SIGN FRACTURE CARE INTERNATIONAL

Financial Statements and Independent Auditors' Report

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
June 4, 2020

SIGN Fracture Care International
Statements of Financial Position

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,200,446	$ 3,269,290
Accounts receivable	69,051	80,496
Pledges receivable, *current*	1,520,900	509,050
Prepaid expenses and other current assets	95,225	65,225
Inventories	872,479	764,577
Emergency response inventory	-	351,751
Investments	3,450,428	3,305,392
Total current assets	8,208,529	8,345,781
LAND, BUILDING, AND EQUIPMENT:		
Manufacturing equipment	2,007,751	1,951,141
Furniture and office equipment	289,954	302,686
Building and improvements	2,894,636	1,021,524
	5,192,341	3,275,351
Less accumulated depreciation	2,533,103	2,331,031
	2,659,238	944,320
Land	880,000	-
	3,539,238	944,320
OTHER ASSETS:		
Intangible asset, *less accumulated amortization of $9,582 and $7,457, respectively*	17,300	15,465
Pledges receivable, *noncurrent, net of discounts of $5,621 and $13,560, respectively*	184,379	346,440
	201,679	361,905
	$ 11,949,446	$ 9,652,006
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 64,630	$ 33,508
Accrued salaries, benefits, and taxes	94,016	76,058
Accrued vacation	166,226	174,039
Total current liabilities	324,872	283,605
COMMITMENTS		
NET ASSETS:		
Net assets without donor restrictions		
Undesignated	8,269,533	8,111,450
Board designated	1,350,000	-
	9,619,533	8,111,450
Net assets with donor restrictions	2,005,041	1,256,951
Total net assets	11,624,574	9,368,401
	$ 11,949,446	$ 9,652,006

See accompanying notes to financial statements.

SIGN Fracture Care International
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	$ 4,546,631	$ 1,606,613	$ 6,153,244
In-kind contributions	3,077,087	-	3,077,087
Implant revenue	903,768	-	903,768
Rental income	42,130	-	42,130
Conference registration	14,826	-	14,826
Other revenue	25,167	-	25,167
	8,609,609	1,606,613	10,216,222
Net assets released from restrictions	858,523	(858,523)	-
	9,468,132	748,090	10,216,222
EXPENSES:			
Program services	7,623,034	-	7,623,034
Management and general	421,151	-	421,151
Fundraising	618,148	-	618,148
Property management	7,762	-	7,762
	8,670,095	-	8,670,095
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	798,037	748,090	1,546,127
OTHER INCOME (EXPENSE):			
Realized/unrealized loss on investments	624,425	-	624,425
Dividend income	60,560	-	60,560
Interest income	40,778	-	40,778
Investment fees	(14,588)	-	(14,588)
Loss on obsolete inventory	(429)	-	(429)
Loss on disposal of equipment	(700)	-	(700)
	710,046	-	710,046
CHANGES IN NET ASSETS	1,508,083	748,090	2,256,173
NET ASSETS, BEGINNING OF YEAR	8,111,450	1,256,951	9,368,401
NET ASSETS, END OF YEAR	$ 9,619,533	$ 2,005,041	$ 11,624,574

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	$ 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 gain 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 Functional Expenses
Year Ended December 31, 2019

	Program Services					
	Cost of Products	Education	Management and General	Fundraising	Property Management	Total
Wages and benefits	$ 1,526,151	$ 344,402	$ 326,589	$ 417,647	$ -	$ 2,614,789
Medical supplies and equipment (Note 7)	2,062,667	-	-	-	-	2,062,667
Cost of product distributed	2,048,305	-	-	-	-	2,048,305
In-kind professional services	335,065	501,396	-	-	-	836,461
Supplies	108,681	18,474	13,029	54,015	37	194,236
Conferences	-	183,255	-	-	-	183,255
Shipping	117,092	-	-	-	-	117,092
Depreciation	57,246	7,859	5,253	8,217	7,317	85,892
Travel	9,167	56,363	1,210	10,162	-	76,902
Grants	-	71,934	-	-	-	71,934
Dues, fees, and taxes	20,320	3,703	26,316	14,251	-	64,590
Outside services	8,808	8,010	16,216	30,052	-	63,086
Special events	-	-	-	61,624	-	61,624
Repairs and maintenance	40,041	3,441	3,037	4,317	408	51,244
Rent	10,692	6,688	1,137	4,616	-	23,133
Insurance	9,316	2,073	1,829	2,600	-	15,818
Telephone and internet	8,287	1,844	1,627	2,313	-	14,071
Minor equipment	10,782	297	1,204	373	-	12,656
Miscellaneous	33,917	6,758	23,704	7,961	-	72,340
	$ 6,406,537	$ 1,216,497	$ 421,151	$ 618,148	$ 7,762	$ 8,670,095

See accompanying notes to financial statements.

