

# **ReSurge International**

Consolidated Financial Statements

June 30, 2021  
(With Comparative Totals for 2020)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
ReSurge International  
Sunnyvale, California

We have audited the accompanying consolidated financial statements of ReSurge International (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



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## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ReSurge International as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited ReSurge International's 2020 consolidated financial statements, and our report dated December 1, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Jose, California

November 11, 2021

ReSurge International  
Consolidated Statement of Financial Position  
June 30, 2021  
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,817,046	\$ 1,877,553
Investments	872,720	630,510
Accounts receivable	36,764	62,180
Grants and contributions receivables	116,670	153,200
Inventory	142,159	142,159
Prepaid expenses	36,521	16,129
Total current assets	3,021,880	2,881,731
Other assets		
Grants and contributions receivable, net of current portion	200,515	202,548
Deposits	240	13,240
Endowment investments	1,411,608	1,074,545
Cash restricted for endowment	25,037	110,440
Property and equipment, net	46,324	97,217
Intangibles, net	153,478	182,381
Total other assets	1,837,202	1,680,371
 Total assets	 \$ 4,859,082	 \$ 4,562,102
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 134,890	\$ 135,848
Accrued vacation	117,046	107,543
Deferred revenue	-	12,715
Note payable - Paycheck Protection Program	150,000	146,195
Total current liabilities	401,936	402,301
Net assets		
Without donor restrictions		
Undesignated	1,304,002	807,835
Board designated	4,400	4,400
Investment in property and equipment, net	46,324	97,217
Total without donor restrictions	1,354,726	909,452
With donor restrictions		
Restricted for a specific purpose	1,576,280	1,978,435
General operating for future years	89,495	86,929
Subject to appropriation and spending policy	671,006	423,940
Held in perpetuity (donor-restricted endowment corpus)	765,639	761,045
Total with donor restrictions	3,102,420	3,250,349
Total net assets	4,457,146	4,159,801
 Total liabilities and net assets	 \$ 4,859,082	 \$ 4,562,102

The accompanying notes are an integral part of these consolidated financial statements.

ReSurge International  
Consolidated Statement of Activities  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Support, revenue, gains and (losses) and net assets released from restriction				
Grants and contributions	\$ 1,744,587	\$ 383,865	\$ 2,128,452	\$ 3,526,219
In-kind contributions	1,114,066	-	1,114,066	3,050,494
Endowment realized and unrealized gains, net	-	296,056	296,056	38,987
Special events	295,826	-	295,826	621,129
Less: special event costs	(27,708)	-	(27,708)	(273,976)
Forgiveness of Paycheck Protection Program note payable	141,423	-	141,423	-
Operating investment interest and dividends, net	17,948	-	17,948	26,499
Other gain (loss)	12,525	-	12,525	(4,108)
Endowment interest and dividends, net	-	11,431	11,431	22,408
Operating investments realized and unrealized (losses) gains, net	(19,229)	-	(19,229)	(3,760)
Net assets released from restriction	<u>839,281</u>	<u>(839,281)</u>	<u>-</u>	<u>-</u>
Total support, revenue, gains and (losses), and net assets released from restriction	<u>4,118,719</u>	<u>(147,929)</u>	<u>3,970,790</u>	<u>7,003,892</u>
Functional expenses				
Program services	<u>2,612,138</u>	<u>-</u>	<u>2,612,138</u>	<u>5,151,200</u>
Support services				
Management and general	551,204	-	551,204	511,762
Fundraising	<u>510,103</u>	<u>-</u>	<u>510,103</u>	<u>613,186</u>
Total support services	<u>1,061,307</u>	<u>-</u>	<u>1,061,307</u>	<u>1,124,948</u>
Total functional expenses	<u>3,673,445</u>	<u>-</u>	<u>3,673,445</u>	<u>6,276,148</u>
Change in net assets	445,274	(147,929)	297,345	727,744
Net assets, beginning of year	<u>909,452</u>	<u>3,250,349</u>	<u>4,159,801</u>	<u>3,432,057</u>
Net assets, end of year	<u>\$ 1,354,726</u>	<u>\$ 3,102,420</u>	<u>\$ 4,457,146</u>	<u>\$ 4,159,801</u>

The accompanying notes are an integral part of these consolidated financial statements.

