

**SIGN FRACTURE CARE
INTERNATIONAL AND
SUBSIDIARY**

**Consolidated Financial Statements
and Independent Auditors' Report**

December 31, 2016 and 2015

SIGN Fracture Care International and Subsidiary

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SIGN Fracture Care International and Subsidiary
Richland, Washington

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SIGN Fracture Care International and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors considered 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 SIGN Fracture Care International and Subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Northwest CPA Group PLLC

Tri-Cities, Washington
June 1, 2017

SIGN Fracture Care International and Subsidiary

Consolidated Statements of Financial Position

	December 31,	
	2016	2015
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 2,246,968	\$ 1,340,425
Accounts receivable	144,089	300,603
Pledges receivable, <i>current</i>	1,703,474	1,261,332
Prepaid expenses and other current assets	47,120	49,824
Inventories	1,005,154	1,148,792
Emergency response inventory	351,751	351,751
Investments	4,319,901	3,889,226
Total current assets	9,818,457	8,341,953
<i>LEASEHOLD IMPROVEMENTS AND EQUIPMENT:</i>		
Manufacturing equipment	1,872,559	1,880,133
Furniture and office equipment	301,435	302,876
Leasehold improvements	1,048,213	1,149,253
	3,222,207	3,332,262
Less accumulated depreciation	1,977,739	1,882,219
	1,244,468	1,450,043
<i>OTHER ASSETS:</i>		
Intangible asset, <i>less accumulated amortization</i> <i>of \$4,628 and \$3,560, respectively</i>	14,594	15,662
Pledges receivable, <i>noncurrent</i>	1,197,507	1,441,082
	1,212,101	1,456,744
	\$ 12,275,026	\$ 11,248,740
 LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 22,318	\$ 24,136
Accrued salaries, benefits, and taxes	58,172	70,129
Accrued vacation	139,776	120,730
Rent deposits	-	8,981
Total current liabilities	220,266	223,976
<i>COMMITMENTS</i>		
<i>NET ASSETS:</i>		
Unrestricted net assets	8,684,350	8,222,700
Temporarily restricted net assets	3,370,410	2,802,064
Total net assets	12,054,760	11,024,764
	\$ 12,275,026	\$ 11,248,740

SIGN Fracture Care International and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<i>REVENUES AND SUPPORT:</i>			
Donations and grants	\$ 1,997,409	\$ 1,901,206	\$ 3,898,615
In-kind contributions	1,325,033	-	1,325,033
Implant revenue	1,066,347	-	1,066,347
Rental income	69,191	-	69,191
Conference registration	11,865	-	11,865
Other revenue	20,693	-	20,693
	<u>4,490,538</u>	<u>1,901,206</u>	<u>6,391,744</u>
Net assets released from restrictions	1,332,860	(1,332,860)	-
	<u>5,823,398</u>	<u>568,346</u>	<u>6,391,744</u>
<i>EXPENSES:</i>			
Program services	4,869,834	-	4,869,834
Management and general	352,283	-	352,283
Fundraising	319,257	-	319,257
Property management	151,386	-	151,386
	<u>5,692,760</u>	<u>-</u>	<u>5,692,760</u>
<i>CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</i>	<u>130,638</u>	<u>568,346</u>	<u>698,984</u>
<i>OTHER INCOME (EXPENSE):</i>			
Realized/unrealized gain on investments	268,139	-	268,139
Dividend income	68,876	-	68,876
Interest income	62,110	-	62,110
Investment fees	(21,879)	-	(21,879)
Loss on obsolete inventory	(5,127)	-	(5,127)
Loss on disposal of equipment	(41,107)	-	(41,107)
	<u>331,012</u>	<u>-</u>	<u>331,012</u>
<i>CHANGES IN NET ASSETS</i>	461,650	568,346	1,029,996
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>8,222,700</u>	<u>2,802,064</u>	<u>11,024,764</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 8,684,350</u>	<u>\$ 3,370,410</u>	<u>\$ 12,054,760</u>

