

**Medical Bridges, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2021 and 2020

# Medical Bridges, Inc.

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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Medical Bridges, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Medical Bridges, Inc. as of December 31, 2021 and 2020, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Medical Bridges, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Medical Bridges, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Medical Bridges, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medical Bridges, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

June 22, 2022

## Medical Bridges, Inc.

### Statements of Financial Position as of December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 501,770	\$ 114,473
Inventory of donated medical supplies and equipment (Note 7)	2,934,325	1,280,198
Contributions receivable and other assets	20,000	6,500
Property, net (Note 3)	<u>574,310</u>	<u>605,965</u>
 TOTAL ASSETS	 <u>\$ 4,030,405</u>	 <u>\$ 2,007,136</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,131	\$ 15,389
Advanced contributions for shipments	496,500	33,024
Note payable (Note 4)	<u>                    </u>	<u>4,058</u>
Total liabilities	<u>505,631</u>	<u>52,471</u>
Net assets:		
Without donor restrictions (Note 5)	3,494,208	1,874,733
With donor restrictions (Note 6)	<u>30,566</u>	<u>79,932</u>
Total net assets	<u>3,524,774</u>	<u>1,954,665</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,030,405</u>	 <u>\$ 2,007,136</u>

*See accompanying notes to financial statements.*

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## Medical Bridges, Inc.

### Statements of Activities for the years ended December 31, 2021 and 2020

	2021			2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE:</b>						
Contributions of medical supplies and equipment <i>(Note 7)</i>	\$ 9,490,129		\$ 9,490,129	\$ 7,748,893		\$ 7,748,893
Loss on valuation of inventory of donated medical supplies and equipment	(420,496)		(420,496)	(54,940)		(54,940)
Contributions restricted for shipments		\$ 446,200	446,200		\$ 622,782	622,782
Contributions	250,966	144,900	395,866	330,841	13,500	344,341
Special events	353,029		353,029	352,807		352,807
Direct donor benefit costs of special events	<u>(57,782)</u>		<u>(57,782)</u>	<u>(12,875)</u>		<u>(12,875)</u>
Total revenue	9,615,846	591,100	10,206,946	8,364,726	636,282	9,001,008
Net assets released from restrictions:						
Expenditures for program purposes	626,966	(626,966)		605,350	(605,350)	
Expiration of time restrictions	<u>13,500</u>	<u>(13,500)</u>		<u>165,600</u>	<u>(165,600)</u>	
Total	<u>10,256,312</u>	<u>(49,366)</u>	<u>10,206,946</u>	<u>9,135,676</u>	<u>(134,668)</u>	<u>9,001,008</u>
<b>EXPENSES:</b>						
Program services:						
Shipments of medical supplies and equipment <i>(Note 7)</i>	7,412,006		7,412,006	7,716,763		7,716,763
Distribution and warehousing	<u>764,085</u>		<u>764,085</u>	<u>742,361</u>		<u>742,361</u>
Total program services	8,176,091		8,176,091	8,459,124		8,459,124
Management and general	297,267		297,267	306,645		306,645
Fundraising	<u>163,479</u>		<u>163,479</u>	<u>142,458</u>		<u>142,458</u>
Total expenses	<u>8,636,837</u>		<u>8,636,837</u>	<u>8,908,227</u>		<u>8,908,227</u>
CHANGES IN NET ASSETS	1,619,475	(49,366)	1,570,109	227,449	(134,668)	92,781
Net assets, beginning of year	<u>1,874,733</u>	<u>79,932</u>	<u>1,954,665</u>	<u>1,647,284</u>	<u>214,600</u>	<u>1,861,884</u>
Net assets, end of year	<u>\$ 3,494,208</u>	<u>\$ 30,566</u>	<u>\$ 3,524,774</u>	<u>\$ 1,874,733</u>	<u>\$ 79,932</u>	<u>\$ 1,954,665</u>

*See accompanying notes to financial statements.*

## Medical Bridges, Inc.

### Statement of Functional Expenses for the year ended December 31, 2021

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Shipments of medical supplies and equipment	\$ 7,412,006			\$ 7,412,006
Payroll and related benefits	566,388	\$ 231,947	\$ 117,631	915,966
Office supplies and expense	53,493	1,033	7,041	61,567
Depreciation	10,570	10,570	10,515	31,655
Communications	19,569	5,660	6,162	31,391
Insurance	21,699	2,050	3,576	27,325
Professional services		20,025	5,450	25,475
Grants	25,000			25,000
Shipping, freight, and transportation	21,259			21,259
Utilities	15,868	1,981	1,315	19,164
Repair and maintenance	16,353			16,353
Travel, conferences, and meetings	8,714	3,014	402	12,130
Postage and printing	514	86	8,969	9,569
Interest expense	109	488		597
Contract labor	363			363
Other	<u>4,186</u>	<u>20,413</u>	<u>2,418</u>	<u>27,017</u>
Total expenses	<u>\$ 8,176,091</u>	<u>\$ 297,267</u>	<u>\$ 163,479</u>	8,636,837
Direct donor benefit costs of special events				<u>57,782</u>
Total				<u>\$ 8,694,619</u>

*See accompanying notes to financial statements.*

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## Medical Bridges, Inc.