ReSurge International  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Program Services	Support Services			2021 Total	2020 Total
		Management and General	Fundraising	Total Support Services		
Personnel expenses						
Salaries and wages	\$ 527,774	\$ 289,486	\$ 242,167	\$ 531,653	\$ 1,059,427	\$ 1,005,351
Employee benefits	92,936	27,435	17,731	45,166	138,102	127,314
Payroll taxes	53,527	16,891	18,793	35,684	89,211	80,394
Total personnel expenses	674,237	333,812	278,691	612,503	1,286,740	1,213,059
Donated medical services	1,010,406	-	-	-	1,010,406	2,984,436
Professional services, including in-kind of \$103,660 in 2021 and \$42,330 in 2020	761,945	142,903	89,869	232,772	994,717	1,136,085
Depreciation and amortization	37,477	8,140	35,755	43,895	81,372	68,069
Office expenses	7,380	11,643	35,574	47,217	54,597	23,182
Medical education/empowerment	54,705	-	-	-	54,705	-
Advertising	2,241	-	35,197	35,197	37,438	89,004
Miscellaneous	15,268	10,366	10,346	20,712	35,980	69,026
Volunteer recruitment and training	10,378	2,063	13,559	15,622	26,000	506,951
Dues and Subscriptions	11,964	4,651	4,851	9,502	21,466	11,437
Postage and shipping	180	-	15,965	15,965	16,145	12,816
Bank charges	22	591	14,788	15,379	15,401	25,279
Occupancy	3,203	12,017	-	12,017	15,220	175,323
Insurance	550	11,948	18	11,966	12,516	16,967
Utilities	6,662	3,045	2,345	5,390	12,052	62,625
Equipment rental	4,743	2,993	853	3,846	8,589	9,860
Bad debt expense	-	7,032	-	7,032	7,032	-
Events	4,262	-	-	-	4,262	48,716
Donated medical supplies and equipment	4,211	-	-	-	4,211	23,728
Conferences, conventions and meetings	1,250	-	-	-	1,250	13,469
Repairs and maintenance	1,054	-	-	-	1,054	60,092
Total	2,612,138	551,204	537,811	1,089,015	3,701,153	6,550,124
Less expenses included with revenues on the statement of activities	-	-	(27,708)	(27,708)	(27,708)	(273,976)
Total Less expenses included with revenues on the statement of activities	\$ 2,612,138	\$ 551,204	\$ 510,103	\$ 1,061,307	\$ 3,673,445	\$ 6,276,148
Percentage of total	71.1 %	15.0 %	13.9 %	28.9 %	100.0 %	

The accompanying notes are an integral part of these consolidated financial statements.

ReSurge International  
Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 297,345	\$ 727,744
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	81,372	68,069
Forgiveness of Paycheck Protection Program note payable	(141,423)	-
Contributions restricted for endowment	(4,594)	(747)
Net realized and unrealized losses on operating investments	19,229	3,760
Net realized and unrealized gains on endowment	(296,056)	(38,987)
Changes in operating assets and liabilities		
Accounts receivable	25,416	(5,633)
Grants and contributions receivable	38,563	158,738
Inventory	-	26,085
Prepaid expenses	(20,392)	11,762
Deposits	13,000	-
Accounts payable	(958)	(237,176)
Accrued vacation	9,503	6,723
Deferred revenue	(12,715)	(1,285)
Deferred rent	-	(22,415)
Net cash provided by operating activities	<u>8,290</u>	<u>696,638</u>
Cash flows from investing activities		
Purchase of investments	(2,291,471)	(2,580,595)
Proceeds from sale of investments	1,989,025	3,328,078
Purchase of property and equipment	(1,576)	(48,205)
Net cash provided by (used in) investing activities	<u>(304,022)</u>	<u>699,278</u>
Cash flows from financing activities		
Cash received for endowment	4,594	747
Repayments of Paycheck Protection Program note payable	(4,772)	-
Proceeds from note payable - Paycheck Protection Program	150,000	146,195
Net cash provided by financing activities	<u>149,822</u>	<u>146,942</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(145,910)	1,542,858
Cash, cash equivalents and restricted cash, beginning of year	<u>1,987,993</u>	<u>445,135</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,842,083</u>	<u>\$ 1,987,993</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,817,046	\$ 1,877,553
Cash restricted for endowment	<u>25,037</u>	<u>110,440</u>
	<u>\$ 1,842,083</u>	<u>\$ 1,987,993</u>

