SIGN FRACTURE CARE INTERNATIONAL

Financial Statements and Independent Auditors' Report

December 31, 2018 and 2017

CONTENTS

Northwest CPA Group PLLC

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SIGN Fracture Care International
Richland, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of SIGN Fracture Care International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of SIGN Fracture Care International as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Northwest CPA Group PLLC

Tri-Cities, Washington
May 21, 2019

SIGN Fracture Care International
Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,269,290	$ 2,227,540
Accounts receivable	80,496	505,911
Pledges receivable, *current*	509,050	852,010
Prepaid expenses and other current assets	65,225	32,426
Inventories	764,577	594,847
Emergency response inventory	351,751	351,751
Investments	3,305,392	5,440,301
Total current assets	8,345,781	10,004,786
LEASEHOLD IMPROVEMENTS AND EQUIPMENT:		
Manufacturing equipment	1,951,141	1,923,697
Furniture and office equipment	302,686	312,425
Leasehold improvements	1,021,524	1,021,524
	3,275,351	3,257,646
Less accumulated depreciation	2,331,031	2,148,179
	944,320	1,109,467
OTHER ASSETS:		
Intangible asset, *less accumulated amortization of $7,457 and $5,927, respectively*	15,465	16,995
Pledges receivable, *noncurrent, net of discounts of $13,560 and $16,560, respectively*	346,440	560,940
	361,905	577,935
	$ 9,652,006	$ 11,692,188
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 33,508	$ 20,546
Accrued salaries, benefits, and taxes	76,058	58,856
Accrued vacation	174,039	158,973
Total current liabilities	283,605	238,375
COMMITMENTS		
NET ASSETS:		
Net assets without donor restrictions	8,111,450	9,534,262
Net assets with donor restrictions	1,256,951	1,919,551
Total net assets	9,368,401	11,453,813
	$ 9,652,006	$ 11,692,188

SIGN Fracture Care International
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Donations and grants	$ 1,717,881	$ 494,548	$ 2,212,429
In-kind contributions	2,180,662	-	2,180,662
Implant revenue	805,101	-	805,101
Conference registration	9,985	-	9,985
Other revenue	16,442	-	16,442
	4,730,071	494,548	5,224,619
Net assets released from restrictions	1,157,148	(1,157,148)	-
	5,887,219	(662,600)	5,224,619
EXPENSES:			
Program services	6,327,894	-	6,327,894
Management and general	363,926	-	363,926
Fundraising	458,431	-	458,431
	7,150,251	-	7,150,251
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	(1,263,032)	(662,600)	(1,925,632)
OTHER INCOME (EXPENSE):			
Realized/unrealized loss on investments	(281,794)	-	(281,794)
Dividend income	88,670	-	88,670
Interest income	74,797	-	74,797
Investment fees	(25,500)	-	(25,500)
Loss on obsolete inventory	(2,878)	-	(2,878)
Loss on disposal of equipment	(13,075)	-	(13,075)
	(159,780)	-	(159,780)
CHANGES IN NET ASSETS	(1,422,812)	(662,600)	(2,085,412)
NET ASSETS, BEGINNING OF YEAR	9,534,262	1,919,551	11,453,813
NET ASSETS, END OF YEAR	$ 8,111,450	$ 1,256,951	$ 9,368,401