SIGN Fracture Care International and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<i>REVENUES AND SUPPORT:</i>			
Donations and grants	\$ 2,273,170	\$ 739,006	\$ 3,012,176
In-kind contributions	9,193,554	-	9,193,554
Implant revenue	1,329,782	-	1,329,782
Rental income	75,147	-	75,147
Conference registration	19,258	-	19,258
Other revenue	13,462	-	13,462
	<u>12,904,373</u>	<u>739,006</u>	<u>13,643,379</u>
Net assets released from restrictions	1,089,450	(1,089,450)	-
	<u>13,993,823</u>	<u>(350,444)</u>	<u>13,643,379</u>
<i>EXPENSES:</i>			
Program services	12,119,367	-	12,119,367
Management and general	296,059	-	296,059
Fundraising	392,214	-	392,214
Property management	139,133	-	139,133
	<u>12,946,773</u>	<u>-</u>	<u>12,946,773</u>
<i>CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</i>	<u>1,047,050</u>	<u>(350,444)</u>	<u>696,606</u>
<i>OTHER INCOME (EXPENSE):</i>			
Realized/unrealized loss on investments	(197,222)	-	(197,222)
Dividend income	62,375	-	62,375
Interest income	42,004	-	42,004
Investment fees	(19,142)	-	(19,142)
Loss on obsolete inventory	(14,617)	-	(14,617)
Loss on disposal of equipment	(3,405)	-	(3,405)
	<u>(130,007)</u>	<u>-</u>	<u>(130,007)</u>
<i>CHANGES IN NET ASSETS</i>	917,043	(350,444)	566,599
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>7,305,657</u>	<u>3,152,508</u>	<u>10,458,165</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 8,222,700</u>	<u>\$ 2,802,064</u>	<u>\$ 11,024,764</u>

SIGN Fracture Care International and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Program Services</u>		Management and General	Fundraising	Property Management	Total
	<u>Cost of Products</u>	<u>Education</u>				
Cost of product distributed	\$ 1,786,477	\$ -	\$ -	\$ -	\$ -	\$ 1,786,477
Wages and benefits	893,565	338,745	292,259	173,634	-	1,698,203
In-kind professional services	311,000	398,880	-	-	-	709,880
Medical supplies and equipment (Note 6)	465,491	-	-	-	-	465,491
Supplies	85,043	36,970	5,612	31,576	-	159,201
Conference	-	139,437	-	-	-	139,437
Outside services	37,626	23,708	14,068	26,977	-	102,379
Depreciation	57,381	13,756	612	7,423	17,034	96,206
Rent	31,083	20,021	3,020	2,202	35,449	91,775
Shipping	88,055	-	-	-	-	88,055
Travel	3,498	56,655	2,325	4,071	-	66,549
Special events	-	-	-	59,040	-	59,040
Utilities	-	-	-	-	56,045	56,045
Repairs and maintenance	13,430	2,211	334	243	38,926	55,144
Dues, fees, and taxes	10,049	2,199	24,669	10,961	418	48,296
Insurance	5,365	3,787	571	416	3,514	13,653
Minor equipment	7,428	1,293	-	698	-	9,419
Telephone and internet	2,953	2,084	314	229	-	5,580
Miscellaneous	5,045	26,599	8,499	1,787	-	41,930
	<u>\$ 3,803,489</u>	<u>\$ 1,066,345</u>	<u>\$ 352,283</u>	<u>\$ 319,257</u>	<u>\$ 151,386</u>	<u>\$ 5,692,760</u>