The accompanying notes are an integral part of these consolidated financial statements.

ReSurge International  
Notes to Consolidated Financial Statements  
June 30, 2021  
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1. NATURE OF OPERATIONS

Worldwide, 5 billion people do not have access to safe, timely and affordable surgical care and 16.9 million people die every year from surgically preventable diseases. ReSurge International (the "Organization"), is a nonprofit public benefit corporation that inspires, trains, funds, and scales reconstructive surgical teams in low-income countries to provide life-changing care to patients with the greatest need.

One of the first organizations of its kind, ReSurge International has transformed the lives of children and adults through reconstructive surgical care since 1969, and has provided 130,196 surgeries to patients across the globe. ReSurge International is one of the few organizations that provides the full scope of reconstructive surgical care to treat congenital anomalies, traumatic injuries including burns and road traffic accidents, and malignant conditions like cancers. These conditions represent approximately 30 percent of the global burden of disease — three times more than malaria, tuberculosis, and HIV/AIDS combined.

When COVID-19 restricted travel overseas, ReSurge International quickly pivoted from in-person training to virtual training. From July 1, 2020 through June 30, 2021, ReSurge delivered 98 virtual lectures to more than 2800 overseas trainees across 31 countries. During the year ended June 30, 2021, ReSurge International performed nearly 1696 surgeries on 1,164 patients. One hundred percent of these surgeries were performed by host-country surgeons, many of whom had previously benefited from ReSurge International's hands-on surgical skills training. This cycle of training and treatment is repeated when these ReSurge surgeons train others—resulting in a multiplier effect of impact. This multigenerational approach translates into long-term sustainability and allows the Organization to transform more lives, strengthen more economies, and ensure equitable access to healthcare for all. By improving patients' function and appearance, and training more surgeons to provide this type of care, the Organization's work gives patients the opportunity to live independent and fulfilling lives, reducing suffering and poverty.

ReSurge International works in 19 countries across Latin America, Africa, and Asia to build reconstructive surgical capacity where it is most needed. The Organization tackles the most pressing gaps in surgical training through special programs such as the ReSurge International Program in Africa (RIPA), which launched in full this year, and the Pioneering Women Reconstructive Surgeons (PWRS) program. ReSurge International maintains no political or religious affiliations.

The Organization's programs are provided largely through our dedicated volunteer medical professionals, who, during the year ended June 30, 2021, donated 850 hours of their time to train host-country medical professionals and treat patients living in poverty in the countries we serve.

The Organization's international programs include:

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1. NATURE OF OPERATIONS (continued)

**Training** - ReSurge International sends teams of Visiting Educators - academic surgeons, anesthesiologists, pediatricians, nurses and physical therapists, all experts in their field and in teaching—to train local medical professionals, expanding the scope and quality of their care. During the year ended June 30, 2021, ReSurge International pivoted to virtual training only due to COVID-19 travel restrictions, allowing the Organization to quadruple the number of surgeons trained compared to the previous fiscal year.

**Treatment** - ReSurge International provides direct surgical care for the underserved in low and middle-income countries at no cost to the patient. We provide care through visiting surgical trips and we fund the work of ReSurge Surgical Outreach Partners. These dedicated local reconstructive surgeons have all been trained and qualified by ReSurge, making it possible for them to attend to those who would otherwise have no recourse. During the year ended June 30, 2021, ReSurge International supported 19 permanent local medical partner programs in 9 countries.