SIGN Fracture Care International
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Donations and grants	$ 1,464,781	$ 687,839	2,152,620
In-kind contributions	1,501,564	-	1,501,564
Implant revenue	1,489,250	-	1,489,250
Conference registration	12,856	-	12,856
Other revenue	12,784	-	12,784
	4,481,235	687,839	5,169,074
Net assets released from restrictions	2,138,698	(2,138,698)	-
	6,619,933	(1,450,859)	5,169,074
EXPENSES:			
Program services	5,709,241	-	5,709,241
Management and general	337,416	-	337,416
Fundraising	381,212	-	381,212
	6,427,869	-	6,427,869
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	192,064	(1,450,859)	(1,258,795)
OTHER INCOME (EXPENSE):			
Realized/unrealized gain on investments	520,885	-	520,885
Dividend income	80,518	-	80,518
Interest income	84,799	-	84,799
Investment fees	(25,091)	-	(25,091)
Loss on obsolete inventory	(905)	-	(905)
Loss on disposal of equipment	(2,358)	-	(2,358)
	657,848	-	657,848
CHANGES IN NET ASSETS	849,912	(1,450,859)	(600,947)
NET ASSETS, BEGINNING OF YEAR	8,684,350	3,370,410	12,054,760
NET ASSETS, END OF YEAR	$ 9,534,262	$ 1,919,551	$ 11,453,813

SIGN Fracture Care International
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				
	Cost of Products	Education	Management and General	Fundraising	Total
Wages and benefits	$ 1,438,246	$ 325,291	$ 280,615	$ 294,748	$ 2,338,900
Cost of product distributed	1,694,150	-	-	-	1,694,150
Medical supplies and equipment (Note 7)	1,259,683	-	-	-	1,259,683
In-kind professional services	307,950	477,300	-	-	785,250
Conferences	-	165,723	-	-	165,723
Supplies	86,419	13,993	7,907	44,430	152,749
Grants	-	143,435	-	-	143,435
Shipping	99,236	-	-	-	99,236
Rent	45,522	14,899	8,402	9,660	78,483
Outside services	20,723	12,780	17,895	22,879	74,277
Depreciation	56,199	9,030	2,265	4,937	72,431
Travel	3,784	55,615	916	4,478	64,793
Special events	-	-	-	54,014	54,014
Dues, fees, and taxes	8,207	860	27,085	9,711	45,863
Repairs and maintenance	25,787	731	647	693	27,858
Minor equipment	13,514	6,253	935	5,488	26,190
Insurance	7,841	1,829	1,618	1,733	13,021
Telephone and internet	6,408	1,495	1,322	1,416	10,641
Miscellaneous	20,511	4,480	14,319	4,244	43,554
	$ 5,094,180	$ 1,233,714	$ 363,926	$ 458,431	$ 7,150,251

SIGN Fracture Care International
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services				
	Cost of Products	Education	Management and General	Fundraising	Total
Wages and benefits	1,274,770	$ 374,601	$ 258,073	$ 224,145	$ 2,131,589
Cost of product distributed	2,053,729	-	-	-	2,053,729
Medical supplies and equipment (Note 7)	675,427	-	-	-	675,427
In-kind professional services	294,075	430,800	-	-	724,875
Conferences	-	144,102	-	-	144,102
Supplies	45,113	14,101	7,954	40,539	107,707
Grants	-	7,926	-	-	7,926
Shipping	89,913	-	-	-	89,913
Rent	35,138	25,892	2,922	2,716	66,668
Outside services	22,612	15,616	15,808	25,191	79,227
Depreciation	60,975	14,503	906	7,746	84,130
Travel	7,507	27,476	2,196	2,573	39,752
Special events	-	-	-	62,372	62,372
Dues, fees, and taxes	8,228	2,527	26,710	11,950	49,415
Repairs and maintenance	15,151	1,359	194	180	16,884
Minor equipment	17,447	4,579	2,289	811	25,126
Insurance	6,401	4,323	617	573	11,914
Telephone and internet	3,321	2,243	320	297	6,181
Miscellaneous	19,267	10,119	19,427	2,119	50,932
	$ 4,629,074	$ 1,080,167	$ 337,416	$ 381,212	$ 6,427,869

SIGN Fracture Care International
Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations, donations, and other sources	$ 4,026,832	$ 4,793,719
Cash paid to vendors and employees	(4,995,261)	(4,333,352)
Interest and dividends received	137,967	140,226
Net cash provided by (used in) operating activities	(830,462)	600,593
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(873,794)	(1,974,998)
Proceeds from sale of investments	2,782,389	1,431,002
Proceeds from sale of equipment	-	3,911
Capital purchases	(36,383)	(76,236)
Capitalized patent fees	-	(3,700)
Net cash provided by (used in) investing activities	1,872,212	(620,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,041,750	(19,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,227,540	2,246,968
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,269,290	$ 2,227,540

See accompanying notes to financial statements.