SIGN Fracture Care International and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Property Management</u>	<u>Total</u>
	<u>Cost of Products</u>	<u>Education</u>				
Cost of product distributed	\$ 1,438,613	\$ -	\$ -	\$ -	\$ -	\$ 1,438,613
Wages and benefits	669,227	340,385	227,385	154,868	-	1,391,865
In-kind professional services	-	254,000	-	12,000	-	266,000
Medical supplies and equipment (Note 6)	8,801,938	-	-	-	-	8,801,938
Supplies	41,822	58,201	17,588	74,309	-	191,920
Conference	-	102,515	-	-	-	102,515
Outside services	16,923	13,035	13,926	48,938	-	92,822
Depreciation	53,953	10,190	637	5,868	16,890	87,538
Rent	27,171	19,144	2,650	3,269	40,503	92,737
Shipping	68,541	-	-	-	-	68,541
Travel	1,570	92,325	1,321	14,111	-	109,327
Special events	-	-	-	64,974	-	64,974
Utilities	-	-	-	-	51,490	51,490
Repairs and maintenance	18,633	5,220	773	891	26,555	52,072
Dues, fees, and taxes	10,026	8,323	24,951	10,564	349	54,213
Insurance	4,863	3,426	474	585	3,346	12,694
Minor equipment	1,325	105	14	778	-	2,222
Telephone and internet	2,973	2,095	290	358	-	5,716
Miscellaneous	4,215	48,610	6,050	701	-	59,576
	<u>\$ 11,161,793</u>	<u>\$ 957,574</u>	<u>\$ 296,059</u>	<u>\$ 392,214</u>	<u>\$ 139,133</u>	<u>\$ 12,946,773</u>

SIGN Fracture Care International and Subsidiary Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2016	2015
<i>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from operations, donations, and other sources	\$ 5,015,677	\$ 4,752,297
Cash paid to vendors and employees	(4,047,835)	(3,783,196)
Interest and dividends received	109,107	104,379
Net cash provided by operating activities	1,076,949	1,073,480
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchases of investments	(1,052,711)	(2,344,391)
Proceeds from sale of investments	921,244	768,527
Proceeds from sale of equipment	3,720	-
Capital purchases	(42,659)	(148,669)
Net cash used in investing activities	(170,406)	(1,724,533)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	906,543	(651,053)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	1,340,425	1,991,478
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	\$ 2,246,968	\$ 1,340,425

SIGN Fracture Care International and Subsidiary Consolidated Statements of Cash Flows (continued)

	Years Ended December 31,	
	2016	2015
<i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Changes in net assets	\$ 1,029,996	\$ 566,599
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	203,407	196,783
Amortization	1,068	1,068
Realized/unrealized loss (gain) on investments	(268,139)	197,222
Donations of stock	(31,069)	(39,481)
Loss on disposal of equipment	41,107	3,405
Decrease (increase) in assets:		
Accounts receivable	156,514	(24,866)
Pledges receivable	(198,567)	317,746
Prepaid expenses and other current assets	2,704	18,417
Inventories	143,638	(152,625)
Increase (decrease) in liabilities:		
Accounts payable	(1,818)	(46,199)
Accrued salaries, benefits, and taxes	(11,957)	20,666
Accrued vacation	19,046	10,620
Rent deposits	(8,981)	4,125
Total adjustments	46,953	506,881
Net cash provided by operating activities	\$ 1,076,949	\$ 1,073,480

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

SIGN Fracture Care International (SIGN) is a nonprofit corporation incorporated under the laws of the State of Washington in 1999. SIGN is an international orthopaedic organization dedicated to equipping surgeons in developing countries with the skills and tools required to treat disabling bone fractures. Ninety percent of these types of injuries occur in developing countries, yet eighty percent of the trained orthopaedic surgeons live in developed countries. To alleviate this inequality of access to proper care, SIGN provides ongoing education and training to surgeons in developing countries through conferences, disbursement of educational material, and surgical training provided by North American and international surgeons. To complement the training, SIGN also designs, manufactures, and donates or sells at cost, orthopaedic implants for use in hospitals that treat the poor.

Interlocking Associates, LLC (Interlocking), is a wholly owned subsidiary of SIGN that was formed in October 2002. Interlocking leases and manages property owned by the Port of Benton. This property is subleased to SIGN and other tenants. On December 31, 2016, Interlocking was dissolved and all assets were transferred to SIGN.

The consolidated financial statements include the accounts of SIGN and Interlocking (collectively: the Organization). All material intercompany transactions have been eliminated in these consolidated financial statements.