**Partnership** - ReSurge International partners with many top US academic medical institutions, as well as with hospitals and colleges around the world, including the College of Surgeons of East, Central, and Southern Africa (COSECSA) and College of Anesthesiology of East, Central and Southern Africa (CANECSA).

**Advocacy and Thought Leadership** - ReSurge International engages with governments and multilateral organizations to prioritize surgery as a cost-effective and indispensable component of health care, working with international medical societies, academia, advocacy groups, and other surgical NGOs.

2. OVERSEAS OFFICES

India - On March 29, 2012 the Organization established a subsidiary in Telegana (formerly Andhra Pradesh), India. Reconstructive Surgery India (the "Subsidiary") is a not-for-profit company registered under Section 25 of the Indian Companies Act, 1956 and is in the process of registering for India Foreign Contribution Registration Act ("FCRA") authorization. Registration under FCRA gives Indian charitable organizations the authorization to receive donations from foreign sources. In August 2016 the Organization received authorization to give its Indian donors a tax certificate (but the Organization has still not received authorization to receive donations from foreign sources). For the year ended June 30, 2021, Reconstructive Surgery India's financial activity primarily consisted of donations received and disbursed, which is reflected in these statements. Reconstructive Surgery India has no material assets.

Nepal - During the year ended June 30, 2021, there was financial activity in the Organization's Kathmandu, Nepal, branch that is reflected in the financial statements.

Vietnam - During the year ended June 30, 2021, there was financial activity in the Organization's Hanoi, Vietnam branch that is reflected in the financial statements.

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2. OVERSEAS OFFICES (continued)

During the year ended June 30, 2021, ReSurge International provided surgical care and/or provided and supported advanced medical training for local physicians, anesthesiologists, nurses, and occupational and speech therapists in Bangladesh, Bhutan, Bolivia, Ecuador, Eswatini, India, Mozambique, Nepal, Nicaragua, Peru, Tanzania, Uganda, Vietnam, Zambia and Zimbabwe. During the year ended June 30, 2021, ReSurge International also provided support to 19 year-round Surgical Outreach Programs ("SOP") in Bangladesh, Ecuador (2), India (7), Kenya, Mozambique, Nepal (2), Peru (2), Zambia and Zimbabwe (2); this support included funding for free surgeries for the poor, quality review, technological support and advanced medical training. 100% of all of ReSurge International's surgeries are performed by developing world surgical partners through the local medical partner program.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying consolidated financial statements include the accounts of ReSurge International and Reconstructive Surgery India after elimination of intercompany accounts and transactions. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial statement presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with U.S. GAAP, the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund and any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Endowment investment income and other investment income restricted by a donors are reported as increases in net assets with donor restrictions. When endowment investment income is appropriated and or when other donor restrictions are met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Grants and contributions receivable

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the barriers on which they depend are substantially met and the promises become unconditional. When necessary, an allowance for doubtful accounts is maintained based on an assessment of the probability such contributions will be collected.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions, depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are substantially met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

In-kind contributions

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, that require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Medical equipment with an estimated useful life of 5 years or more is capitalized. Non-medical assets over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Inventory

Inventory consists of donated and purchased medical supplies and instruments. The inventory is valued at fair value for donated items and at lower of cost or net realizable value for purchased items.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets' carrying value is adjusted to fair value.

Functional expense allocations

Directly identifiable expenses are charged to program and support services. Indirect functional expenses are allocated to program and support services based on an analysis of personnel time, square footage and estimated supplies and services usage.

Income tax status

ReSurge International is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, ReSurge International qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates. The most significant estimates made by management affect the valuation of donated medical services, supplies and inventory.

