

ReSurge International

Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for 2021)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ReSurge International
Sunnyvale, California

Opinion

We have audited the accompanying consolidated financial statements of ReSurge International (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

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, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ReSurge International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ReSurge International's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited ReSurge International's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
Irvine, California

December 5, 2022

ReSurge International
Consolidated Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,066,092	\$ 1,817,046
Investments	1,113,240	872,720
Accounts receivable	12,182	36,764
Grants and contributions receivables, current	446,295	116,670
Inventory	66,995	142,159
Prepaid expenses	22,618	36,521
Total current assets	4,727,422	3,021,880
Grants and contributions receivable, net of current portion	160,347	200,515
Deposits	50,240	240
Endowment investments	1,486,901	1,411,608
Cash restricted for endowment	116,848	25,037
Property and equipment, net	110,086	46,324
Intangibles, net	156,953	153,478
Total assets	\$ 6,808,797	\$ 4,859,082
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 457,237	\$ 134,890
Accrued vacation	110,413	117,046
Deferred rent, current	10,507	-
Note payable - Paycheck Protection Program	-	150,000
Total current liabilities	578,157	401,936
Deferred rent, net of current portion	29,522	-
Total liabilities	607,679	401,936
Net assets		
Without donor restrictions		
Undesignated	1,291,179	1,304,002
Board designated	4,400	4,400
Investment in property and equipment, net	110,086	46,324
Total without donor restrictions	1,405,665	1,354,726
With donor restrictions		
Restricted for a specific purpose	2,888,566	1,576,280
General operating for future years	303,139	89,495
Subject to appropriation and spending policy	333,569	671,006
Held in perpetuity (donor-restricted endowment corpus)	1,270,179	765,639
Total with donor restrictions	4,795,453	3,102,420
Total net assets	6,201,118	4,457,146
Total liabilities and net assets	\$ 6,808,797	\$ 4,859,082

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

ReSurge International
Consolidated Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support, revenue, gains and (losses) and net assets released from restriction				
Grants and contributions	\$ 353,472	\$ 4,431,586	\$ 4,785,058	\$ 2,128,452
In-kind contributions	2,176,221	-	2,176,221	1,114,066
Special events	1,022,036	-	1,022,036	295,826
Less: special event costs	(360,549)	-	(360,549)	(27,708)
Forgiveness of note payable - Paycheck Protection Program	150,000	-	150,000	141,423
Endowment interest and dividends, net	-	79,603	79,603	11,431
Operating investment interest and dividends, net	29,864	-	29,864	17,948
Endowment realized and unrealized (losses) gains, net	-	(357,121)	(357,121)	296,056
Other (loss) gain	(1,946)	-	(1,946)	12,525
Operating investments realized and unrealized (losses), net	(135,874)	-	(135,874)	(19,229)
Net assets released from restriction	<u>2,461,035</u>	<u>(2,461,035)</u>	<u>-</u>	<u>-</u>
Total support, revenue, gains and (losses), and net assets released from restriction	<u>5,694,259</u>	<u>1,693,033</u>	<u>7,387,292</u>	<u>3,970,790</u>
Functional expenses				
Program services	<u>3,881,335</u>	<u>-</u>	<u>3,881,335</u>	<u>2,612,138</u>
Support services				
Management and general	695,719	-	695,719	551,204
Fundraising	<u>1,066,266</u>	<u>-</u>	<u>1,066,266</u>	<u>510,103</u>
Total support services	<u>1,761,985</u>	<u>-</u>	<u>1,761,985</u>	<u>1,061,307</u>
Total functional expenses	<u>5,643,320</u>	<u>-</u>	<u>5,643,320</u>	<u>3,673,445</u>
Change in net assets	50,939	1,693,033	1,743,972	297,345
Net assets, beginning of year	<u>1,354,726</u>	<u>3,102,420</u>	<u>4,457,146</u>	<u>4,159,801</u>
Net assets, end of year	<u>\$ 1,405,665</u>	<u>\$ 4,795,453</u>	<u>\$ 6,201,118</u>	<u>\$ 4,457,146</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, 2022
(With Comparative Totals for 2021)

