

Medical Bridges, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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, 2023

Medical Bridges, Inc.

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 2,840,406	\$ 501,770
Inventory of donated medical supplies and equipment <i>(Note 7)</i>	2,498,755	2,934,325
Contributions receivable and other assets	48,500	20,000
Property, net <i>(Note 3)</i>	<u>544,369</u>	<u>574,310</u>
TOTAL ASSETS	<u>\$ 5,932,030</u>	<u>\$ 4,030,405</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 99,926	\$ 9,131
Advanced contributions for shipments	<u>2,173,720</u>	<u>496,500</u>
Total liabilities	<u>2,273,646</u>	<u>505,631</u>
Net assets:		
Without donor restrictions <i>(Note 5)</i>	3,537,384	3,494,208
With donor restrictions <i>(Note 6)</i>	<u>121,000</u>	<u>30,566</u>
Total net assets	<u>3,658,384</u>	<u>3,524,774</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,932,030</u>	<u>\$ 4,030,405</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of medical supplies and equipment (<i>Notes 7 and 8</i>)	\$ 9,223,352		\$ 9,223,352
Loss on valuation of inventory of donated medical supplies and equipment	(444,501)		(444,501)
Contributions restricted for shipments		\$ 1,120,053	1,120,053
Other contributions	368,828	237,226	606,054
Special events:			
Financial contributions	434,527		434,527
Nonfinancial contributions (<i>Note 7</i>)	31,220		31,220
Direct donor benefit costs	<u>(48,594)</u>	<u> </u>	<u>(48,594)</u>
Total revenue	9,564,832	1,357,279	10,922,111
Net assets released from restrictions:			
Expenditures for program purposes	<u>1,266,845</u>	<u>(1,266,845)</u>	<u> </u>
Total	<u>10,831,677</u>	<u>90,434</u>	<u>10,922,111</u>
EXPENSES:			
Program services:			
Shipments of medical supplies and equipment (<i>Note 8</i>)	9,214,537		9,214,537
Distribution and warehousing	<u>1,059,409</u>		<u>1,059,409</u>
Total program services	10,273,946		10,273,946
Management and general	337,897		337,897
Fundraising	<u>176,658</u>		<u>176,658</u>
Total expenses	<u>10,788,501</u>		<u>10,788,501</u>
CHANGES IN NET ASSETS	43,176	90,434	133,610
Net assets, beginning of year	<u>3,494,208</u>	<u>30,566</u>	<u>3,524,774</u>
Net assets, end of year	<u>\$ 3,537,384</u>	<u>\$ 121,000</u>	<u>\$ 3,658,384</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of medical supplies and equipment (<i>Notes 7 and 8</i>)	\$ 9,490,129		\$ 9,490,129
Loss on valuation of inventory of donated medical supplies and equipment	(420,496)		(420,496)
Contributions restricted for shipments		\$ 446,200	446,200
Other contributions	250,966	144,900	395,866
Special events:			
Financial contributions	332,512		332,512
Nonfinancial contributions (<i>Note 7</i>)	20,517		20,517
Direct donor benefit costs	<u>(57,782)</u>	<u> </u>	<u>(57,782)</u>
Total revenue	9,615,846	591,100	10,206,946
Net assets released from restrictions:			
Expenditures for program purposes	626,966	(626,966)	
Expiration of time restrictions	<u>13,500</u>	<u>(13,500)</u>	<u> </u>
Total	<u>10,256,312</u>	<u>(49,366)</u>	<u>10,206,946</u>
EXPENSES:			
Program services:			
Shipments of medical supplies and equipment (<i>Note 8</i>)	7,412,006		7,412,006
Distribution and warehousing	<u>764,085</u>		<u>764,085</u>
Total program services	8,176,091		8,176,091
Management and general	297,267		297,267
Fundraising	<u>163,479</u>		<u>163,479</u>
Total expenses	<u>8,636,837</u>		<u>8,636,837</u>
CHANGES IN NET ASSETS	1,619,475	(49,366)	1,570,109
Net assets, beginning of year	<u>1,874,733</u>	<u>79,932</u>	<u>1,954,665</u>
Net assets, end of year	<u>\$ 3,494,208</u>	<u>\$ 30,566</u>	<u>\$ 3,524,774</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Functional Expenses for the year ended December 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Shipments of medical supplies and equipment	\$ 9,214,537			\$ 9,214,537
Payroll and related benefits	659,613	\$ 271,325	\$ 124,912	1,055,850
Shipping, freight, and transportation	107,261	490		107,751
Office and warehouse supplies and expense	97,166	2,701	6,361	106,228
Repair and maintenance	56,041			56,041
Contract labor	35,102			35,102
Communications	20,474	5,618	4,964	31,056
Professional services	4,640	18,190	8,035	30,865
Depreciation	9,955	9,940	10,046	29,941
Utilities	25,837	2,178	1,372	29,387
Insurance	23,188	2,362	2,882	28,432
Travel, conferences, and meetings	12,559	2,207	2,819	17,585
Postage and printing	610	206	9,341	10,157
Interest expense		626		626
Other	<u>6,963</u>	<u>22,054</u>	<u>5,926</u>	<u>34,943</u>
Total expenses	<u>\$10,273,946</u>	<u>\$ 337,897</u>	<u>\$ 176,658</u>	10,788,501
Direct donor benefit costs of special events				<u>48,594</u>
Total				<u>\$ 10,837,095</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

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

	<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
Shipping, freight, and transportation	21,259			21,259
Office and warehouse supplies and expense	53,493	1,033	7,041	61,567
Repair and maintenance	16,353			16,353
Contract labor	363			363
Communications	19,569	5,660	6,162	31,391
Professional services		20,025	5,450	25,475
Depreciation	10,570	10,570	10,515	31,655
Utilities	15,868	1,981	1,315	19,164
Insurance	21,699	2,050	3,576	27,325
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
Grants	25,000			25,000
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.