Reclassification

Certain reclassifications have been made to prior year balances to conform with current year presentation.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2021, to assess the need for potential recognition or disclosure in the consolidated financial statements. The Organization has subsequent events that requires disclosure in the financial statements for the year ended June 30, 2021 (Note 19). Subsequent events have been evaluated through the date the financial statements became available to be issued, November 11, 2021.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of ReSurge International's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Long-term investments include endowment funds consisting of donor restricted endowments. As described in Note 16, the endowment has a spending rate of up to 5 percent. Accordingly, approximately \$60,000 of appropriations from the endowment will be available within the next 12 months.

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4. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

Short-term receivables consist of accounts receivable, grants and contributions receivable, and contributions receivable expected to be received within one year from June 30, 2021. Short-term receivables without donor restrictions will be available to support general operations of ReSurge International.

The following is a quantitative disclosure of financial assets as of June 30, 2021 available to fund general expenditures and obligations within one year from June 30, 2021:

Financial assets	
Cash and cash equivalents	\$ 1,817,046
Investments	872,720
Accounts receivable	36,764
Grants and contributions receivable	116,670
Grants and contributions receivable, net of current portion	205,515
Endowment cash and investments	<u>1,436,645</u>
	<u>4,485,360</u>
Less: amounts unavailable for general expenditures within one year:	
Donor restricted endowment (less fiscal year 2021 appropriation of approximately \$60,000)	(1,436,645)
Donor restricted for a specific purpose	<u>(1,576,280)</u>
	<u>(3,012,925)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,472,435</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity mutual funds	\$ 1,310,951	\$ -	\$ -	\$ 1,310,951
Fixed income	673,134	-	-	673,134
Corporate bonds	<u>-</u>	<u>300,243</u>	<u>-</u>	<u>300,243</u>
	<u>\$ 1,984,085</u>	<u>\$ 300,243</u>	<u>\$ -</u>	<u>\$ 2,284,328</u>

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5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity mutual funds	\$ 847,512	\$ -	\$ -	\$ 847,512
Fixed income	583,750	-	-	583,750
Corporate bonds	<u>-</u>	<u>273,793</u>	<u>-</u>	<u>273,793</u>
	<u>\$ 1,431,262</u>	<u>\$ 273,793</u>	<u>\$ -</u>	<u>\$ 1,705,055</u>

6. GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises expected to be collected in more than one year are discounted to present value using a risk-adjusted discount rate of return at initial recognition and is not revised later.

Grants and contributions receivable in more than one year were discounted using a rate of 3.2% as of June 30, 2021 and 2020.

Grants and contributions receivable are reported as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 116,670	\$ 153,200
Receivable in one to five years	<u>212,778</u>	<u>221,509</u>
	329,448	374,709
Less discounts to net present value	<u>(12,263)</u>	<u>(18,961)</u>
Total net present value of grants and contributions receivable	317,185	355,748
Current portion of grants and contributions receivable	<u>(116,670)</u>	<u>(153,200)</u>
Long-term portion of grants and contributions receivable	<u>\$ 200,515</u>	<u>\$ 202,548</u>

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7. INVENTORY

Inventory consists of the following:

	<u>2021</u>	<u>2020</u>
Surgical instruments and supplies	\$ 54,572	\$ 54,572
Anesthesia instruments	45,156	45,156
Anesthesia supplies	24,682	24,682
Post ambulatory care unit supplies	<u>17,749</u>	<u>17,749</u>
	<u>\$ 142,159</u>	<u>\$ 142,159</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Non-consumable equipment	\$ 256,434	\$ 256,434
Surgical equipment	246,638	246,638
Anesthesia equipment	99,070	99,070
Post-ambulatory care unit equipment	61,823	61,823
Computer equipment	33,258	33,446
Furniture and fixtures	30,987	30,987
Software	<u>20,210</u>	<u>20,210</u>
	748,420	748,608
Accumulated depreciation	<u>(702,096)</u>	<u>(651,391)</u>
	<u>\$ 46,324</u>	<u>\$ 97,217</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$52,469 and \$22,969, respectively.