Summary of Significant Accounting Policies:

Basis of presentation – The accompanying 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. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any permanently restricted net assets as of December 31, 2016 and 2015.

Cash and cash equivalents – For the purpose of the consolidated statements of financial position and cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash and cash equivalent balances may exceed federally insured limits by the Federal Deposit Insurance Corporation for brief periods; management monitors bank account balances to minimize risk.

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Accounts receivable – Accounts receivable are carried at their original amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2016 and 2015. Recoveries of receivables previously written off are recorded when received.

Pledges receivable – Unconditional promises to give are included in the accompanying consolidated financial statements as pledges receivable and donation revenue. Promises to give are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2016 and 2015.

Inventories – Inventories are stated at the lower of cost (determined on the average cost basis) or market. Finished goods and work-in-process inventory includes labor and manufacturing overhead.

Emergency response inventory – During a previous year, the Organization received in-kind donations of medical supplies that will allow the Organization to respond quickly and provide emergency medical support using these supplies, as well as the SIGN nail system, in the event of a disaster. The supplies were recorded at their estimated fair market value as of the date of donation.

Investments – The Organization records investments in marketable securities with readily determinable market values at their fair values in the consolidated statements of financial position. Investment securities consist of a highly-diversified portfolio of stocks, mutual funds, and corporate bond funds. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments are initially recorded at cost if purchased or, if donated, are recorded at the fair market value at the date of the gift. The investments in marketable securities are subject to market risk.

Leasehold improvements and equipment – Leasehold improvements and equipment purchased by the Organization are recorded at cost. Donated equipment is recorded at fair value as of the date of the gift. Items of less than \$1,000 are charged to expense as minor equipment or supplies. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment, ranging from 3 to 39 years. Depreciation expense for the years ended December 31, 2016 and 2015, was \$203,407 and \$196,783 respectively.

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Intangible asset – The intangible asset consists of costs associated with a patent and are amortized over the life of the patent. Amortization expense totaled \$1,068 for each year ended December 31, 2016 and 2015.

Donations – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received in the same period the restrictions are met are recorded as unrestricted contributions.

In-kind contributions – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Federal income tax – The Internal Revenue Service has determined that SIGN is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization is not a private foundation under Section 509(a) of the Code. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements. Interlocking is a wholly owned for profit limited liability company of SIGN that is treated as a disregarded entity for tax purposes. As a disregarded entity, Interlocking's balances and activity are consolidated with SIGN and reported on the annual Form 990, Return of Organization Exempt from Income Tax.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

Functional expenses – Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and an allocation based on programs and supporting services benefited.

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments – At December 31, 2016 and 2015, the carrying values of the Organization’s financial instruments approximated fair value.

Reclassifications – Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation with no effect on previously reported changes in net assets.

NOTE 2 – PLEDGES RECEIVABLE:

The Organization’s pledges receivable consisted of unconditional promises to give and are due as follows:

	December 31,	
	2016	2015
Receivable in less than one year	\$ 1,703,474	\$ 1,261,332
Receivable in one to five years	1,228,500	1,485,000
	2,931,974	2,746,332
Less:		
Discount to net present value	30,993	43,918
	\$ 2,900,981	\$ 2,702,414

Unconditional promises to give, due in more than one year, are reflected at the present value of estimated future cash flows using a discount rate of 1%.

SIGN Fracture Care International and Subsidiary Notes to Consolidated Financial Statements Years Ended December 31, 2016 and 2015

NOTE 3 – INVENTORIES:

The following is a summary of the components of inventory:

	December 31,	
	2016	2015
Raw materials	\$ 255,251	\$ 265,454
Work in process	129,005	37,085
Finished goods	620,898	846,253
Total inventories	<u>\$ 1,005,154</u>	<u>\$ 1,148,792</u>

During the years ended December 31, 2016 and 2015, the Organization reduced the finished goods inventory by \$5,127 and \$14,617 respectively, for a lower of cost or market adjustment caused by inventory becoming obsolete.