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
Medical supplies and equipment (Note 7)	1,259,683	-	-	-	1,259,683
Cost of product distributed	1,694,150	-	-	-	1,694,150
In-kind professional services	307,950	477,300	-	-	785,250
Supplies	86,419	13,993	7,907	44,430	152,749
Conferences	-	165,723	-	-	165,723
Shipping	99,236	-	-	-	99,236
Depreciation	56,199	9,030	2,265	4,937	72,431
Travel	3,784	55,615	916	4,478	64,793
Grants	-	143,435	-	-	143,435
Dues, fees, and taxes	8,207	860	27,085	9,711	45,863
Outside services	20,723	12,780	17,895	22,879	74,277
Special events	-	-	-	54,014	54,014
Repairs and maintenance	25,787	731	647	693	27,858
Rent	45,522	14,899	8,402	9,660	78,483
Insurance	7,841	1,829	1,618	1,733	13,021
Telephone and internet	6,408	1,495	1,322	1,416	10,641
Minor equipment	13,514	6,253	935	5,488	26,190
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
Statements of Cash Flows

	Years Ended December 31, 2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations, contributions and other sources	$ 6,300,791	$ 4,026,832
Cash paid to vendors and employees	(5,180,535)	(4,995,261)
Interest and dividends received	86,750	137,967
Net cash provided by (used in) operating activities	1,207,006	(830,462)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(391,522)	(873,794)
Proceeds from sale of investments	934,737	2,782,389
Capital purchases	(2,815,105)	(36,383)
Capitalized patent fees	(3,960)	-
Net cash provided by (used in) investing activities	(2,275,850)	1,872,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,068,844)	1,041,750
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,269,290	2,227,540
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,200,446	$ 3,269,290

	Years Ended December 31, 2019	2018
Reconciliation of Changes in Net Assets to Net Cash Provided by (used in) Operating Activities:		
Changes in net assets	$ 2,256,173	$ (2,085,412)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	219,487	188,455
Amortization	2,125	1,530
Realized/unrealized loss (gain) on investments	(624,425)	281,794
Donations of stock	(63,826)	(55,480)
Loss on disposal of equipment	700	13,075
Decrease (increase) in assets:		
Accounts receivable	11,445	425,415
Pledges receivable	(849,789)	557,460
Prepaid expenses and other current assets	(30,000)	(32,799)
Inventories	243,849	(169,730)
Increase (decrease) in liabilities:		
Accounts payable	31,122	12,962
Accrued salaries, benefits, and taxes	17,958	17,202
Accrued vacation	(7,813)	15,066
Total adjustments	(1,049,167)	1,254,950
Net cash provided by (used in) operating activities	$ 1,207,006	$ (830,462)

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.

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, 2019 and 2018. 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, 2019 or 2018.

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.

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

Summary of Significant Accounting Policies (continued):

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. During the year ended December 31, 2019, it was determined that this inventory was not beneficial as intended, and the inventory was distributed overseas to be used in real time.

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.

Property and equipment – Property 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, 2019 and 2018, was $219,487 and $188,455, 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, 2019 and 2018, was $2,125 and $1,530, respectively.

Net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and net asset changes are classified and reported as follows:

> *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. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve. These net assets may be used at the discretion of the Board of Directors.

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

Summary of Significant Accounting Policies (continued):

Net assets (continued):

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. 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 when the assets are subsequently placed in service.

Revenue recognition – contributions:

Contributions – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

Revenue recognition – contracts with customers:

Revenue is recognized based on a five-step model. For customer contracts, the Organization identifies the performance obligations (products or service), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when the performance obligation is fulfilled, which is when the product is received by the customer or when the services are provided to the customer, depending on specific terms of the arrangement. The Organization's revenue that is recognized over time consists of performance obligations that are satisfied within one year or less.

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

Summary of Significant Accounting Policies (continued):

Revenue recognition (continued):

Implant revenue – The Organization derives revenues from the sale of orthopaedic nails and implants to hospitals in developing countries. Revenues for these sales are recognized when control of the products is transferred to customers (at shipment), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. The Organization considers all shipping and handling to be fulfillment activities and not a separate performance obligation. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Accounts receivable from implant sales were as follows:

	2019	2018
Beginning of year	$ 80,496	$ 505,911
End of year	69,051	80,496

Rental income – The Organization recognizes revenue from rental agreements ratably over the contract period. See Note 8 for detailed description of lease agreements in effect for the years ended December 31, 2019 and 2018.