9. INTANGIBLE ASSETS

On September 28, 2018, ReSurge International completed a purchase of assets from WonderWork, Inc., a nonprofit organization headquartered in New York that had filed for bankruptcy. Specifically, ReSurge International purchased the database of donors and potential donors interested in international burn care and certain related intellectual property (appeal materials, logos, etc.). The total purchase price was \$276,705, and was paid in two installments in August and September 2018 to the trustee of WonderWork, Inc. appointed by the United States Bankruptcy Court for the Southern District of New York.

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9. INTANGIBLE ASSETS (continued)

In connection with the purchase, ReSurge International received a grant of \$1,729,532 from the bankruptcy of WonderWork, Inc. restricted for burn treatment, training and related program implementation costs. The grant represents the transfer of WonderWork, Inc.'s unspent donor restricted funds to ReSurge International so ReSurge International can fulfill the donors' intent. The grant was received in full on October 1, 2018. ReSurge International plans to spend the grant over multiple years. The full amount of the grant was recognized as income during the year ended June 30, 2019, while some expenses were recognized during the year ending June 30, 2019 and some expenses will be recognized in future years.

The purchase and the grant were part of a bankruptcy settlement of WonderWork, Inc. approved by the New York State Attorney General and the Bankruptcy Court.

Intangible assets consisted of the following:

	2021	2020
Burn Rescue Name - indefinite life	\$ 92,235	\$ 92,235
WonderWork Donor Database - 6 year life	92,235	92,235
WonderWork Intellectual Property - 6 year life	92,235	92,235
	276,705	276,705
Accumulated amortization	(123,227)	(94,324)
	\$ 153,478	\$ 182,381

Future amortization is as follows:

<u>Year ending June 30,</u>	
2022	\$ 21,525
2023	18,174
2024	17,254
2025	4,290
	\$ 61,243

Amortization expense for the years ended June 30, 2021 and 2020 was \$28,903 and \$45,100, respectively.

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10. NOTES PAYABLE - PAYCHECK PROTECTION PROGRAM

The Organization was granted two loans under promissory notes issued by Bank of America, under the Paycheck Protection Program (“PPP”) which was established under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, and is administered by the U.S. Small Business Administration (“SBA”). On April 27, 2020, the Organization received its first round of funding for \$146,195 and on March 14, 2021, the Organization received its second round of funding of \$150,000. The term of the loans is five-years and interest rate is 1%. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

The Organization has recorded both PPP loans using the debt model under FASB ASC 470. Under the debt model the loan is not derecognized until legal release of the liability has occurred i.e. the bank/SBA has indicated that the loan has been repaid by the SBA. During the year ended June 30, 2021, the Organization has recognized \$141,423 of the first PPP loan as forgiveness of Paycheck Protection Program note payable since the Organization has received formal forgiveness from the bank/SBA. The remainder of \$4,772 of the first PPP loan was repaid to the bank/SBA. During the year ended June 30, 2021, the Organization has recorded second round of PPP loan \$150,000 as note payable Paycheck Protection Program. The Organization anticipates to submit applications for forgiveness to the bank/SBA in October 2021. The loan will be recognized as forgiveness of Paycheck Protection Program note payable when formal forgiveness is received from the bank/SBA.

11. COMMITMENTS AND CONTINGENCIES

Lease commitments

During year ended June 30, 2021, ReSurge had opted to be a fully remote workforce. Rent expense during the years ended June 30, 2021 and 2020 were \$15,220 and \$175,323, respectively. On July 6, 2021, the Organization signed a new lease agreement for a term of 87 months with expected end date of January 31, 2029 and monthly lease payments of \$15,223. The lease is scheduled to commence on November 1, 2021 (Note 19).

The Organization makes Quarterly payments of approximately \$1,500 for a month-to month lease in Vietnam. Also, the Organization pays \$63 each month, for a month-to-month lease of shared space in Nepal.