Medical Bridges, Inc.

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 133,610	\$ 1,570,109
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	29,941	31,655
Changes in operating assets and liabilities:		
Inventory of donated medical supplies and equipment	435,570	(1,654,127)
Contributions receivable and other assets	(28,500)	(13,500)
Accounts payable and accrued expenses	90,795	(6,258)
Advanced contributions for shipments	<u>1,677,220</u>	<u>463,476</u>
Net cash provided by operating activities	<u>2,338,636</u>	<u>391,355</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable		79,411
Repayment of note payable		<u>(83,469)</u>
Net cash used by financing activities		<u>(4,058)</u>
NET CHANGE IN CASH	2,338,636	387,297
Cash, beginning of year	<u>501,770</u>	<u>114,473</u>
Cash, end of year	<u>\$ 2,840,406</u>	<u>\$ 501,770</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$626	\$597

See accompanying notes to financial statements.

Medical Bridges, Inc.

Notes to Financial Statements for the years ended December 31, 2022 and 2021

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, 2022, 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.

During 2022, Medical Bridges received a conditional contribution of \$150,000 to sponsor the annual gala for three years, through 2024. The gift is conditioned upon the event taking place; \$50,000 of the contribution was recognized as special event revenue in 2022. Medical Bridges will recognize the remaining amount when the conditions are met.

In 2022, two contributor agreements represent 57% of total contributions restricted for shipments, and in 2021, two contributor agreements represent 69% of total contributions restricted for shipments.

Contributions of medical supplies and equipment and other nonfinancial 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, or as other donated goods are used. 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.

Adoption of accounting standard – During 2022, Medical Bridges adopted the amendments of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2021. Adoption of this ASU did not result in any restatement of net assets or the changes therein.

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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 2,840,406	\$ 501,770
Contributions receivable and other assets	<u>48,500</u>	<u>20,000</u>
Total financial assets available for general expenditure	<u>\$ 2,888,906</u>	<u>\$ 521,770</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, 2022. 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>2022</u>	<u>2021</u>
Land	\$ 96,313	\$ 96,313
Buildings and improvements	769,413	769,413
Furniture and equipment	148,421	168,470
Vehicles	<u>47,234</u>	<u>47,234</u>
Total property, at cost	1,061,381	1,081,430
Accumulated depreciation	<u>(517,012)</u>	<u>(507,120)</u>
Property, net	<u>\$ 544,369</u>	<u>\$ 574,310</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, 2022. There are no outstanding balances under this line of credit at December 31, 2022 or 2021.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Property, net	\$ 544,369	\$ 574,310
Inventory of donated medical supplies and equipment	2,498,755	2,934,325
Undesignated surplus (deficit)	<u>494,260</u>	<u>(14,427)</u>
Total net assets without donor restrictions	<u>\$ 3,537,384</u>	<u>\$ 3,494,208</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Transportation equipment	\$ 60,000	
Medical supplies and equipment shipments	36,000	\$ 30,566
San Antonio project	<u>25,000</u>	
Total net assets with donor restrictions	<u>\$ 121,000</u>	<u>\$ 30,566</u>

NOTE 7 – CONTRIBUTIONS OF MEDICAL SUPPLIES AND EQUIPMENT AND OTHER NONFINANCIAL CONTRIBUTIONS

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR <u>2022</u>	FISCAL YEAR <u>2021</u>
Donated medical supplies and equipment	Inventoried and distributed by Medical Bridges	None	Valued based upon the wholesale list value for new items and resale values listed by local and national dealers for used equipment.	\$9,223,352	\$9,490,129
Donated auction items	Monetized at fundraising event	None	Valued using the auction price received.	\$31,220	\$20,517
Total contributed nonfinancial assets				<u>\$9,254,572</u>	<u>\$9,510,646</u>

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 – SHIPMENTS OF MEDICAL SUPPLIES AND EQUIPMENT

Medical supplies and equipment distributed by Medical Bridges are received through donations from individuals and healthcare organizations. As described in Note 7, 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. At December 31, 2022, nine containers with a total value of \$1,838,777 were ready for shipment (staged), but were not

shipped or expensed until 2023. At December 31, 2021, seven containers with a total value of \$1,103,379 were staged, but were not shipped or expensed until 2022. The net increase in the value of staged containers is \$735,398, which when added to the \$9,214,537 program expense for 2022 brings the total value that was shipped and staged during 2022 to \$9,949,935.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2023, 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.