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

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	<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
Depreciation	12,054	12,054	12,073	36,181
Communications	15,853	8,175	6,153	30,181
Insurance	18,537	2,849	3,166	24,552
Professional services	4,360	21,910	2,000	28,270
Shipping, freight, and transportation	52,799			52,799
Utilities	16,670	1,876	1,249	19,795
Repair and maintenance	24,331			24,331
Travel, conferences, and meetings	4,510	792	647	5,949
Postage and printing	793	145	7,174	8,112
Interest expense		3,556		3,556
Contract labor	2,988	10,501	10,501	23,990
Other	<u>51</u>	<u>18,338</u>	<u>6,350</u>	<u>24,739</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.*

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## Medical Bridges, Inc.

### Statements of Cash Flows for the years ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,570,109	\$ 92,781
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	31,655	36,181
Donated equipment		(24,452)
Changes in operating assets and liabilities:		
Inventory of donated medical supplies and equipment	(1,654,127)	57,404
Contributions receivable and other assets	(13,500)	149,100
Accounts payable and accrued expenses	(6,258)	9,953
Advanced contributions for shipments	<u>463,476</u>	<u>7,912</u>
Net cash provided by operating activities	<u>391,355</u>	<u>328,879</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	79,411	142,536
Repayment of note payable	<u>(83,469)</u>	<u>(441,590)</u>
Net cash used by financing activities	<u>(4,058)</u>	<u>(299,054)</u>
<b>NET CHANGE IN CASH</b>	<b>387,297</b>	<b>29,825</b>
Cash, beginning of year	<u>114,473</u>	<u>84,648</u>
Cash, end of year	<u>\$ 501,770</u>	<u>\$ 114,473</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$597	\$3,556

*See accompanying notes to financial statements.*

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## Medical Bridges, Inc.

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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### 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).

Cash concentration – At times, bank deposits exceed the federally insured limit per depositor per institution.

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. At December 31, 2021, all contributions receivable are due within one year.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Medical Bridges capitalizes additions and improvements with a cost of more than \$1,000 and an estimated useful life of more than one year. 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 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 2021, two contributor agreements represent 69% of total contributions restricted for shipments, and in 2020, one contributor agreement represents 76% 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 are 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 events revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefit costs of special events 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.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021 and requires retrospective application. Medical Bridges will adopt this ASU in fiscal year 2022.

## 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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 501,770	\$ 114,473
Contributions receivable	<u>20,000</u>	<u>3,500</u>
Total financial assets available for general expenditure	<u>\$ 521,770</u>	<u>\$ 117,973</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.

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 an equity line of credit with an available balance of \$350,000 as of December 31, 2021. 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>2021</u>	<u>2020</u>
Land	\$ 96,313	\$ 96,313
Buildings and improvements	769,413	769,413
Furniture and equipment	168,470	168,470
Vehicles	<u>47,234</u>	<u>47,234</u>
Total property, at cost	1,081,430	1,081,430
Accumulated depreciation	<u>(507,120)</u>	<u>(475,465)</u>
Property, net	<u>\$ 574,310</u>	<u>\$ 605,965</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 7.5% at December 31, 2021. There is no balance outstanding under this line of credit at December 31, 2021, and \$4,058 was outstanding at December 31, 2020.

### NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Property, net	\$ 574,310	\$ 605,965
Inventory of donated medical supplies and equipment	2,934,325	1,280,198
Undesignated deficit	<u>(14,427)</u>	<u>(11,430)</u>
Total net assets without donor restrictions	<u>\$ 3,494,208</u>	<u>\$ 1,874,733</u>

## NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Medical supplies and equipment shipments	\$ 30,566	\$ 66,432
Subject to passage of time:		
Gala in future years		10,000
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due		<u>3,500</u>
Total subject to passage of time	<u>                    </u>	<u>13,500</u>
Total net assets with donor restrictions	<u>\$ 30,566</u>	<u>\$ 79,932</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 22, 2022, 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.