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11. COMMITMENTS AND CONTINGENCIES (continued)

Lease commitments (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 129,442
2023	186,545
2024	192,344
2025	198,143
2026	203,942
Thereafter	<u>556,311</u>
	<u>\$ 1,466,727</u>

12. RETIREMENT PLAN

The Organization maintains a tax deferred 401(k) retirement plan that provides retirement benefits for all eligible employees. The plan provides for Organization discretionary matching contributions for up to 4% of eligible employee compensation, as defined in the plan. During the years ended June 30, 2021 and 2020 the Organization provided a 4% match. The Organization's contributions for the years ended June 30, 2021 and 2020 were \$34,640 and \$32,196, respectively.

13. BOARD DESIGNATED NET ASSETS

Board designated funds were established by the ReSurge International Board of Directors to provide:

- Stability for the Organization through a secure resource base;
- Reserve fund for ReSurge International, to be available in exigent circumstances;
- Long-time funds that result from a capital campaign, or onetime gifts such as donor non-restricted bequests.

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14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Purpose restrictions		
Burn outreach program	\$ 603,218	\$ 702,010
Surgical outreach and training	570,940	877,590
Visiting education trips	402,122	356,951
Equipment and supplies	-	41,884
	1,576,280	1,978,435
Time restrictions		
Unappropriated accumulated endowment earnings	671,006	423,940
General operating for future years	89,495	86,929
	760,501	510,869
Held in perpetuity		
The Albert Wilson Fund	600,000	600,000
Baker Foundation	100,000	100,000
Zlotnick Endowment	65,639	61,045
	765,639	761,045
	\$ 3,102,420	\$ 3,250,349

Net assets with donor restrictions released from restrictions during the year were as follows:

	2021	2020
Purpose restrictions		
Surgical outreach and training	\$ 385,265	\$ 210,935
Burn outreach program	246,197	633,194
Visiting education trips	69,204	136,419
Endowment appropriations for operations	60,421	59,860
Equipment and supplies	41,883	157
Laub fund for special purposes	-	16,863
	802,970	1,057,428
Time restrictions		
General operating for future years	36,311	360
	\$ 839,281	\$ 1,057,788

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15. CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

At June 30, 2021, \$267,778 or 79% of the total grants and contributions receivable was provided by one donor. At June 30, 2020, \$273,451 or 72% of the total grants and contributions receivable was provided by two donors.

For the year ended June 30, 2021, \$505,500 or 21% of total grants, contributions, and special events were provided by two donors. For the year ended June 30, 2020, \$1,203,165 or 29% of total grants, contributions, and special events were provided by two donors.

During the years ended June 30, 2021 and 2020, \$337,449 and \$245,239 of the grants and contributions was received from members of the Organization's Board of Directors.

16. ENDOWMENT

The Organization's endowment consists of three individual funds (see note 14). Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of ReSurge International has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ReSurge International classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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16. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the net assets held in perpetuity balance. There were no deficiencies of this nature that would be required to be reported in net assets without donor restrictions as of June 30, 2021 and 2020.

Investment return objectives, risk parameters and strategies

ReSurge International has adopted investment and spending policies for its endowment assets that attempt to preserve the inflation-adjusted value of the assets after payout. Safety of principal and preservation of capital is based on prudent investment principles. While short-term stability is desirable, achieving superior long-term returns takes precedence as an investment objective. To achieve the investment objectives, ReSurge International will pursue a broad asset allocation approach that seeks to minimize management and transactional costs. Unless otherwise determined by ReSurge International's Finance Committee, the target asset allocation balance is cash and cash equivalents, defensive assets, credit strategies, diversified market strategies and growth assets, with specific investments to be determined by ReSurge International's Investment Sub-Committee.

Spending policy

ReSurge International has a general policy of appropriating up to 5% of the endowment assets as calculated over the past 12 calendar quarters to be allocated to operational expenses each year, but in no case invading the fund principal unless specifically instructed to do so by the donor. Distributions of earnings shall be set from time-to-time by ReSurge International's Finance Committee to:

- conform to donor intent or instruction;
- provide funding for operations; or
- other purposes as determined by the Sub-Committee.

Distribution of principal, except as required by donors, shall be made only on authorization of the Board of Directors, consistent with donor restrictions on those funds. This is consistent with the Organization's objective to preserve the inflation-adjusted value of the endowment assets after payout.