	Program Services	Support Services			2022 Total	2021 Total
		Management and General	Fundraising	Total Support Services		
Personnel expenses						
Salaries and wages	\$ 599,258	\$ 296,158	\$ 368,999	\$ 665,157	\$ 1,264,415	\$ 1,059,427
Employee benefits	100,063	39,094	40,133	79,227	179,290	138,102
Payroll taxes	<u>75,029</u>	<u>19,402</u>	<u>28,610</u>	<u>48,012</u>	<u>123,041</u>	<u>89,211</u>
Total personnel expenses	774,350	354,654	437,742	792,396	1,566,746	1,286,740
Donated medical services	1,798,394	-	-	-	1,798,394	1,010,406
Professional services, including in-kind of \$26,834 in 2022 and \$103,660 in 2021	827,026	151,357	120,190	271,547	1,098,573	994,717
Events, including in-kind of \$330,293 in 2022 and none in 2021	27,898	-	645,746	645,746	673,644	4,262
Volunteer recruitment and training	210,892	50,619	29,626	80,245	291,137	26,000
Occupancy	73,431	29,183	44,481	73,664	147,095	2,114
Miscellaneous	12,632	34,656	7,988	42,644	55,276	35,980
Advertising	16,164	182	35,738	35,920	52,084	37,438
Office expenses	9,175	12,684	30,073	42,757	51,932	54,597
Depreciation and amortization	16,265	4,953	28,336	33,289	49,554	81,372
Medical education/empowerment	38,500	-	-	-	38,500	54,705
Postage and shipping	6,980	11,026	10,926	21,952	28,932	29,251
Utilities	12,618	5,946	7,071	13,017	25,635	12,052
Dues and subscriptions	8,233	11,908	2,660	14,568	22,801	21,466
Insurance	7,466	11,386	1,752	13,138	20,604	12,516
Repairs and maintenance	13,495	1,197	2,399	3,596	17,091	1,054
Bank charges	-	1,323	14,597	15,920	15,920	15,401
Equipment rental	7,116	677	7,490	8,167	15,283	8,589
Bad debt expense	-	13,968	-	13,968	13,968	7,032
Donated medical supplies and equipment	20,700	-	-	-	20,700	4,211
Conferences, conventions and meetings	-	-	-	-	-	1,250
Total	<u>3,881,335</u>	<u>695,719</u>	<u>1,426,815</u>	<u>2,122,534</u>	<u>6,003,869</u>	<u>3,701,153</u>
Less expenses included with revenues on the statement of activities	-	-	(360,549)	(360,549)	(360,549)	(27,708)
Total less expenses included with revenues on the statement of activities	<u>\$ 3,881,335</u>	<u>\$ 695,719</u>	<u>\$ 1,066,266</u>	<u>\$ 1,761,985</u>	<u>\$ 5,643,320</u>	<u>\$ 3,673,445</u>
Percentage of total	<u>68.8 %</u>	<u>12.3 %</u>	<u>18.9 %</u>	<u>31.2 %</u>	<u>100.0 %</u>	

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, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,743,972	\$ 297,345
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	49,554	81,372
Forgiveness of Paycheck Protection Program note payable	(150,000)	(141,423)
Contributions restricted for endowment	(504,540)	(4,594)
Net realized and unrealized losses on operating investments	135,874	19,229
Net realized and unrealized losses (gains) on endowment	357,121	(296,056)
Changes in operating assets and liabilities		
Accounts receivable	24,582	25,416
Grants and contributions receivable	(289,457)	38,563
Inventory	75,164	-
Prepaid expenses	13,903	(20,392)
Deposits	(50,000)	13,000
Accounts payable	322,347	(958)
Accrued vacation	(6,633)	9,503
Deferred revenue	-	(12,715)
Deferred rent	40,029	-
Net cash provided by operating activities	<u>1,761,916</u>	<u>8,290</u>
Cash flows from investing activities		
Purchase of investments	(5,183,952)	(2,291,471)
Proceeds from sale of investments	4,375,144	1,989,025
Purchase of property and equipment	(91,791)	(1,576)
Purchase of intangible assets	(25,000)	-
Net cash used in investing activities	<u>(925,599)</u>	<u>(304,022)</u>
Cash flows from financing activities		
Cash received for endowment	504,540	4,594
Repayments of note payable - Paycheck Protection Program	-	(4,772)
Proceeds from note payable - Paycheck Protection Program	-	150,000
Net cash provided by financing activities	<u>504,540</u>	<u>149,822</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,340,857	(145,910)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,842,083</u>	<u>1,987,993</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 3,182,940</u>	<u>\$ 1,842,083</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 3,066,092	\$ 1,817,046
Cash restricted for endowment	<u>116,848</u>	<u>25,037</u>
	<u>\$ 3,182,940</u>	<u>\$ 1,842,083</u>

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

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

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 124,017 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.

From July 1, 2021 through June 30, 2022, ReSurge impacted 15,327 patients through our training programs and 2,170 patients through direct surgical care. Ninety two percent of these surgeries were performed by hostcountry surgeons, or Surgical Outreach Partners, 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 18 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, 2022, donated 677 hours of their time.

The Organization's international programs include:

Training - ReSurge International builds capacity in low-income countries by training local reconstructive surgical teams in techniques that will allow them to better care for their communities. Through our Visiting Educator and Virtual Training programs, we are training the next generation in reconstructive surgery and creating a multiplier effect of long-term impact. During the year ended June 30, 2022, ReSurge International Trained over 3,200 medical professionals through hands-on learning and virtual instruction.