Conference registration – Annually, the Organization holds a conference for physicians from developing countries to share skills and to learn about the SIGN method. The Organization requires payment for attendance, which offsets the cost of holding the conference. Conference registration revenue is recognized when the conference takes place.

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.

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.

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

Summary of Significant Accounting Policies (continued):

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. Wages and benefits are allocated based upon estimated time spent; rent is allocated based upon square footage used; supplies, depreciation, dues, fees, taxes, repairs and maintenance, and minor equipment are allocated based upon estimated usage; and insurance is allocated based upon the specific policies utilized. All other expenses are allocated based on actual expenses.

Financial instruments – At December 31, 2019 and 2018, the carrying values of the Organization's financial instruments approximated fair value.

New accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, using the modified retrospective approach. The adoption of this new ASU did not have a material impact on the financial results. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2014-09.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Accounting pronouncements effective in future periods – In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

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 re-evaluated on a regular basis. The Board designated operating reserve can be made available to meet operating needs, if necessary.

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:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 2,200,446	$ 3,269,290
Accounts receivable	69,051	80,496
Pledges receivable	1,705,279	855,490
Investments	3,450,428	3,305,392
Total financial assets	7,425,204	7,510,668
Less amounts not available to be used within one year:		
Donor imposed restrictions:		
Funds subject to purpose restrictions	299,762	401,461
Funds subject to time restrictions	184,379	346,440
Financial assets available to meet cash needs for general expenditures within one year prior to board designated operating reserve	6,941,063	6,762,767
Less internal designations:		
Operating reserve	1,350,000	-
Financial assets available to meet cash needs for general expenditures within one year	$ 5,591,063	$ 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, 2019	December 31, 2018
Receivable in less than one year	$ 1,520,900	$ 509,050
Receivable in one to five years	190,000	360,000
	1,710,900	869,050
Less:		
Discount to net present value	5,621	13,560
	$ 1,705,279	$ 855,490

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 1.00%.

NOTE 4 – INVENTORIES:

The following is a summary of the components of inventory:

	December 31, 2019	December 31, 2018
Raw materials	$ 222,443	$ 181,423
Work in process	108,942	46,787
Finished goods	541,094	536,367
Total inventories	$ 872,479	$ 764,577

During the years ended December 31, 2019 and 2018, the Organization reduced the finished goods inventory by $429 and $2,878, 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 1 – 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 2 – 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 1. 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 3 – 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 measured at fair value on a recurring basis consisted of the following at December 31, 2019:

	Fair Value			
	Level 1	Level 2	Total	Cost
Common stock and mutual funds:				
Telecommunication services	$ 308,327	$ -	$ 308,327	$ 166,903
Consumer discretionary	405,454	-	405,454	139,373
Real estate	69,158	-	69,158	70,869
Energy	122,274	-	122,274	180,131
Financial	730,176	-	730,176	581,806
Health care	288,751	-	288,751	303,199
Information technology	367,087	-	367,087	126,704
Industrials	221,094	-	221,094	194,657
Corporate bonds	-	938,107	938,107	927,251
	$ 2,512,321	$ 938,107	$ 3,450,428	$ 2,690,893

NOTE 5 – INVESTMENTS (continued):

Investments consisted of the following at December 31, 2018:

	Fair Value			
	Level 1	Level 2	Total	Cost
Common stock and mutual funds:				
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

Investments classified as Level 1 have publicly traded values, which are based on current quoted market prices provided by custodians. Investments classified as Level 2 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 3 investments as of December 31, 2019 or 2018.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. Management is closely monitoring the investment portfolio and its liquidity and are actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that have resulted from these declines.

NOTE 6 – NET ASSET DESIGNATIONS AND RESTRICTIONS:

A portion of the Organization's net assets without donor restriction was designated by the Board of Directors for a specific purpose as follows:

	December 31,	
	2019	2018
Operating reserve	$ 1,350,000	$ -

Net assets with donor restrictions consisted of the following:

	December 31,	
	2019	2018
Subject to expenditure for specified purpose:		
Mapuor Schooling	$ 86,649	$ 79,712
Spine Project	84,103	-
WHH – Pelvic Fracture Fellowship	35,402	17,552
Limb Deformity	25,000	-
Pyay General Hospital	19,000	-
Dawei General Hospital	19,000	-
Muhimbili National Hospital	13,860	-
Hospital Diospi Suyana	6,000	6,000
Skin Graft Project	5,058	-
Samburu County Referral Hospital	1,921	-
St. Walburg's Hospital	1,486	-
SIM Galmi Hospital	1,026	-
Panag'angay, Pagpakabana Sa Pagpanambal	856	-
Scheer Memorial Hospital	401	-
Asia programs, new programs, second sets and implants	-	271,000
Meiktila General Hospital	-	9,200
Monywa General Hospital	-	9,200
Scalpel at the Cross	-	2,051
Nyanza Provincial General Hospital	-	2,000
Grande International Hospital	-	1,995
Philippines – Tebow/Valera	-	1,604
Traveling Set - Myanmar	-	1,000
Bethesda Hospital	-	147
Subject to passage of time:		
Pledges receivable	1,705,279	855,490
	$ 2,005,041	$ 1,256,951