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16. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 671,006	\$ 765,639	\$ 1,436,645

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 423,940	\$ 761,045	\$ 1,184,985

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Balance, June 30, 2020	\$ -	\$ 423,940	\$ 761,045	\$ 1,184,985
Realized and unrealized gains, net	-	296,056	-	296,056
Interest and dividend income, net	-	11,431	-	11,431
Contributions	-	-	4,594	4,594
Appropriation of endowment net assets for expenditure	-	(60,421)	-	(60,421)
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 671,006</u>	<u>\$ 765,639</u>	<u>\$ 1,436,645</u>

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16. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>Subject to Appropriation and Spending Policy</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Balance, June 30, 2019	\$ -	\$ 422,405	\$ 760,298	\$ 1,182,703
Realized and unrealized gains, net	-	38,987	-	38,987
Interest and dividend income, net	-	22,408	-	22,408
Contributions	-	-	747	747
Appropriation of endowment net assets for expenditure	<u>-</u>	<u>(59,860)</u>	<u>-</u>	<u>(59,860)</u>
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 423,940</u>	<u>\$ 761,045</u>	<u>\$ 1,184,985</u>

17. IN-KIND CONTRIBUTIONS

The estimated fair value of expert services, supplies, and equipment received are recorded as contributions.

In-kind contributions received during the year were as follows:

	<u>2021</u>	<u>2020</u>
Medical services	\$ 1,006,195	\$ 2,984,436
Professional services	103,660	42,330
Medical equipment	3,900	1,522
Medical supplies	<u>311</u>	<u>22,206</u>
	<u>\$ 1,114,066</u>	<u>\$ 3,050,494</u>

The value of donated medical services is based on third party survey salary rates for the positions in the teams and include surgeons, anesthesiologists, pediatricians, nurses, coordinators, translators and speech / language pathologists.

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17. IN-KIND CONTRIBUTIONS (continued)

As COVID-19 restricted travel, the Organization's volunteers were unable to travel to provide training or treatment. Accordingly, the total of these contributed medically services declined from year ended June 30, 2020 to June 30, 2021.

18. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. In addition, several states in the U.S., including California, where the Organization is located, have declared a state of emergency. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations, including the Organization (Note 10).

The trajectory of COVID-19 is difficult to project. For fiscal year ended June 30, 2021, ReSurge did not travel to deliver any of its services, but rather pivoted to provide training (reconstructive surgery, nursing, anesthesia) virtually. This allowed ReSurge to continue to provide training in challenging circumstances; this method may continue into the future. Training for surgery does require hands-on training, though, and ReSurge anticipates incorporating the virtual methodology to a greater degree in the future. In the meantime, program expenses were lower in during the fiscal year ended June 30, 2021 than in prior years due to the lack of travel. This decrease in travel also reduced the inkind expense (and revenue) of donated services from medical volunteers.

Because ReSurge has invested in the skills of surgeons in low-income countries and supports those surgeons as they provide care to people living in poverty, most of those surgeons continued to provide reconstructive surgical care as their respective hospitals permitted.

ReSurge also saw lower cash revenues during the fiscal year ended June 30, 2021, but because expenses decreased at a greater pace, ReSurge saw growth in net assets as of June 30, 2021.

COVID-19 could adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Organization in a variety of ways. While the business disruption is currently expected to be temporary and markets typically recover, there is considerable uncertainty around the duration of the closings and shelter in place orders and the shorter-term market volatility. Although the Organization is taking advantage of the government relief programs available (see Note 10), it is at least reasonably possible that this matter will negatively impact the Organization.

However, the financial impact and duration cannot be reasonably estimated at this time. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization's operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

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19. SUBSEQUENT EVENT

On July 6, 2021, the Organization signed a new lease agreement for a term of 87 months with expected end date of January 31, 2029 and monthly lease payments of \$15,223. The lease is scheduled to commence on November 1, 2021 (Note 11).