ReSurge International

Consolidated Financial Statements

June 30, 2020
(With Comparative Totals for 2019)

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TABLE OF CONTENTS

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, 2020, 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.

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, 2020, 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.

Change in Accounting Principle

As described in Note 3 to the consolidated financial statements, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 18 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited ReSurge International's 2019 consolidated financial statements, and our report dated November 19, 2019 expressed an unmodified opinion on those audited consolidated financial statements. As part of our audit of the 2020 financial statements, we also audited the adjustments to the 2019 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

Armanino LLP
San Jose, California

December 1, 2020

ReSurge International
Consolidated Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,877,553	$ 318,778
Investments	630,510	1,360,965
Accounts receivable	62,180	56,547
Grants receivable	-	34,450
Contributions receivable, current portion	153,200	229,135
Inventory	142,159	168,244
Prepaid expenses and current deposits	16,129	28,131
Total current assets	2,881,731	2,196,250
Other assets		
Contributions receivable, net of current portion	202,548	250,901
Deposits	13,240	13,000
Endowment investments	1,074,545	1,056,346
Cash restricted for endowment	110,440	126,357
Property and equipment, net	97,217	71,981
Intangibles, net	182,381	227,481
Total other assets	1,680,371	1,746,066
Total assets	$ 4,562,102	$ 3,942,316
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 135,848	$ 373,024
Accrued liabilities	107,543	100,820
Deferred revenue	12,715	14,000
Deferred rent	-	22,415
Note payable - Paycheck Protection Program	146,195	-
Total current liabilities	402,301	510,259
Net assets		
Without donor restrictions		
Undesignated	807,835	450,234
Board designated	4,400	4,400
Investment in property and equipment, net	97,217	71,981
Total without donor restrictions	909,452	526,615
With donor restrictions		
Restricted for a specific purpose	1,978,435	1,722,739
General operating for future years	86,929	-
Subject to appropriation and spending policy	423,940	422,405
Held in perpetuity (donor-restricted endowment corpus)	761,045	760,298
Total with donor restrictions	3,250,349	2,905,442
Total net assets	4,159,801	3,432,057
Total liabilities and net assets	$ 4,562,102	$ 3,942,316

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

ReSurge International
Consolidated Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support, revenue and gains and (losses)				
Grants and contributions	$ 2,184,919	$ 1,341,300	$ 3,526,219	$ 4,626,522
In-kind contributions	3,050,494	-	3,050,494	4,723,351
Special events	621,129	-	621,129	538,779
Less: special event costs	(273,976)	-	(273,976)	(219,126)
Operating investments realized and unrealized (losses) gains, net	(3,760)	-	(3,760)	15,684
Operating investment interest and dividends, net	26,499	-	26,499	17,008
Endowment realized and unrealized gains, net	-	38,987	38,987	63,412
Endowment interest and dividends, net	-	22,408	22,408	22,667
Other (loss) gain	(4,108)	-	(4,108)	44,403
Net assets released from restriction	1,057,788	(1,057,788)	-	-
Total support, revenue and gains and (losses)	6,658,985	344,907	7,003,892	9,832,700
Functional expenses				
Program services	5,151,200	-	5,151,200	7,226,282
Support services				
Management and general	511,762	-	511,762	553,135
Fundraising	613,186	-	613,186	595,637
Total support services	1,124,948	-	1,124,948	1,148,772
Total functional expenses	6,276,148	-	6,276,148	8,375,054
Change in net assets	382,837	344,907	727,744	1,457,646
Net assets, beginning of year	526,615	2,905,442	3,432,057	1,974,411
Net assets, end of year	$ 909,452	$ 3,250,349	$ 4,159,801	$ 3,432,057

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, 2020
(With Comparative Totals for 2019)

		Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	2020 Total	2019 Total
Personnel expenses						
Salaries and wages	$ 491,875	$ 249,979	$ 263,497	$ 513,476	$ 1,005,351	$ 919,269
Employee benefits	84,833	25,068	17,413	42,481	127,314	127,156
Payroll taxes	43,991	17,806	18,597	36,403	80,394	72,219
Total personnel expenses	620,699	292,853	299,507	592,360	1,213,059	1,118,644
Donated medical services (see Note 16)	2,984,436	-	-	-	2,984,436	4,579,500
Professional services, including in-kind of $42,330 in 2020 and $80,059 in 2019	844,108	141,520	150,457	291,977	1,136,085	1,382,359
Volunteer recruitment and training	309,308	7,387	190,256	197,643	506,951	478,001
Occupancy	149,034	21,389	4,900	26,289	175,323	164,145
Advertising	5,545	-	83,459	83,459	89,004	91,577
Miscellaneous	48,493	9,432	11,101	20,533	69,026	107,686
Depreciation and amortization	20,213	2,067	45,789	47,856	68,069	72,171
Utilities	43,185	7,897	11,543	19,440	62,625	63,528
Repairs and maintenance	51,644	7,230	1,218	8,448	60,092	59,229
Events	472	120	48,124	48,244	48,716	199,678
Bank charges	74	1,468	23,737	25,205	25,279	33,049
Office expenses	13,652	1,598	7,932	9,530	23,182	85,881
Donated medical supplies and equipment	23,728	-	-	-	23,728	63,792
Insurance	4,148	12,490	329	12,819	16,967	35,857
Conferences, conventions and meetings	12,175	495	799	1,294	13,469	475
Postage and shipping	8,264	227	4,325	4,552	12,816	23,752
Dues and Subscriptions	5,913	4,126	1,398	5,524	11,437	14,932
Equipment rental	6,109	1,463	2,288	3,751	9,860	17,356
Bad debt expense	-	-	-	-	-	2,568
Total	5,151,200	511,762	887,162	1,398,924	6,550,124	8,594,180
Less expenses included with revenues on the statement of activities						
less expenses included with revenues on the statement of activities	-	-	(273,976)	(273,976)	(273,976)	(219,126)
Total less expenses included with revenues on the statement of activities	$ 5,151,200	$ 511,762	$ 613,186	$ 1,124,948	$ 6,276,148	$ 8,375,054
Percentage of total	82.0 %	8.2 %	9.8 %	18.0 %	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, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 727,744	$ 1,457,646
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	68,069	72,171
Gain on disposal of property and equipment	-	(4,390)
Contributions restricted for endowment	(747)	(2,750)
Net realized and unrealized losses (gains) on operating investments	3,760	(15,684)
Net realized and unrealized gains on endowment	(38,987)	(63,142)
Changes in operating assets and liabilities		
Accounts receivable	(5,633)	10,692
Grants receivable	34,450	44,865
Contributions receivable	124,288	(89,369)
Inventory	26,085	30,771
Prepaid expenses and deposits	11,762	(20,340)
Accounts payable	(237,176)	189,209
Accrued liabilities	6,723	13,066
Deferred revenue	(1,285)	(3,550)
Deferred rent	(22,415)	(15,013)
Net cash provided by operating activities	696,638	1,604,182
Cash flows from investing activities		
Purchase of investments	(2,580,595)	(2,687,881)
Proceeds from sale of investments	3,328,078	1,457,167
Purchase of property and equipment	(48,205)	-
Purchase of intangible assets	-	(276,705)
Net cash provided by (used in) investing activities	699,278	(1,507,419)
Cash flows from financing activities		
Cash received for endowment	747	2,750
Proceeds from note payable - Paycheck Protection Program	146,195	-
Net cash provided by financing activities	146,942	2,750
Net increase in cash, cash equivalents and restricted cash	1,542,858	99,513
Cash, cash equivalents and restricted cash, beginning of year	445,135	345,622
Cash, cash equivalents and restricted cash, end of year	$ 1,987,993	$ 445,135
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 1,877,553	$ 318,778
Cash restricted for endowment	110,440	126,357
	$ 1,987,993	$ 445,135

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

1. NATURE OF OPERATIONS

ReSurge International (the "Organization"), a nonprofit public benefit corporation, provides free reconstructive surgeries for the poor and builds year-round surgical access and capacity in developing countries. ReSurge International programs provide reconstructive plastic surgery and related integrated care for people with severe burns and other disabling injuries, cancers and congenital anomalies such as cleft lips or palates.