NOTE 6 – NET ASSET DESIGNATIONS AND 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, 2019	December 31, 2018
Satisfaction of purpose restriction:		
Asia programs, new programs, second sets and implants	$ 271,000	$ 272,750
Mapuor Schooling	42,563	9,728
WHH – Pelvic Fracture Fellowship	17,552	-
Meiktila General Hospital	9,200	-
Monywa General Hospital	9,200	-
Scalpel at the Cross	2,051	-
Nyanza Provincial General Hospital	2,000	-
Grande International Hospital	1,995	-
Philippines – Tebow/Valera	1,604	8,527
Traveling set - Myanmar	1,000	-
Bethesda Hospital	147	-
SIGN Annual Conference Grant	-	148,083
Myitkyina General Hospital	-	18,030
Mugonero Adventist Hospital	-	1,020
Expiration of time restrictions:		
Pledges receivable	500,211	699,010
	$ 858,523	$ 1,157,148

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, 2019	Years Ended December 31, 2018
Medical supplies and equipment	$ 2,062,667	$ 1,259,683
Professional services	836,461	785,250
Stock donations	63,846	55,504
Engineering and production supplies	60,132	24,678
Educational travel costs	36,131	36,191
Fundraising supplies	12,450	13,497
Facility rent	5,400	5,400
Shipping supplies	-	459
	$ 3,077,087	$ 2,180,662

NOTE 8 – LEASE COMMITMENTS AND INCOME:

Lease income: 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 $5,300 and includes an option to renew for five additional one-year terms. The second lease requires monthly payments of $330 and includes an option to renew for five additional one-year terms. Due to the COVID-19 pandemic, the second lease was amended to require monthly payments of $30 for June through September 2020. See Note 12 for further discussion on the pandemic.

Projected rental receipts are as follows:

Years Ending December 31,	Amount
2020	$ 66,360
2021	67,560
2022	67,560
2023	67,560

Lease commitments: During the year ended December 31, 2018, 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.

NOTE 8 – LEASE COMMITMENTS AND INCOME (continued):

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. The lease has a monthly fair value of $950 and requires monthly payments of $500. Donated rent from the board member was $5,400 for each year ended December 31, 2019 and 2018.

The Organization also leases office equipment under two separate leases. The first lease requires monthly payments of $454 and expires February 2020. The second lease requires monthly payments of $225 and expires December 2023.

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

Years Ending December 31,	Amount
2020	$ 9,267
2021	2,700
2022	2,700
2023	2,700

The total rent expense for the years ended December 31, 2019 and 2018, was $28,454 and $120,613, 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, 2019 and 2018, the prepaid insurance balance was $55,217 and $33,039, 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 Organization 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-deferred 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, 2019 and 2018, the Organization incurred retirement expense of $106,679 and $98,521, respectively.

NOTE 11 – CONCENTRATIONS:

Two donors accounted for 57% and 51% of contribution revenue (net of discount on pledges receivable) during the years ended December 31, 2019 and 2018, respectively. Two donors accounted for 97% and 84% of pledges receivable as of December 31, 2019 and 2018, respectively.

NOTE 12 – SUBSEQUENT EVENTS:

COVID-19 implications:
In March 2020, the federal government and the state of Washington issued guidelines for businesses to limit personal working conditions due to the virus COVID-19. The impact of these guidelines is widespread and specific impacts on the Organization, its donors, customers, vendors, and lessees cannot be predicted. Management is closely monitoring the situation and is limiting any potential negative impacts and disruptions to operations within their control. However, COVID-19 may affect the future revenue and expenses, as well as the recognition and measurement of assets and liabilities, of the Organization.

Debt:
In April 2020, the Organization obtained a $641,500 loan from Umpqua Bank. The loan is part of the Paycheck Protection Program (PPP) which was included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by the United States Congress in response to the COVID-19 crisis. The PPP authorizes forgivable loans to small businesses to incentivize retention of employees during the pandemic. The forgivable portion of the loan will be determined by the lender based on the Organization's use of funds during a 24-week period subsequent to receiving the loan proceeds. Any debt not forgiven will be due in maximum monthly payments of $36,102 including interest at 1.00% from November 2020 through April 2022.

Subsequent events have been evaluated by management through June 4, 2020, which is the date the financial statements were available to be issued.