SIGN FRACTURE CARE INTERNATIONAL AND SUBSIDIARY

Consolidated Financial Statements and Independent Auditors' Report

December 31, 2017 and 2016

SIGN Fracture Care International and Subsidiary

CONTENTS

Northwest CPA Group PLLC

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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, 2017 and 2016, 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 consider 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, 2017 and 2016, 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.

Tri-Cities, Washington
July 16, 2018

Northwest CPA Group, PLLC

SIGN Fracture Care International and Subsidiary
Consolidated Statements of Financial Position

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,227,540	$ 2,246,968
Accounts receivable	505,911	144,089
Pledges receivable, *current*	852,010	1,703,474
Prepaid expenses and other current assets	32,426	47,120
Inventories	594,847	1,005,154
Emergency response inventory	351,751	351,751
Investments	5,440,301	4,319,901
Total current assets	10,004,786	9,818,457
LEASEHOLD IMPROVEMENTS AND EQUIPMENT:		
Manufacturing equipment	1,923,697	1,872,559
Furniture and office equipment	312,425	301,435
Leasehold improvements	1,021,524	1,048,213
	3,257,646	3,222,207
Less accumulated depreciation	2,148,179	1,977,739
	1,109,467	1,244,468
OTHER ASSETS:		
Intangible asset, *less accumulated amortization of $5,927 and $4,628, respectively*	16,995	14,594
Pledges receivable, *noncurrent, net of discounts of $16,560 and $30,993, respectively*	560,940	1,197,507
	577,935	1,212,101
	$ 11,692,188	$ 12,275,026
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 20,546	$ 22,318
Accrued salaries, benefits, and taxes	58,856	58,172
Accrued vacation	158,973	139,776
Total current liabilities	238,375	220,266
COMMITMENTS		
NET ASSETS:		
Unrestricted net assets	9,534,262	8,684,350
Temporarily restricted net assets	1,919,551	3,370,410
Total net assets	11,453,813	12,054,760
	$ 11,692,188	$ 12,275,026

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

	Unrestricted	Temporarily Restricted	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 and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
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
	4,490,538	1,901,206	6,391,744
Net assets released from restrictions	1,332,860	(1,332,860)	-
	5,823,398	568,346	6,391,744
EXPENSES:			
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
	5,692,760	-	5,692,760
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	130,638	568,346	698,984
OTHER INCOME (EXPENSE):			
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)
	331,012	-	331,012
CHANGES IN NET ASSETS	461,650	568,346	1,029,996
NET ASSETS, BEGINNING OF YEAR	8,222,700	2,802,064	11,024,764
NET ASSETS, END OF YEAR	$ 8,684,350	$ 3,370,410	$ 12,054,760

SIGN Fracture Care International and Subsidiary
Consolidated 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
In-kind professional services	294,075	430,800	-	-	724,875
Medical supplies and equipment (Note 6)	675,427	-	-	-	675,427
Conference	-	144,102	-	-	144,102
Supplies	45,113	22,027	7,954	40,539	115,633
Shipping	89,913	-	-	-	89,913
Depreciation	60,975	14,503	906	7,746	84,130
Outside services	22,612	15,616	15,808	25,191	79,227
Rent	35,138	25,892	2,922	2,716	66,668
Special events	-	-	-	62,372	62,372
Dues, fees, and taxes	8,228	2,527	26,710	11,950	49,415
Travel	7,507	27,476	2,196	2,573	39,752
Minor equipment	17,447	4,579	2,289	811	25,126
Repairs and maintenance	15,151	1,359	194	180	16,884
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 and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

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

SIGN Fracture Care International and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31, 2017	2016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations, donations, and other sources	$ 4,793,719	$ 5,015,677
Cash paid to vendors and employees	(4,333,352)	(4,047,835)
Interest and dividends received	140,226	109,107
Net cash provided by operating activities	600,593	1,076,949
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,974,998)	(1,052,711)
Proceeds from sale of investments	1,431,002	921,244
Proceeds from sale of equipment	3,911	3,720
Capital purchases	(76,236)	(42,659)
Capitalized patent fees	(3,700)	-
Net cash used in investing activities	(620,021)	(170,406)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,428)	906,543
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,246,968	1,340,425
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,227,540	$ 2,246,968

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

	Years Ended December 31,	
	2017	2016
Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:		
Changes in net assets	$ (600,947)	$ 1,029,996
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	204,968	203,407
Amortization	1,299	1,068
Realized/unrealized gain on investments	(520,885)	(268,139)
Donations of stock	(55,519)	(31,069)
Loss on disposal of equipment	2,358	41,107
Decrease (increase) in assets:		
Accounts receivable	(361,822)	156,514
Pledges receivable	1,488,031	(198,567)
Prepaid expenses and other current assets	14,694	2,704
Inventories	410,307	143,638
Increase (decrease) in liabilities:		
Accounts payable	(1,772)	(1,818)
Accrued salaries, benefits, and taxes	684	(11,957)
Accrued vacation	19,197	19,046
Rent deposits	-	(8,981)
Total adjustments	1,201,540	46,953
Net cash provided by operating activities	$ 600,593	$ 1,076,949

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), was a wholly owned subsidiary of SIGN to lease and manage property owned by the Port of Benton. This property was 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) for the year ended December 31, 2016. 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, 2017 and 2016.