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

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, 2022, ReSurge International supported 17 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. For the year ended June 30, 2022, 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, 2022, 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, 2022, there was financial activity in the Organization's Hanoi, Vietnam branch that is reflected in the financial statements.

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. OVERSEAS OFFICES (continued)

During the year ended June 30, 2022, 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, Canada, Democratic Republic of Congo, Ecuador, Eswatini, Ethiopia, Ghana, Kenya, Lesotho, India, Malawi, Mali, Mozambique, Nepal, Nicaragua, Nigeria, Rwanda, South Africa, Sweden, Tanzania, Uganda, United Kingdom, Vietnam, Zambia and Zimbabwe. During the year ended June 30, 2022, ReSurge International also provided support to 17 year-round Surgical Outreach Programs ("SOP") in Bangladesh, Ecuador, India (7), Kenya, Mozambique, Nepal, Peru (2), Zambia and Zimbabwe (2); this support included funding for free surgeries for the poor, quality review, technological support and advanced medical training. 92% 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.

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets for non-for-profit entities through enhancements to presentation and disclosure. The core principle of the new guidance is that contributed non-financial assets are required to be a separate line on the statement of activities and non-for-profit entities must have additional disclosures on how the non-financial assets are valued as well as how they were utilized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the retrospective method. See Note 17.

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, 2021, 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."

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

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.

ReSurge International
Notes to Consolidated Financial Statements
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(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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, net

Property and equipment, net are stated at cost less accumulated depreciation and amortization. Improvements that extend the asset lives are capitalized, while repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts, and any applicable gain or loss on disposition is recognized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Non-consumable equipment	5 years
Surgical equipment	5 years
Anesthesia equipment	5 years
Post ambulatory care unit equipment	5 years
Computer equipment	3 years
Furniture and equipment	10 years
Software	3 years

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.

ReSurge International
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through December 5, 2022, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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.

Short-term receivables consist of accounts receivable, grants and contributions receivable, and contributions receivable expected to be received within one year from June 30, 2022. 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, 2022 available to fund general expenditures and obligations within one year from June 30, 2022:

Financial assets	
Cash and cash equivalents	\$ 3,066,092
Investments	1,113,240
Accounts receivable	12,182
Grants and contributions receivable	446,295
Grants and contributions receivable, net of current portion	160,347
Endowment cash and investments	<u>1,603,749</u>
	<u>6,401,905</u>
Less: amounts unavailable for general expenditures within one year:	
Donor restricted endowment (less fiscal year 2023 appropriation of approximately \$60,000)	(1,543,748)
Donor restricted for a specific purpose	<u>(2,888,567)</u>
	<u>(4,432,315)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,969,590</u>

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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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity mutual funds	\$ 1,674,763	\$ -	\$ -	\$ 1,674,763
Fixed income	664,308	-	-	664,308
Corporate bonds	<u>-</u>	<u>261,070</u>	<u>-</u>	<u>261,070</u>
	<u>\$ 2,339,071</u>	<u>\$ 261,070</u>	<u>\$ -</u>	<u>\$ 2,600,141</u>

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>

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, 2022 and 2021.

Grants and contributions receivable are reported as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 446,295	\$ 116,670
Receivable in one to five years	<u>167,319</u>	<u>212,778</u>
	613,614	329,448
Less discounts to net present value	<u>(6,972)</u>	<u>(12,263)</u>
Total net present value of grants and contributions receivable	606,642	317,185
Current portion of grants and contributions receivable	<u>446,295</u>	<u>116,670</u>
Long-term portion of grants and contributions receivable	<u>\$ 1,052,937</u>	<u>\$ 433,855</u>

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7. INVENTORY

Inventory consists of the following:

	2022	2021
Surgical instruments and supplies	\$ 29,006	\$ 54,572
Anesthesia instruments	-	45,156
Anesthesia supplies	20,468	24,682
Post ambulatory care unit supplies	17,521	17,749
	\$ 66,995	\$ 142,159

8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2022	2021
Non-consumable equipment	\$ 256,434	\$ 256,434
Surgical equipment	246,638	246,638
Anesthesia equipment	140,456	99,070
Post-ambulatory care unit equipment	61,823	61,823
Computer equipment	44,889	33,258
Furniture and equipment	69,762	30,987
Software	20,210	20,210
	840,212	748,420
Accumulated depreciation	(730,126)	(702,096)
	\$ 110,086	\$ 46,324

Depreciation expense for the years ended June 30, 2022 and 2021 was \$28,029 and \$52,469, 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:

	<u>2022</u>	<u>2021</u>
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
Website in progress - 5 year life	<u>25,000</u>	<u>-</u>
	301,705	276,705
Accumulated amortization	<u>(144,752)</u>	<u>(123,227)</u>
	<u><u>\$ 156,953</u></u>	<u><u>\$ 153,478</u></u>

Future amortization is as follows:

<u>Year ending June 30,</u>	
2023	\$ 18,174
2024	17,254
2025	<u>4,290</u>
	<u><u>\$ 39,718</u></u>

Amortization expense for the years ended June 30, 2022 and 2021 was \$21,525 and \$28,903, 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 recognized 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.