	Years Ended December 31,	
	2018	2017
Reconciliation of Changes in Net Assets to Net Cash Provided by (used in) Operating Activities:		
Changes in net assets	$ (2,085,412)	$ (600,947)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	188,455	204,968
Amortization	1,530	1,299
Realized/unrealized loss (gain) on investments	281,794	(520,885)
Donations of stock	(55,480)	(55,519)
Loss on disposal of equipment	13,075	2,358
Decrease (increase) in assets:		
Accounts receivable	425,415	(361,822)
Pledges receivable	557,460	1,488,031
Prepaid expenses and other current assets	(32,799)	14,694
Inventories	(169,730)	410,307
Increase (decrease) in liabilities:		
Accounts payable	12,962	(1,772)
Accrued salaries, benefits, and taxes	17,202	684
Accrued vacation	15,066	19,197
Total adjustments	1,254,950	1,201,540
Net cash provided by (used in) operating activities	$ (830,462)	$ 600,593

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 (the Organization) is an international humanitarian 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, the Organization 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, the Organization also designs, manufactures, and donates or sells at cost, orthopaedic implants for use in hospitals that treat the poor.

Summary of Significant Accounting Policies:

Basis of presentation – The accompanying 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 the following net asset classifications:

> *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Board of Directors.
>
> *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions – Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

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

Summary of Significant Accounting Policies (continued):

Contributions (continued) – When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Cash and cash equivalents – For the purpose of the 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.

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, 2018 and 2017. Recoveries of receivables previously written off are recorded when received.

Pledges receivable – Unconditional promises to give are included in the accompanying 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, 2018 and 2017.

Inventories – Inventories are stated at the lower of cost (determined on the average cost basis) or net realizable value. 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.

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

Summary of Significant Accounting Policies (continued):

Investments – The Organization records investments in marketable securities with readily determinable market values at their fair values in the 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 $5,000 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, 2018 and 2017, was $188,455 and $204,968, respectively.

Intangible asset – The intangible asset consists of costs associated with a patent and are amortized over the life of the patent. Amortization expense for the years ended December 31, 2018 and 2017, was $1,530 and $1,299, respectively.

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. Gifts of property and equipment, and gifts of cash to be used to acquire property and equipment, are reported as restricted support and classified to net assets without donor restrictions when placed into service.

Federal income tax – The Internal Revenue Service has determined that the Organization 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 financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Allocation of expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Summary of Significant Accounting Policies (continued):

Allocation of expenses (continued) – The expenses that are allocated include the following:

Expense	Method of Allocation
Wages and benefits	Estimated time spent
Supplies	Estimated usage
Rent	Square footage
Outside services	Actual usage
Depreciation	Estimated usage
Travel	Actual expenses
Dues, fees, and taxes	Estimated usage
Repairs and maintenance	Estimated usage
Minor equipment	Estimated usage
Insurance	Based on specific policies
Telephone and internet	Number of employees per department
Miscellaneous	Actual expenses

Use of estimates – The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments – At December 31, 2018 and 2017, the carrying values of the Organization's financial instruments approximated fair value.

New Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications – Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation with no effect on previously reported changes in net assets.

NOTE 2 – LIQUIDITY AND AVAILABILITY:

The Organization regularly monitors liquidity required to meet its operating needs and other commitments while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable, and long-term investments.

