
Other	<u>4,561</u>	<u>19,130</u>	<u>6,997</u>	<u>30,688</u>
Total expenses	<u>\$ 8,459,124</u>	<u>\$ 306,645</u>	<u>\$ 142,458</u>	8,908,227
Direct donor benefit costs of special events				<u>12,875</u>
Total				<u>\$ 8,921,102</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Functional Expenses for the year ended December 31, 2019

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Shipments of medical supplies and equipment	\$ 8,312,525			\$ 8,312,525
Payroll and related benefits	391,206	\$ 193,504	\$ 75,930	660,640
Office supplies and expense	47,044	6,294	1,901	55,239
Postage and printing	25,135	183	4,904	30,222
Depreciation	12,122	12,122	12,122	36,366
Communications	17,501	6,146	5,687	29,334
Professional services		20,720	21,550	42,270
Insurance	15,095	2,875	2,981	20,951
Repair and maintenance	52,893			52,893
Contract labor	11,746			11,746
Utilities	18,077	1,859	1,241	21,177
Transportation	16,882			16,882
Interest expense		12,164		12,164
Other	<u>3,772</u>	<u>8,315</u>	<u>14,529</u>	<u>26,616</u>
Total expenses	<u>\$ 8,923,998</u>	<u>\$ 264,182</u>	<u>\$ 140,845</u>	9,329,025
Direct donor benefit costs of special events				<u>52,283</u>
Total				<u>\$ 9,381,308</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 92,781	\$ (2,243,585)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated equipment	(24,452)	
Depreciation	36,181	36,366
Changes in operating assets and liabilities:		
Inventory of donated medical supplies and equipment	57,404	2,158,636
Contributions receivable and other assets	149,100	151,900
Accounts payable and accrued expenses	9,953	(4,229)
Advanced contributions for shipments	<u>7,912</u>	<u>(44,083)</u>
Net cash provided by operating activities	<u>328,879</u>	<u>55,005</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	142,536	609,375
Repayment of note payable	<u>(441,590)</u>	<u>(600,944)</u>
Net cash provided (used) by financing activities	<u>(299,054)</u>	<u>8,431</u>
NET CHANGE IN CASH	29,825	63,436
Cash, beginning of year	<u>84,648</u>	<u>21,212</u>
Cash, end of year	<u>\$ 114,473</u>	<u>\$ 84,648</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$3,556	\$12,164

See accompanying notes to financial statements.

Medical Bridges, Inc.

Notes to Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Medical Bridges, Inc. (Medical Bridges) is a non-profit organization whose mission is to bridge the healthcare gap by procuring medical, dental and surgical supplies and equipment for redistribution to qualified organizations and medical missions primarily in the developing world. Medical Bridges is located in Houston, Texas and receives donations of medical supplies and equipment from hospitals, clinics, physician’s offices, medical supply companies, home health agencies, and private individuals.

Federal income tax status – Medical Bridges is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Inventory of donated medical supplies and equipment is reported at cost. The cost of donated inventory is based upon the estimated fair value at the date of gift.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 39 years for buildings and improvements and 5 to 7 years for furniture, equipment, and vehicles.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Medical Bridges is entitled to receive or retain the funding. Conditional contributions are recognized in the same manner when the conditions have been met. Contributions restricted for shipment agreements are conditioned upon substantial completion of sourcing medical supplies and equipment and readying them for shipment. Funding received before these conditions are met is reported as advanced contributions for shipments.

In 2020 and 2019, one contributor agreement represents 76% and 74%, respectively, of total contributions restricted for shipments.

Non-cash contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the donated medical supplies and equipment is distributed by Medical Bridges. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on estimated square footage. Utilities and information technology costs are allocated based on estimates of time and costs of specific utilities and technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 114,473	\$ 84,648
Contributions receivable	<u>3,500</u>	<u>155,600</u>
Total financial assets available for general expenditure	<u>\$ 117,973</u>	<u>\$ 240,248</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Medical Bridges considers all expenditures related to its ongoing mission of bridging the healthcare gap worldwide by procuring and distributing medical supplies and equipment to underserved communities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Medical Bridges funds general expenditures in excess of financial assets available to meet cash needs with future contributions for shipments and other contributions.

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. In fiscal year 2020, Medical Bridges curtailed in-person program activities and cancelled or postponed in-person events. The extent of the impact of COVID-19 on Medical Bridges' future

operational and financial performance will depend on developments such as the duration and spread of the outbreak, and the impact on Medical Bridges' donors and global partners, all of which continue to be uncertain and cannot be predicted.

Medical Bridges regularly monitors liquidity required to meet its operating needs and other contractual commitments. The organization has various sources of liquidity at its disposal, including cash, contributions receivable, and a \$350,000 equity line of credit with an available balance of \$345,967 as of December 31, 2020. Medical Bridges has utilized its line of credit to fund operating costs in periods of negative operating cash with a policy to pay down the balance as cash is available.

NOTE 3 – PROPERTY

Property is comprised of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 96,313	\$ 96,313
Buildings and improvements	769,413	769,413
Furniture and equipment	168,470	144,019
Vehicles	<u>47,234</u>	<u>47,234</u>
Total property, at cost	1,081,430	1,056,979
Accumulated depreciation	<u>(475,465)</u>	<u>(439,285)</u>
Property, net	<u>\$ 605,965</u>	<u>\$ 617,694</u>

NOTE 4 – NOTE PAYABLE

Medical Bridges has a \$350,000 business line of credit with a bank, collateralized by property, expiring April 25, 2026, with an interest rate of 5% at December 31, 2020. At December 31, 2020 and 2019, \$4,058 and \$296,381, respectively, was outstanding under this line of credit. Medical Bridges had one outstanding vehicle financing loan with a balance of \$13,470 at December 31, 2019, which was paid in full before December 31, 2020.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment, net	\$ 605,965	\$ 610,963
Inventory of donated medical supplies and equipment	1,280,198	1,337,602
Undesignated deficit	<u>(11,430)</u>	<u>(301,281)</u>
Total net assets without donor restrictions	<u>\$ 1,874,733</u>	<u>\$ 1,647,284</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Medical supplies and equipment shipments	\$ <u>66,432</u>	\$ <u>49,000</u>
Subject to passage of time:		
Gala in future years	10,000	60,000
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>3,500</u>	<u>105,600</u>
Total subject to passage of time	<u>13,500</u>	<u>165,600</u>
Total net assets with donor restrictions	<u>\$ 79,932</u>	<u>\$ 214,600</u>

NOTE 7 – DONATED SUPPLIES, EQUIPMENT AND SERVICES

Medical supplies and equipment distributed by Medical Bridges are received through donations from individuals and healthcare organizations. The estimated fair value of the donations of medical supplies and equipment is based upon the wholesale list value for new items and resale values listed by local and national dealers for used equipment. The estimated fair value of these contributions is recognized in the financial statements as inventory and contribution revenue. As the medical supplies and equipment are distributed, program expenses are recognized.

Contributed services – A substantial number of volunteers have contributed significant amounts of time in connection with program services, administration, and clerical support for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 13, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
