

CHARITYVISION INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CharityVision International, Inc.

We have audited the accompanying financial statements of CharityVision International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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 CharityVision International, Inc. 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.

A handwritten signature in black ink that reads "Squire & Company, PC".

Orem, Utah
September 19, 2019

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 1,169,461	\$ 1,097,212
Accounts receivable	107,715	354,585
Contributions receivable	-	43,193
Prepaid expenses	30,820	29,191
Inventory	<u>8,856,489</u>	<u>10,094,826</u>
Total current assets	10,164,485	11,619,007
Fixed Assets:		
Equipment	98,092	90,518
Accumulated depreciation	<u>(72,364)</u>	<u>(62,604)</u>
Net fixed assets	25,728	27,914
Right-of-Use Assets	364,782	515,838
Land Held For Resale	<u>35,000</u>	<u>35,000</u>
Total assets	<u>\$ 10,589,995</u>	<u>\$ 12,197,759</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of lease liabilities	\$ 148,947	\$ 151,056
Accounts payable	16,302	478,727
Accrued expenses	<u>296,766</u>	<u>42,727</u>
Total current liabilities	462,015	672,510
Lease Liabilities , less current portion	<u>241,016</u>	<u>394,136</u>
Total liabilities	703,031	1,066,646
Net Assets:		
Without donor restrictions:		
Designated for inventory	8,856,489	10,094,826
Undesignated	1,000,475	1,036,287
With donor restrictions	<u>30,000</u>	<u>-</u>
Total net assets	<u>9,886,964</u>	<u>11,131,113</u>
Total liabilities and net assets	<u>\$ 10,589,995</u>	<u>\$ 12,197,759</u>

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

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2018	2017
Net Assets Without Donor Restrictions:		
Revenues and support:		
Donations	\$ 2,486,022	\$ 2,010,705
In-kind donations	8,076,672	12,813,746
Sales of medical equipment:		
Revenue	1,654,609	1,132,639
Direct costs	<u>(350,258)</u>	<u>(315,236)</u>
Net sales of medical equipment	1,304,351	817,403
Special events:		
Revenue	369,539	479,021
Direct event expenses	<u>(259,350)</u>	<u>(123,903)</u>
Net special events	110,189	355,118
Net assets released from restrictions	<u>-</u>	<u>370,000</u>
Total revenues and support	11,977,234	16,366,972
Expenses:		
Program services:		
Medical services	12,188,235	11,116,952
Equipment and warehousing	810,373	563,346
Supporting services:		
Management and general	179,336	199,572
Fundraising	<u>73,439</u>	<u>68,693</u>
Total expenses	<u>13,251,383</u>	<u>11,948,563</u>
Change in net assets without donor restrictions	(1,274,149)	4,418,409
Net Assets With Donor Restrictions:		
Donations	30,000	-
Net assets released from restrictions	<u>-</u>	<u>(370,000)</u>
Change in net assets with donor restrictions	<u>30,000</u>	<u>(370,000)</u>
Change in Net Assets	(1,244,149)	4,048,409
Net Assets at Beginning of Year	<u>11,131,113</u>	<u>7,082,704</u>
Net Assets at End of Year	<u>\$ 9,886,964</u>	<u>\$ 11,131,113</u>

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

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services		Supporting Services		Total Functional Expenses
	Medical Services	Equipment and Warehousing	Management and General	Fundraising	
Wages and payroll taxes	\$ 370,755	\$ 551,763	\$ 129,860	\$ 70,172	\$ 1,122,550
In-kind grants	9,693,661	-	-	-	9,693,661
Grants	2,104,957	-	-	-	2,104,957
Professional services	-	18,801	30,442	1,050	50,293
Office	-	9,079	11,676	-	20,755
Travel	-	26,386	2,573	1,051	30,010
Depreciation	-	4,975	4,785	-	9,760
Other	-	1,265	-	1,166	2,431
Occupancy	18,862	198,104	-	-	216,966
Total	\$ 12,188,235	\$ 810,373	\$ 179,336	\$ 73,439	\$ 13,251,383

Year Ended December 31, 2017

	Program Services		Supporting Services		Total Functional Expenses
	Medical Services	Equipment and Warehousing	Management and General	Fundraising	
Wages and payroll taxes	\$ 261,282	\$ 338,801	\$ 76,319	\$ 61,829	\$ 738,231
In-kind grants	8,928,373	-	-	-	8,928,373
Grants	1,909,646	-	-	-	1,909,646
Professional services	-	8,181	60,206	1,911	70,298
Office	-	8,109	19,734	-	27,843
Travel	-	18,961	10,526	4,488	33,975
Depreciation	-	4,568	5,729	-	10,297
Other	-	235	27,058	465	27,758
Warehousing	17,651	184,491	-	-	202,142
Total	\$ 11,116,952	\$ 563,346	\$ 199,572	\$ 68,693	\$ 11,948,563

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

CHARITYVISION INTERNATIONAL, INC.**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,244,149)	\$ 4,048,409
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net in-kind grants	1,238,337	(4,303,366)
Depreciation	9,760	10,297
Changes in operating assets and liabilities:		
Accounts receivable	246,870	(278,515)
Contributions receivable	43,193	109,187
Prepaid expenses	(1,629)	6,405
Right-of-use assets	151,056	145,054
Accounts payable	(462,425)	318,940
Accrued expenses	254,039	8,364
Lease liabilities	(155,229)	(145,749)
Total adjustments	<u>1,323,972</u>	<u>(4,129,383)</u>
Net cash provided (used) by operating activities	79,823	(80,974)
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>(7,574)</u>	<u>(10,855)</u>
Net Change in Cash	72,249	(91,829)
Cash at Beginning of Year	<u>1,097,212</u>	<u>1,189,041</u>
Cash at End of Year	<u><u>\$ 1,169,461</u></u>	<u><u>\$ 1,097,212</u></u>

Supplementary Data:

The Organization paid no interest or income taxes during the years ended December 31, 2018 and 2017.