NOTE 4 – INVESTMENTS:

Accounting standards establish a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The Organization utilizes the fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level I. Fair value is determined through quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

SIGN Fracture Care International and Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS (continued):

Investments consisted of the following at December 31, 2016:

	Fair Value			Cost
	Level I	Level II	Total	
Common stock:				
Materials	\$ 76,470	\$ -	\$ 76,470	\$ 77,506
Telecommunication services	61,848	-	61,848	39,775
Consumer discretionary	162,479	-	162,479	66,047
Consumer durables	182,656	-	182,656	253,629
Real estate	108,094	-	108,094	92,879
Energy	157,096	-	157,096	134,713
Financial	428,462	-	428,462	398,734
Health care	626,681	-	626,681	649,243
Information technology	695,786	-	695,786	522,306
Industrials	386,217	-	386,217	254,589
Utilities	3,577	-	3,577	3,729
Corporate bonds	-	1,408,923	1,408,923	1,409,862
Mutual funds	21,612	-	21,612	20,308
	<u>\$ 2,910,978</u>	<u>\$ 1,408,923</u>	<u>\$ 4,319,901</u>	<u>\$ 3,923,320</u>

Investments consisted of the following at December 31, 2015:

	Fair Value			Cost
	Level I	Level II	Total	
Common stock:				
Materials	\$ 95,490	\$ -	\$ 95,490	\$ 128,247
Telecommunication services	52,690	-	52,690	41,911
Consumer discretionary	175,963	-	175,963	64,934
Consumer staples	169,571	-	169,571	155,890
Energy	111,612	-	111,612	133,894
Financial	432,645	-	432,645	440,409
Health care	447,043	-	447,043	404,297
Information technology	762,237	-	762,237	649,204
Industrials	367,166	-	367,166	271,606
Utilities	52,483	-	52,483	109,004
Corporate bonds	-	1,222,326	1,222,326	1,254,365
	<u>\$ 2,666,900</u>	<u>\$ 1,222,326</u>	<u>\$ 3,889,226</u>	<u>\$ 3,653,761</u>

SIGN Fracture Care International and Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS (continued):

Investments classified as Level I have publicly traded values, which are based on current quoted market prices provided by custodians. Investments classified as Level II are publicly traded in a quoted market although not necessarily on a daily basis. Fair values are provided primarily by custodians and are based on pricing models that incorporate available trade, bid, and other market information.

There were no Level III investments as of December 31, 2016 or 2015.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following:

	December 31,	
	2016	2015
Pledges receivable, timing restriction	\$ 2,900,981	\$ 2,702,414
Five new programs, additional instrument sets, and Asia programs, purpose restriction	350,000	-
Ethiopian Residency Programs, purpose restriction	24,251	-
Kibuye Hope Hospital, purpose restriction	23,264	-
Mapuor Schooling, purpose restriction	22,798	16,380
McGowan Clinic, purpose restriction	15,000	-
Hospital Regional de Ayacucho, purpose restriction	11,587	12,747
Nekempte Public Referral Hospital, purpose restriction	10,000	-
Gambia General, purpose restriction	8,909	8,909
Nyanza Provincial General Hospital, purpose restriction	2,000	2,000
Hospital Nuevo Amanecer Enfermera, purpose restriction	1,000	-
Crimson Hospital, purpose restriction	620	620
Dodoma Regional Referral Hospital, purpose restriction	-	30,414
Hospital La Providence Des Gonavies, purpose restriction	-	8,000
Magwe Divisional Hospital, purpose restriction	-	5,782
Preah Kossamak Hospital, purpose restriction	-	3,886
Centro Medico Orthopedique de Carama, purpose restriction	-	2,807
Hawassa Referral Hospital, purpose restriction	-	2,500
Kibogora Hospital, purpose restriction	-	2,325
Saint Nicolas Hospital, purpose restriction	-	1,000
National Referral Hospital Honiara, purpose restriction	-	817
Hospital National de Niamey, purpose restriction	-	535
Haiti – pediatric set, purpose restriction	-	500
Hopital Adventiste Bere, purpose restriction	-	353
Dr. Lado Schooling, purpose restriction	-	75
	<u>\$ 3,370,410</u>	<u>\$ 2,802,064</u>

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 6 – IN-KIND CONTRIBUTIONS:

The Organization receives a significant amount of donated goods and services from volunteers. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Orthopaedic surgeons have donated their time to assist in training surgeons around the world on SIGN implant surgeries. The fair value of these services is included in professional services below.