The Board of Directors has enacted a liquidity policy in order to build and maintain an adequate level of net assets without restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls in the form of an operating reserve fund. The target minimum amount in the reserve fund is equal to three months of average recurring operating costs, which will be calculated and reevaluated on a regular basis. The reserve fund will be officially established and reported on the financial statements for the year ended December 31, 2019.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's financial assets available for general expenditure within one year of the balance sheet date are as follows:

Cash and cash equivalents	$ 3,269,290
Accounts receivable	80,496
Pledges receivable	855,490
Investments	3,305,392
Total financial assets	7,510,668
Less amounts not available to be used within one year:	
Donor imposed restrictions:	
Funds subject to purpose restrictions	401,461
Funds subject to time restrictions	346,440
Financial assets available to meet cash needs for general expenditures within one year	$ 6,762,767

NOTE 3 – PLEDGES RECEIVABLE:

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

	December 31,	
	2018	2017
Receivable in less than one year	$ 509,050	$ 852,010
Receivable in one to five years	360,000	577,500
	869,050	1,429,510
Less:		
Discount to net present value	13,560	16,560
	$ 855,490	$ 1,412,950

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%.

NOTE 4 – INVENTORIES:

The following is a summary of the components of inventory:

	December 31,	
	2018	2017
Raw materials	$ 181,423	$ 89,669
Work in process	46,787	113,763
Finished goods	536,367	391,415
Total inventories	$ 764,577	$ 594,847

During the years ended December 31, 2018 and 2017, the Organization reduced the finished goods inventory by $2,878 and $905, respectively, for a lower of cost or market adjustment caused by inventory becoming obsolete.

NOTE 5 – 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.

Investments consisted of the following at December 31, 2018:

	Fair Value			
	Level I	Level II	Total	Cost
Common stock:				
Telecommunication services	$ 287,455	$ -	$ 287,455	$ 185,580
Consumer discretionary	401,318	-	401,318	233,092
Consumer staples	85,744	-	85,744	79,944
Real estate	50,059	-	50,059	70,869
Energy	118,063	-	118,063	180,131
Financial	607,014	-	607,014	581,806
Health care	259,714	-	259,714	303,199
Information technology	347,875	-	347,875	202,800
Industrials	181,974	-	181,974	194,657
Corporate bonds	-	966,176	966,176	979,258
	$ 2,339,216	$ 966,176	$ 3,305,392	$ 3,011,336

NOTE 5 – INVESTMENTS (continued):

Investments consisted of the following at December 31, 2017:

	Fair Value			
	Level I	Level II	Total	Cost
Common stock:				
Materials	$ 74,368	$ -	$ 74,368	$ 67,682
Telecommunication services	229,977	-	229,977	192,559
Consumer discretionary	548,952	-	548,952	333,017
Consumer staples	211,628	-	211,628	144,518
Real estate	80,745	-	80,745	70,869
Energy	224,444	-	224,444	187,995
Financial	660,280	-	660,280	511,755
Health care	538,049	-	538,049	471,330
Information technology	921,829	-	921,829	555,265
Industrials	335,935	-	335,935	295,710
Corporate bonds	-	1,614,094	1,614,094	1,621,137
	$ 3,826,207	$ 1,614,094	$ 5,440,301	$ 4,451,837

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, 2018 or 2017.

NOTE 6 – NET ASSET RESTRICTIONS:

Net assets with donor restrictions consisted of the following:

	December 31, 2018	December 31, 2017
Subject to expenditure for specified purpose:		
Asia programs, new programs, second sets and implants	$ 271,000	$ 272,750
Mapuor Schooling	79,712	54,440
WHH – Pelvic Fracture Fellowship	17,552	-
Meiktila General Hospital	9,200	-
Monywa General Hospital	9,200	-
Hospital Diospi Suyana	6,000	-
Scalpel at the Cross	2,051	-
Nyanza Provincial General Hospital	2,000	2,000
Grande International Hospital	1,995	-
Philippines – Tebow/Valera	1,604	10,131
Traveling Set - Myanmar	1,000	-
Bethesda Hospital	147	147
SIGN Annual Conference Grant	-	148,083
Myitkyina General Hospital	-	18,030
Mugonero Adventist Hospital	-	1,020
Subject to passage of time:		
Pledges receivable	855,490	1,412,950
	$ 1,256,951	$ 1,919,551