During the year ended June 30, 2020, ReSurge International performed nearly 2,721 surgeries on 1,667 patients and provided training to 1,002 medical professionals, 63 of whom received hands-on surgical skills training.

Of the 1,667 patients treated by ReSurge, 93% were treated by host-country surgeons, many of whom have previously benefited from ReSurge’s hands-on surgical skills training. This model of empowerment, sustainability and self-sufficiency creates long-term surgical care where had not existed before. The surgical care and ancillary services provided by ReSurge improve the function of patients’ limbs, hands and feet and improves their appearance. As a result, people who have suffered accidents, cancer or congenital issues are able to go to school, provide for their families, and participate more fully in their communities.

The Organization's programs are provided largely through our dedicated volunteer medical professionals, who, during the year ended June 30, 2020, donated 4,842 hours of their time to train host-country medical professionals and treat patients living in poverty in the countries we serve.

The Organization's programs include:

Educational training and medical exchange - ReSurge International taught 1,002 medical professionals overseas last year, including 63 who received intensive one-on-one surgical training, to perform surgical procedures and related integrated care safely, effectively, and efficiently on their own. ReSurge International adheres to rigorous quality assurance policies and training so patients receive the safest, highest-quality medical care, even in low-resource settings in developing countries.

Support for local medical partners - ReSurge International assists host-country medical colleagues to broaden and improve their skills and provides them with financial support for their work with patients living in poverty or in rural areas. During the year ended June 30, 2020, ReSurge International supported 17 permanent local medical partner programs in 8 countries. Through these programs, ReSurge International's local partners performed almost 2,430 surgeries on 1,559 patients (93% of the Organization’s total patients served).

Surgical mission trips - ReSurge International sends teams from the United States and other countries to provide reconstructive surgery and integrated care services such as physical therapy to those otherwise unable to pay for them. During the year ended June 30, 2020, ReSurge International sent 3 volunteer medical teams to perform 291 life-transforming surgeries on 108 patients.

1. NATURE OF OPERATIONS (continued)

ReSurge International is committed to programs that provide and foster the further development of high-quality surgical and comprehensive follow-up care year-round in underserved areas. 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.

When COVID-19 restricted travel overseas, ReSurge pivoted from in-person training to virtual training at all sites in order to continue its work. From April through June, 2020, ReSurge delivered 17 virtual lectures to more than 360 overseas trainees. ReSurge anticipates that virtual training will supplement in-person training once travel resumes.

ReSurge International operates in 16 countries in Africa, Asia and Latin America. Sensitivity to, and respect for, other cultures as equals pervades the Organization's philosophy and deeply influences the manner in which it conducts itself. The Organization partners with overseas medical colleagues to help fulfill the priorities and needs of their local communities.

Since 1969, ReSurge International has provided more than 128,500 reconstructive surgeries. ReSurge International maintains no political or religious affiliations.

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, 2020, 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, 2020, 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, 2020, there was financial activity in the Organization's Hanoi, Vietnam branch that is reflected in the financial statements.

2. OVERSEAS OFFICES (continued)

During the year ended June 30, 2020, 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, Cuba, Ecuador, Eswatini, India, Mozambique, Nepal, Nicaragua, Peru, Tanzania, Uganda, Vietnam, Zambia and Zimbabwe. During the year ended June 30, 2020, ReSurge International also provided support to 15 year-round Surgical Outreach Programs ("SOP") in Bangladesh, Ecuador (2), India (7), Mozambique, Nepal, Peru (2) and Zambia; this support included funding for free surgeries for the poor, quality review, technological support and advanced medical training. 93% 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

The Organization has adopted Financial Accounting Standards Board ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made.* That standard clarifies guidance about whether funds received from contracts and grants are contributions or exchange transactions. The standard further provides that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been substantially met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement contains a barrier. The Organization has adopted the standard on a modified prospective basis, meaning that it has been applied to all arrangements that were not completed as of June 30, 2019, or were entered into after that date. The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, results of operations, or cash flows. The Organization has evaluated contributions received and has determined that there is no significant change as a result of the adoption of the standard.

