

Medical Bridges, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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

September 18, 2024

Medical Bridges, Inc.

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 468,877	\$ 2,840,406
Certificates of deposit	1,528,218	
Inventory of donated medical supplies and equipment <i>(Note 7)</i>	835,900	2,498,755
Contributions receivable and other assets	114,493	48,500
Property, net <i>(Note 3)</i>	<u>680,356</u>	<u>544,369</u>
 TOTAL ASSETS	 <u>\$ 3,627,844</u>	 <u>\$ 5,932,030</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 107,333	\$ 99,926
Advanced contributions for shipments	<u>761,863</u>	<u>2,173,720</u>
Total liabilities	<u>869,196</u>	<u>2,273,646</u>
Net assets:		
Without donor restrictions <i>(Note 5)</i>	2,519,850	3,537,384
With donor restrictions <i>(Note 6)</i>	<u>238,798</u>	<u>121,000</u>
Total net assets	<u>2,758,648</u>	<u>3,658,384</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,627,844</u>	 <u>\$ 5,932,030</u>

See accompanying notes to financial statements.

Medical Bridges, Inc.

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of medical supplies and equipment (<i>Note 7</i>)	\$ 12,982,574		\$ 12,982,574
Loss on valuation of inventory of donated medical supplies and equipment	(185,339)		(185,339)
Contributions restricted for shipments		\$ 1,423,500	1,423,500
Other contributions	380,854	425,598	806,452
Special events:			
Financial contributions	403,440		403,440
Nonfinancial contributions (<i>Note 7</i>)	8,410		8,410
Direct donor benefit costs	(53,667)		(53,667)
Interest income	98,319		98,319
Total revenue	13,634,591	1,849,098	15,483,689
Net assets released from restrictions:			
Expenditures for program purposes	1,731,300	(1,731,300)	
Total	15,365,891	117,798	15,483,689
EXPENSES:			
Program services:			
Shipments of medical supplies and equipment	14,460,090		14,460,090
Distribution and warehousing	1,295,011		1,295,011
Total program services	15,755,101		15,755,101
Management and general	394,998		394,998
Fundraising	233,326		233,326
Total expenses	16,383,425		16,383,425
CHANGES IN NET ASSETS	(1,017,534)	117,798	(899,736)
Net assets, beginning of year	3,537,384	121,000	3,658,384
Net assets, end of year	\$ 2,519,850	\$ 238,798	\$ 2,758,648

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>Note 7</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	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 Functional Expenses for the year ended December 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Shipments of medical supplies and equipment	\$14,460,090			\$ 14,460,090
Payroll and related benefits	825,932	\$ 298,435	\$ 184,558	1,308,925
Shipping, freight, and transportation	214,911			214,911
Office and warehouse supplies and expense	64,271	14,207	6,112	84,590
Professional services		34,398	14,706	49,104
Contract labor	47,448			47,448
Utilities	32,425	6,485	4,323	43,233
Travel, conferences, and meetings	29,705	8,566		38,271
Communications and technology	15,689	16,739	4,707	37,135
Depreciation	12,108	12,108	12,474	36,690
Insurance	22,559	3,223	6,446	32,228
Repair and maintenance	29,963			29,963
Other		837		837
Total expenses	<u>\$15,755,101</u>	<u>\$ 394,998</u>	<u>\$ 233,326</u>	16,383,425
Direct donor benefit costs of special events				<u>53,667</u>
Total				<u>\$ 16,437,092</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
Professional services	4,640	18,190	8,035	30,865
Contract labor	35,102			35,102
Utilities	25,837	2,178	1,372	29,387
Travel, conferences, and meetings	12,559	2,207	2,819	17,585
Communications and technology	20,474	5,618	4,964	31,056
Depreciation	9,955	9,940	10,046	29,941
Insurance	23,188	2,362	2,882	28,432
Repair and maintenance	56,041			56,041
Other	<u>7,573</u>	<u>22,886</u>	<u>15,267</u>	<u>45,726</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.

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (899,736)	\$ 133,610
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	36,690	29,941
Changes in operating assets and liabilities:		
Inventory of donated medical supplies and equipment	1,662,855	435,570
Contributions receivable and other assets	(65,993)	(28,500)
Accounts payable and accrued expenses	7,407	90,795
Advanced contributions for shipments	<u>(1,411,857)</u>	<u>1,677,220</u>
Net cash provided (used) by operating activities	<u>(670,634)</u>	<u>2,338,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(1,528,218)	
Purchase of property	<u>(172,677)</u>	
Net cash used by investing activities	<u>(1,700,895)</u>	
NET CHANGE IN CASH	(2,371,529)	2,338,636
Cash, beginning of year	<u>2,840,406</u>	<u>501,770</u>
Cash, end of year	<u>\$ 468,877</u>	<u>\$ 2,840,406</u>

Supplemental disclosure of cash flow information:

Interest paid	\$626
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See accompanying notes to financial statements.

Medical Bridges, Inc.

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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.

Certificates of deposit are nonnegotiable bank time deposits held by a financial institution which have maturities between three and twelve months. Certificates of deposit are reported at cost.

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, 2023, 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 \$5,000 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 2023, two contributor agreements represent 81% of total contributions restricted for shipments, and in 2022, two contributor agreements represent 57% 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.

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>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 468,877	\$ 2,840,406
Certificates of deposit	1,528,218	
Contributions receivable and other assets	<u>114,493</u>	<u>48,500</u>
Total financial assets available for general expenditure	2,111,588	2,888,906
Less financial assets not available for general expenditure:		
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>(137,500)</u>	
Total financial assets available for general expenditure	<u>\$ 1,974,088</u>	<u>\$ 2,888,906</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, 2023. 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>2023</u>	<u>2022</u>
Land	\$ 96,313	\$ 96,313
Buildings and improvements	839,091	769,413
Furniture and equipment	159,107	148,421
Vehicles	<u>143,556</u>	<u>47,234</u>
Total property, at cost	1,238,067	1,061,381
Accumulated depreciation	<u>(557,711)</u>	<u>(517,012)</u>
Property, net	<u>\$ 680,356</u>	<u>\$ 544,369</u>

NOTE 4 – LINE OF CREDIT

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 9.5% at December 31, 2023. There are no outstanding balances under this line of credit December 31, 2023 or 2022.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Property, net	\$ 680,356	\$ 544,369
Inventory of donated medical supplies and equipment	835,900	2,498,755
Undesignated surplus	<u>1,003,594</u>	<u>494,260</u>
Total net assets without donor restrictions	<u>\$ 2,519,850</u>	<u>\$ 3,537,384</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Transportation equipment and maintenance	\$ 218,798	\$ 60,000
Test room supplies and equipment	20,000	
Medical supplies and equipment shipments		36,000
San Antonio project		<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 238,798</u>	<u>\$ 121,000</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 2023	FISCAL YEAR 2022
Donated medical supplies and equipment	Inventoried and distributed by Medical Bridges in programs	None	Valued based upon the wholesale list value for new items and resale values listed by local and national dealers for used equipment.	\$12,982,574	\$9,223,352
Donated auction items	Monetized at fundraising event	None	Valued using the auction price received.	\$8,410	\$31,220
Total contributed nonfinancial assets				<u>\$12,990,984</u>	<u>\$9,254,572</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 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2024, 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.