In November 2021, the SBA granted full forgiveness of the second PPP loan which is recorded as forgiveness of note payable - Paycheck Protection Program loan on the accompanying consolidated statement of activities.

11. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company leases office space in California, Vietnam, and Nepal under operating leases that expire through January 2029. The lease terms include escalation clauses, renewal options and early termination fees if the Company was to exit a lease before the end of its term.

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

<u>Year ending June 30,</u>	
2023	\$ 191,285
2024	197,084
2025	202,883
2026	208,682
2027	<u>72,180</u>
	<u>\$ 872,114</u>

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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:

	2022	2021
Purpose restrictions		
Jeff Whisenant Fund for Sustainability	\$ 1,000,000	\$ -
Surgical outreach and training	991,603	570,940
Visiting education trips	536,692	402,122
Burn outreach program	310,271	603,218
CMO Discretionary Fund	<u>50,000</u>	<u>-</u>
	<u>2,888,566</u>	<u>1,576,280</u>
Time restrictions		
Unappropriated accumulated endowment earnings	333,569	671,006
General operating for future years	<u>303,139</u>	<u>89,495</u>
	<u>636,708</u>	<u>760,501</u>
Held in perpetuity		
The Albert Wilson Fund	600,000	600,000
RIPA Endowment	500,000	-
Baker Foundation	100,000	100,000
Zlotnick Endowment	<u>70,179</u>	<u>65,639</u>
	<u>1,270,179</u>	<u>765,639</u>
	<u>\$ 4,795,453</u>	<u>\$ 3,102,420</u>

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13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2022	2021
Purpose restrictions		
Surgical outreach and training	\$ 399,930	\$ 385,265
Burn outreach program	333,749	246,197
Visiting education trips	100,252	69,204
Equipment and supplies	-	41,883
Endowment appropriations for operations	59,919	60,421
Laub fund for special purposes	-	16,863
	893,850	819,833
General operating for future years	1,567,185	36,311
	\$ 2,461,035	\$ 856,144

14. 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, 2022 and 2021 the Organization provided a 4% match. The Organization's contributions for the years ended June 30, 2022 and 2021 were \$45,560 and \$34,640, respectively.

15. CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

At June 30, 2022, \$202,318 or 38% of the total grants and contributions receivable was provided by one donor. At June 30, 2021, \$267,778 or 79% of the total grants and contributions receivable was provided by one donor.

For the year ended June 30, 2022, \$2,000,000 or 35% of total grants, contributions, and special events were 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.

During the years ended June 30, 2022 and 2021, \$466,901 and \$337,449 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 (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.

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16. ENDOWMENT (continued)

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

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, 2022 and 2021.

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.

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16. ENDOWMENT (continued)

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.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Donor restricted endowment funds	\$ -	\$ 333,569	\$ 1,270,179	\$ 1,603,748

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

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

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16. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 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, 2021	\$ -	\$ 671,006	\$ 765,639	\$ 1,436,645
Realized and unrealized losses	-	(357,121)	-	(357,121)
Interest and dividend income, net	-	79,603	-	79,603
Contributions	-	-	504,540	504,540
Appropriation of endowment net assets for expenditure	<u>-</u>	<u>(59,919)</u>	<u>-</u>	<u>(59,919)</u>
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 333,569</u>	<u>\$ 1,270,179</u>	<u>\$ 1,603,748</u>

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	<u>-</u>	<u>(60,421)</u>	<u>-</u>	<u>(60,421)</u>
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 671,006</u>	<u>\$ 765,639</u>	<u>\$ 1,436,645</u>

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17. IN-KIND CONTRIBUTIONS

The estimated fair value of expert services, supplies, and equipment received are recorded as in-kind contributions in the accompanying statement of activities.

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

	<u>2022</u>	<u>2021</u>
Events	\$ 247,784	\$ -
Medical services	1,798,394	1,006,195
Professional services	108,886	103,660
Medical equipment	20,820	3,900
Medical supplies	<u>337</u>	<u>311</u>
	<u>\$ 2,176,221</u>	<u>\$ 1,114,066</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. Unless otherwise noted, donated services and equipment did not have donor-imposed restrictions.