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, 2019, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- *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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2020 and 2019. The accrued vacation balance as of June 30, 2020 and 2019 was $107,543 and $100,820, respectively, and is included in "accrued liabilities" on the statement of financial position.

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.

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.

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated events subsequent to June 30, 2020, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through December 1, 2020, the date the consolidated financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as below:

4. 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, 2020:

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

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, 2019:

	Level 1	Level 2	Level 3	Fair Value
Equity mutual funds	$ 1,047,294	$ -	$ -	$ 1,047,294
Fixed income	1,171,179	-	-	1,171,179
Corporate bonds	-	198,838	-	198,838
	$ 2,218,473	$ 198,838	$ -	$ 2,417,311

5. 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.

Contributions receivable in more than one year were discounted using a rate of 3.2% as of June 30, 2020 and 2019.

5. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable are reported as follows:

	2020	2019
Receivable in less than one year	$ 153,200	$ 229,135
Receivable in one to five years	221,509	200,000
Receivable in more than five years	-	77,921
	374,709	507,056
Less discounts to net present value	(18,961)	(27,020)
Total net present value of contributions receivable	355,748	480,036
Current portion of contributions receivable	(153,200)	(229,135)
Long-term portion of contributions receivable	$ 202,548	$ 250,901

6. INVENTORY

Inventory consists of the following:

	2020	2019
Surgical instruments and supplies	$ 54,572	$ 60,608
Anesthesia instruments	45,156	44,661
Anesthesia supplies	24,682	39,654
Post ambulatory care unit supplies	17,749	23,321
	$ 142,159	$ 168,244

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Non-consumable equipment	$ 256,434	$ 256,434
Surgical equipment	246,638	263,789
Anesthesia equipment	99,070	198,228
Post-ambulatory care unit equipment	61,823	47,697
Computer equipment	33,446	32,026
Furniture and fixtures	30,987	30,987
Software	20,210	20,210
	748,608	849,371
Accumulated depreciation	(651,391)	(777,390)
	$ 97,217	$ 71,981

7. PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended June 30, 2020 and 2019 was $22,969 and $22,947, respectively.

8. 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.

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:

	2020	2019
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	(94,324)	(49,224)
	$ 182,381	$ 227,481

8. INTANGIBLE ASSETS (continued)

Future amortization is as follows:

Year ending June 30,		
2021	$	28,903
2022		21,525
2023		18,174
2024		17,254
2025		4,290
	$	90,146

9. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

On April 27, 2020, the Organization received loan proceeds of $146,195 from a promissory note issued under the Payroll Protection Program ("PPP") established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and administered by the U.S. Small Business Administration. The term of the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for ten months after the covered period, or once forgiveness is applied for, until the Small Business Administrator remits loan forgiveness. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans 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 believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Organization will obtain forgiveness in whole or in part. The loan will be recognized in the statement of activities as contributions revenue in the period the Organization receives formal approval of forgiveness.

10. COMMITMENTS AND CONTINGENCIES

Lease commitments

In March 2013, the Organization entered into a 7 year lease for 12,335 square feet of office and warehouse space, commencing July 2013. Monthly rent began at $10,978 with annual increases over the term of the lease to $14,802 per month in the final year. The lease expired in June 2020 and the Organization has not renewed it or signed a new office space lease as of the date of the financial statements.

During COVID-19, ReSurge has opted to be a fully remote workforce. As conditions evolve, the Organization will re-assess this position.

10. COMMITMENTS AND CONTINGENCIES (continued)

Lease commitments (continued)

During the year ended June 30, 2018, the Organization began a month-to-month lease for an office in Vietnam. Quarterly payments are approximately $1,500. Also during the year ended June 30, 2018, the Organization began a month-to-month lease for a shared space in Nepal. Monthly payments are approximately $63.

Total rental expense during the years ended June 30, 2020 and 2019 were $175,323 and $164,145, respectively.

11. 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, 2020 and 2019 the Organization provided a 4% match. The 's contributions for the years ended June 30, 2020 and 2019 were $32,196 and $33,769, respectively.