CHARITYVISION INTERNATIONAL, INC. NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of CharityVision International, Inc. (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization – The Organization was organized in the State of California under the name Deseret International Foundation, Inc. for the purpose of cultivating partnerships with local doctors in developing countries in an effort to establish permanent and sustainable healthcare.

During 2014, the Organization formally changed its name from Deseret International Foundation, Inc. to CharityVision International, Inc. During 2015, the Organization dissolved the California nonprofit corporation and transferred all operations to the nonprofit corporation organized in the State of Utah of the same name.

The Organization provides medical supplies and equipment to these local doctors at no cost. In exchange, the local doctors agree to provide healthcare at a subsidized or no cost to needy individuals. The Organization also refurbishes damaged or recycled medical equipment for resale.

Revenue Recognition – The Organization recognizes revenue when cash, an unconditional promise to give, or grant award has been received.

Financial Statement Presentation – Organization reports 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 Organization's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Cash – At December 31, 2018, the carrying amount of the Organization's cash deposits was \$1,169,461 and the bank balance was \$1,236,082, of which \$500,579 was covered by federal depository or security investor insurance.

Accounts Receivable – Accounts receivable represent amounts owed from the sale of refurbished medical equipment. The Organization has not established an allowance for doubtful accounts at December 31, 2018 and 2017. The Organization believes all amounts are fully collectible.

CHARITYVISION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions Receivable – Contributions receivable consist of unrestricted donations without donor restrictions made before year end that the Organization had not yet received.

Inventory – Inventory consists of donated and purchased medical supplies and equipment held for distribution to developing countries or for resale. The value of donated medical supplies and equipment is estimated (see Note 2) at the value the Organization believes it would be required to pay to purchase such items.

Much of the donated medical supplies and equipment typically cannot be used in the United States because it is obsolete, has a relatively short remaining shelf life, or cannot be reused.

These supplies and equipment can be used by doctors in developing countries where such items are not as strictly regulated, not readily available, or are too costly. The Organization believes that all items held in inventory can be used outside of the United States and plans to distribute these items as they are requested by partnering doctors throughout the world.

Fixed Assets – All fixed assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Fixed assets valued at \$500 or more are capitalized and depreciated, using the straight-line depreciation method, over the useful lives of 3 to 15 years.

Land Held For Resale – Land is stated at its appraised market value at the time of its donation.

Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Certain costs are allocated to one or more program or supporting functions based on time and effort. Such allocations are determined by management on an equitable basis.

Income Taxes – The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (except for net income derived from unrelated business activities) and is classified as a Section 501(c)(3) public charity. Also, the Organization is not subject to state income taxes.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and support and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. Organization has followed the ASU's guidance in the presentation of these financial statements.

CHARITYVISION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Subsequent Events – The Organization evaluated subsequent events through September 19, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Donated Supplies, Equipment, and Services

The Organization receives donated medical supplies and equipment from various individuals, organizations, and manufacturers either at no cost or at a discounted cost. Donated items are reflected as in-kind donations in the accompanying financial statements at their estimated values when received. The Organization estimates the value of donated medical equipment based on retail prices for used medical equipment or from the donor’s appraised values. The Organization estimates the value of medical supplies based on the value the Organization believes it would be required to pay to purchase such items. Since most donated medical supplies cannot be used within the United States, the value of these items is recorded at amounts which are less than retail prices.

The total value of in-kind donated items was \$8,076,672 and \$12,813,746 for the years ended December 31, 2018 and 2017, respectively. The value of donated medical supplies and equipment is recognized as support when received and as an expense when these medical supplies and equipment are sent to developing countries.

The majority of the Organization’s revenue and support comes from the federal government as medical supplies and equipment. These donations accounted for 64% and 76% of total revenue and support for the years ended December 31, 2018 and 2017, respectively.

No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

Note 3. Availability and Liquidity

The following represents the Organization’s financial assets at December 31, 2018:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash	\$ 1,169,461	\$ 1,097,212
Less amounts not available to be used within one year:		
Net assets with donor restrictions	30,000	-
Less net assets with donor restrictions to be met in less than a year	<u>(30,000)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,169,461</u>	<u>\$ 1,097,212</u>

CHARITYVISION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

The Organization’s goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$360,000). The Organization considers operating expenses to be total expenses less grants and depreciation.

Note 4. Operating Leases

The Organization acquired the right to use equipment and office and warehouse space under operating lease agreements. The cost of these leases was \$170,048 for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments under these operating leases together with their present values as of December 31, 2018 is summarized as follows:

Year Ending December 31,	Operating Lease
2019	\$ 169,298
2020	168,842
2021	71,460
Total undiscounted cash flows	409,600
Amount representing interest	(19,637)
Total lease liabilities	389,963
Current portion	(148,947)
Long-term portion	\$ 241,016

The remaining weighted-average of the lease terms for the operating leases is 2.4 years as of December 31, 2018. The weighted-average discount rate for the operating leases is 4% as of December 31, 2018.