In-kind contributions consisted of the following:

	Years Ended December 31,	
	2016	2015
Professional services	\$ 709,880	\$ 266,000
Medical supplies and equipment	465,491	8,801,938
Engineering and production supplies	63,275	1,027
Stock donations	31,069	39,481
Educational travel costs	29,605	49,306
Fundraising supplies	13,001	23,530
Facility rent	10,800	10,800
Office supplies	1,230	156
Shipping supplies	682	1,316
	\$1,325,033	\$ 9,193,554

NOTE 7 – LEASE COMMITMENTS AND INCOME:

The Organization leases their facility from the Port of Benton. This operating lease requires monthly payments of \$8,554 and expires January 2027, with options to renew for three additional ten-year terms.

The Organization also leases workspace in Portland, Oregon, under an annual lease with a board member. The lease renews automatically on its anniversary date, but can be terminated by either party with 60 days written notice. Donated rent from the board member was \$10,800 for each year ended December 31, 2016 and 2015.

The Organization also leases office equipment which requires monthly payments of \$411 and expires February 2020.

SIGN Fracture Care International and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

NOTE 7 – LEASE COMMITMENTS AND INCOME (continued):

Future minimum lease payments are as follows (excluding in-kind rent donation):

Years Ending December 31,	Amount
2017	\$ 112,388
2018	107,588
2019	107,588
2020	103,163
2021	102,649

The total rent expense for the years ended December 31, 2016 and 2015, was \$142,270 and \$141,025, respectively.

The Organization subleased part of the facility through December 31, 2016. The subleases required monthly receipts from tenants ranging from \$550 to \$2,000, and expired December 2016. As of December 31, 2016, the subleases were reassigned to the Port of Benton.

Rental income for the years ended December 31, 2016 and 2015, was \$69,191 and \$75,147, respectively.

NOTE 8 – SELF INSURANCE:

The Organization has elected to opt-out of participation in the Washington State Employment Security Program. The Organization instead utilizes a third-party administrator (the Trust) to manage unemployment claims. Contributions to the Trust are accumulated and used to pay claims made by past employees. The Organization could be required to make additional payments if claims exceed the accumulated contributions. As of December 31, 2016 and 2015, \$9,726 and \$4,556 in claims were paid, respectively, by the Trust in excess of accumulated contributions and is included in accrued salaries, benefits, and taxes. The ultimate costs of claims are accrued when billed. Although the liability cannot be estimated, the Organization's management believes the ultimate liability will not have a material adverse effect on their financial position or activities.

NOTE 9 – RETIREMENT PLAN:

The Company sponsored a salary deferral retirement 403(b) plan through December 31, 2015. The plan covered all employees who met the eligibility requirements. The Organization did not make employer-matching contributions. On January 1, 2016, the 403(b) plan was replaced with a 401(k) retirement plan. The 401(k) plan covers eligible employees and allows them to contribute to the plan on a tax-deferral basis. The Organization contributes a matching amount, not to exceed 4% of the participant's compensation for the plan year. Profit sharing contributions are made at the discretion of the Organization. For the year ended December 31, 2016, the Organization incurred retirement expense of \$82,369.

SIGN Fracture Care International and Subsidiary
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NOTE 10 – CONCENTRATIONS:

Two donors accounted for 44% and 43% of donation and grant revenue (net of discount on pledges receivable) during the years ended December 31, 2016 and 2015, respectively. Two donors accounted for 98% of pledges receivable as of December 31, 2016 and 2015.

NOTE 11 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through June 1, 2017, which is the date the consolidated financial statements were available to be issued.