12. 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.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Purpose restrictions		
Burn outreach program	$ 702,010	$ 1,201,627
Surgical outreach and training	877,590	270,521
Visiting education trips	356,951	233,727
Laub fund for special purposes	-	16,864
Equipment and supplies	41,884	-
	1,978,435	1,722,739
Time restrictions		
Unappropriated accumulated endowment earnings	423,940	422,405
General operating for future years	86,929	-
Held in perpetuity		
The Albert Wilson Fund	600,000	600,000
Baker Foundation	100,000	100,000
Zlotnick Endowment	61,045	60,298
	761,045	760,298
	$ 3,250,349	$ 2,905,442

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

	2020	2019
Purpose restrictions		
Burn outreach program	$ 633,194	$ 893,806
Surgical outreach and training	210,935	258,571
Visiting education trips	136,419	224,442
Endowment appropriations for operations	59,860	57,793
Laub fund for special purposes	16,863	6,276
Equipment and supplies	157	-
	1,057,428	1,440,888
Time restriction		
General operating for future years	360	-
	$ 1,057,788	$ 1,440,888

14. CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

$273,451 or 72% of the total contributions and grants receivable for the year ended June 30, 2020 was provided by one donor. $427,921 or 84% of the total contributions and grants receivable for the year ended June 30, 2019 was 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. For the year ended June 30, 2019, there were no concentrations of grants, contributions, and special events.

During the years ended June 30, 2020 and 2019, $245,239 and $909,694 of the grants and contributions was received from members of the Organization's Board of Directors.

15. ENDOWMENT

The Organization's endowment consists of three individual funds (see note 13). 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

15. 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, 2020 and 2019.

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.

15. ENDOWMENT (continued)

Endowment composition

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

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

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Donor restricted endowment funds	$ -	$ 422,405	$ 760,298	$ 1,182,703

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

	Without Donor Restrictions	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
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	-	(59,860)	-	(59,860)
Balance, June 30, 2020	$ -	$ 423,940	$ 761,045	$ 1,184,985

15. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Balance, June 30, 2018	$ -	$ 394,119	$ 757,548	$ 1,151,667
Realized and unrealized gains, net	-	63,412	-	63,412
Interest and dividend income, net	-	22,667	-	22,667
Contributions	-	-	2,750	2,750
Appropriation of endowment net assets for expenditure	-	(57,793)	-	(57,793)
Balance, June 30, 2019	$ -	$ 422,405	$ 760,298	$ 1,182,703

16. 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:

	2020	2019
Medical services	$ 2,984,436	$ 4,579,500
Professional services	42,330	80,059
Medical supplies	22,206	63,792
Medical equipment	1,522	-
	$ 3,050,494	$ 4,723,351

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.

16. 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, 2019 to June 30, 2020.

17. 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 15, 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.

Short-term receivables consist of accounts receivable, grants receivable, and contributions receivable expected to be received within one year from June 30, 2020. 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, 2020 available to fund general expenditures and obligations within one year from June 30, 2020:

Financial assets	
Cash and cash equivalents	$ 1,877,553
Investments	630,510
Accounts receivable	62,180
Contributions receivable	153,200
Contributions receivable, net of current portion	202,548
Endowment cash and investments	1,184,985
	4,110,976
Less: amounts unavailable for general expenditures within one year:	
Donor restricted endowment (less fiscal year 2021 appropriation of approximately $60,000)	(1,124,985)
Donor restricted for a specific purpose	(1,978,435)
	(3,103,420)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,007,556

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 9).

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, 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.

The Organization implemented several operational changes to mitigate the impact of COVID-19:

- A pivot to delivering training virtually; this change has allowed the Organization to expand significantly the number of trainees it is reaching.
- The Organization is exploring other technologies that will strengthen remote training.
- The Organization opted not to sign a new lease when its lease expired on June 30, 2020; all staff are now working remotely. This has mitigated the health risk due to COVID-19 of a shared office space, and has allowed the Organization to economize on occupancy expenses for an office space / warehouse that would see minimal use during the COVID-19 impacted period.