NOTE 6 – NET ASSET RESTRICTIONS (continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows:

	December 31, 2018	December 31, 2017
Satisfaction of purpose restriction:		
Asia programs, new programs, second sets and implants	$ 272,750	$ 350,000
SIGN Annual Conference Grant	148,083	-
Myitkyina General Hospital	18,030	-
Mapuor Schooling	9,728	5,426
Philippines – Tebow/Valera	8,527	-
Mugonero Adventist Hospital	1,020	-
WHH Foundation – Ethiopian Residency Program Support	-	24,251
Kibuye Hope Hospital	-	23,264
Centre Medical Emmanuel Hospital (McGowan Clinic)	-	15,000
Hospital Regional de Ayacucho	-	11,587
Nekempte Public Referral Hospital	-	10,000
Gambia General	-	8,909
Hospital Nuevo Amanecer Enfermera Nancy Bach	-	1,000
Chaurah Hospital (Crimson Hospital)	-	620
Expiration of time restrictions:		
Pledges receivable	699,010	1,688,641
	$ 1,157,148	$ 2,138,698

NOTE 7 – 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.

NOTE 7 – IN-KIND CONTRIBUTIONS (continued):

In-kind contributions consisted of the following:

	Years Ended December 31, 2018	Years Ended December 31, 2017
Professional services	$ 785,250	$ 724,875
Medical supplies and equipment	1,259,683	675,427
Stock donations	55,504	55,519
Fundraising supplies	13,497	14,958
Educational travel costs	36,191	15,289
Engineering and production supplies	24,678	9,604
Facility rent	5,400	5,400
Shipping supplies	459	492
	$2,180,662	$1,501,564

NOTE 8 – LEASE COMMITMENTS:

During the year ended December 31, 2018 and 2017, the Organization leased their Tri-Cities, Washington, facility from the Port of Benton. The Organization terminated this lease when the facility was purchased in January 2019. See Note 12.

The Organization 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 $5,400 for each year ended December 31, 2018 and 2017.

The Organization also leases office equipment which requires monthly payments of $454 and expires February 2020.

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

Years Ending December 31,	Amount
2019	$ 13,846
2020	567

The total rent expense for the years ended December 31, 2018 and 2017, was $120,613 and $118,344, respectively.

NOTE 9 – 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, 2018 and 2017, the prepaid insurance balance was $33,039 and $4,086, respectively, and is included in prepaid expenses. 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 10 – RETIREMENT PLAN:

The Company sponsors a 401(k) profit sharing 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 years ended December 31, 2018 and 2017, the Organization incurred retirement expense of $98,521 and $96,070, respectively.

NOTE 11 – CONCENTRATIONS:

Two donors accounted for 51% and 50% of donation and grant revenue (net of discount on pledges receivable) during the years ended December 31, 2018 and 2017, respectively. Two donors accounted for 84% and 99% of pledges receivable as of December 31, 2018 and 2017, respectively.

NOTE 12 – SUBSEQUENT EVENTS:

On January 31, 2019, the Organization purchased the building previously rented from the Port of Benton for $2,510,000.

The Organization began leasing part of the building to two tenants on February 1, 2019, under operating leases expiring in December 2023. The first lease requires monthly payments of $2,000 until the Organization completes improvements to the building. The improvements are expected to be completed by the end of June 2019. When the improvements are complete, lease payments will increase to $5,300. The lease includes an option to renew for five additional one-year terms. The second lease requires monthly payments of $330. The lease includes an option to renew for five additional one-year terms.

Subsequent events have been evaluated by management through May 21, 2019, which is the date the financial statements were available to be issued.