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.

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, 2017 and 2016. 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, 2017 and 2016.

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.

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, 2017 and 2016, was $204,968 and $203,407, respectively.

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 for the years ended December 31, 2017 and 2016, was $1,299 and $1,068, respectively.

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 was a wholly owned for-profit limited liability company of SIGN that was treated as a disregarded entity for tax purposes until it was dissolved in 2016. As a disregarded entity, Interlocking's balances and activity were 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 2014.

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.

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, 2017 and 2016, the carrying values of the Organization's financial instruments approximated fair value.

NOTE 2 – PLEDGES RECEIVABLE:

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

	December 31,	
	2017	2016
Receivable in less than one year	$ 852,010	$ 1,703,474
Receivable in one to five years	577,500	1,228,500
	1,429,510	2,931,974
Less:		
Discount to net present value	16,560	30,993
	$ 1,412,950	$ 2,900,981

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 3 – INVENTORIES:

The following is a summary of the components of inventory:

	December 31, 2017	December 31, 2016
Raw materials	$ 89,669	$ 255,251
Work in process	113,763	129,005
Finished goods	391,415	620,898
Total inventories	$ 594,847	$ 1,005,154

During the years ended December 31, 2017 and 2016, the Organization reduced the finished goods inventory by $905 and $5,127 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.

NOTE 4 – 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 consisted of the following at December 31, 2016:

	Fair Value			
	Level I	Level II	Total	Cost
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
	$ 2,910,978	$ 1,408,923	$ 4,319,901	$ 3,923,320

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, 2017 or 2016.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following:

	December 31,	
	2017	2016
Pledges receivable, timing restriction	$ 1,412,950	$ 2,900,981
Asia programs, new programs, second sets and implants, purpose restriction	272,750	-
SIGN Annual Conference Grant, purpose restriction	148,083	-
Mapuor Schooling, purpose restriction	54,440	22,798
Myitkyina General Hospital, purpose restriction	18,030	-
Philippines – Tebow/Valera, purpose restriction	10,131	-
Nyanza Provincial General Hospital, purpose restriction	2,000	2,000
Mugonero Adventist Hospital, purpose restriction	1,020	-
Bethesda Hospital, purpose restriction	147	-
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
McGowan Clinic, purpose restriction	-	15,000
Hospital Regional de Ayacucho, purpose restriction	-	11,587
Nekempte Public Referral Hospital, purpose restriction	-	10,000
Gambia General, purpose restriction	-	8,909
Hospital Nuevo Amanecer Enfermera, purpose restriction	-	1,000
Crimson Hospital, purpose restriction	-	620
	$ 1,919,551	$ 3,370,410

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,	
	2017	2016
Professional services	$ 724,875	$ 709,880
Medical supplies and equipment	675,427	465,491
Stock donations	55,519	31,069
Fundraising supplies	14,958	13,001
Educational travel costs	15,289	29,605
Engineering and production supplies	9,604	63,275
Facility rent	5,400	10,800
Shipping supplies	492	682
Office supplies	-	1,230
	$1,501,564	$ 1,325,033

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 $5,400 for each year ended December 31, 2017 and 2016.

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

NOTE 7 – LEASE COMMITMENTS AND INCOME (continued):

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

Years Ending December 31,	Amount
2018	$ 112,894
2019	108,094
2020	103,216
2021	102,649
2022	102,649

The total rent expense for the years ended December 31, 2017 and 2016, was $118,344 and $142,270, 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 year ended December 31, 2016 was $69,191.

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, 2017, the prepaid insurance balance was $4,086 and is included in prepaid expenses. As of December 31, 2016, $9,726 in claims were paid 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 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, 2017 and 2016, the Organization incurred retirement expense of $96,070 and $82,369, respectively.

NOTE 10 – CONCENTRATIONS:

Two donors accounted for 50% and 44% of donation and grant revenue (net of discount on pledges receivable) during the years ended December 31, 2017 and 2016, respectively. Two donors accounted for 99% and 98% of pledges receivable as of December 31, 2017 and 2016, respectively.

NOTE 11 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through July 16, 2018, which is the date the consolidated financial statements were available to be issued.