

CHARITYVISION INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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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, 2016 and 2015 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.

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, 2016 and 2015 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
June 6, 2017

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash	\$ 1,189,041	\$ 1,149,860
Accounts receivable	76,070	135,149
Contributions receivable	152,380	41,926
Prepaid expenses	35,596	2,090
Inventory	<u>5,791,460</u>	<u>4,650,551</u>
Total current assets	7,244,547	5,979,576
Fixed Assets:		
Equipment	79,909	73,481
Accumulated depreciation	<u>(52,553)</u>	<u>(48,160)</u>
Net fixed assets	27,356	25,321
Right-of-Use Assets	660,892	-
Land Held For Resale	<u>35,000</u>	<u>-</u>
Total assets	<u><u>\$ 7,967,795</u></u>	<u><u>\$ 6,004,897</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of lease liabilities	\$ 145,749	\$ -
Accounts payable	159,787	213,369
Accrued expenses	<u>34,363</u>	<u>44,523</u>
Total current liabilities	339,899	257,892
Lease Liabilities , less current portion	<u>545,192</u>	<u>-</u>
Total liabilities	885,091	257,892
Net Assets:		
Unrestricted:		
Designated for inventory	5,791,460	4,650,551
Undesignated	921,244	796,454
Temporarily restricted	<u>370,000</u>	<u>300,000</u>
Total net assets	<u>7,082,704</u>	<u>5,747,005</u>
Total liabilities and net assets	<u><u>\$ 7,967,795</u></u>	<u><u>\$ 6,004,897</u></u>

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

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets:		
Revenues and support:		
Donations	\$ 1,346,511	\$ 1,162,784
In-kind donations	7,398,561	5,470,207
Other revenue	-	31,025
Sale of medical equipment:		
Revenue	1,083,758	448,087
Direct costs	(316,278)	(192,499)
Net sale of medical equipment	767,480	255,588
Special events:		
Revenue	665,047	1,098,517
Direct event expenses	(464,824)	(371,599)
Net special events	200,223	726,918
Interest	-	60
Net assets released from restrictions	300,000	50,000
Total revenues and support	10,012,775	7,696,582
Expenses:		
Program services:		
Medical services	7,980,325	2,903,433
Equipment and warehousing	487,041	-
Supporting services:		
Management and general	170,625	314,545
Fundraising	109,085	77,456
Total expenses	8,747,076	3,295,434
Change in unrestricted net assets	1,265,699	4,401,148
Temporarily Restricted Net Assets:		
Donations	370,000	300,000
Net assets released from restrictions	(300,000)	(50,000)
Change in temporarily restricted net assets	70,000	250,000
Change in Net Assets	1,335,699	4,651,148
Net Assets at Beginning of Year	5,747,005	1,095,857
Net Assets at End of Year	<u>\$ 7,082,704</u>	<u>\$ 5,747,005</u>

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

CHARITYVISION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services		Supporting Services		Total Functional Expenses
	Medical Services	Equipment and Warehousing	Management and General	Fundraising	
Wages and payroll taxes	\$ 186,274	\$ 280,407	\$ 75,514	\$ 100,537	\$ 642,732
In-kind grants	6,572,573	-	-	-	6,572,573
Grants	1,137,036	-	-	-	1,137,036
Professional services	49,300	20,841	36,932	533	107,606
Office	-	9,060	26,524	-	35,584
Travel	9,589	19,833	2,722	7,433	39,577
Depreciation	-	3,115	4,202	-	7,317
Other	7,679	1,537	24,731	582	34,529
Occupancy	17,874	152,248	-	-	170,122
Total	<u>\$ 7,980,325</u>	<u>\$ 487,041</u>	<u>\$ 170,625</u>	<u>\$ 109,085</u>	<u>\$ 8,747,076</u>

The accompanying notes are an integral part of this financial statement.

CHARITYVISION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	<u>Supporting Services</u>			Total Functional Expenses
	<u>Medical Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Wages and payroll taxes	\$ 225,502	\$ 115,621	\$ 60,729	\$ 401,852
In-kind grants	1,833,199	-	-	1,833,199
Grants	797,359	-	-	797,359
Professional services	-	98,293	16,727	115,020
Office	-	43,724	-	43,724
Travel	-	18,891	-	18,891
Depreciation	-	7,590	-	7,590
Other	-	30,426	-	30,426
Warehousing	47,373	-	-	47,373
Total	<u>\$ 2,903,433</u>	<u>\$ 314,545</u>	<u>\$ 77,456</u>	<u>\$ 3,295,434</u>

The accompanying notes are an integral part of this financial statement.

CHARITYVISION INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,335,699	\$ 4,651,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net in-kind grants	(1,147,909)	(4,259,359)
Depreciation	4,202	7,590
Changes in operating assets and liabilities:		
Accounts receivable	59,079	(135,149)
Contributions receivable	(110,454)	(34,196)
Prepaid expenses	(33,506)	12,070
Right-of-use assets	117,422	-
Accounts payable	(53,582)	131,043
Accrued expenses	(10,160)	30,154
Lease liabilities	(87,373)	-
Total adjustments	<u>(1,262,281)</u>	<u>(4,247,847)</u>
Net cash provided by operating activities	73,418	403,301
Cash Flows from Investing Activities:		
Purchases of fixed assets	(34,237)	(19,825)
Proceeds from sales of marketable securities	-	5,094
Net cash used by investing activities	<u>(34,237)</u>	<u>(14,731)</u>
Net Change in Cash	39,181	388,570
Cash at Beginning of Year	<u>1,149,860</u>	<u>761,290</u>
Cash at End of Year	<u>\$ 1,189,041</u>	<u>\$ 1,149,860</u>

Supplementary Data:

The Organization paid no interest or income taxes during the years ended December 31, 2016 and 2015.

The Organization recognized lease liabilities and right-of-use assets of \$788,314 by entering into operating leases during the year ended December 31, 2016.

The Organization received a vehicle valued at \$7,000 during the year ended December 31, 2016.

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 another 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 no cost to needy individuals. The Organization also refurbishes damaged or recycled medical equipment for resale.

Revenue Recognition – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

When a donor's restriction is satisfied the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Cash – At December 31, 2016, the carrying amount of the Organization's cash deposits was \$1,189,041 and the bank balance was \$876,932, of which \$533,488 is 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, 2016 and 2015. The Organization believes all amounts are fully collectible.

Contributions Receivable – Contributions receivable consist of unrestricted donations made by donors 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

CHARITYVISION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Net Assets – Net assets can be used to further the purposes of the Organization. Donations specifically restricted by the donor are recorded as temporarily restricted net assets.

The Organization has designated a portion of net assets to indicate that such assets (inventory) are not available for appropriation. All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Allocation of Costs – Direct costs are charged specifically to programs and indirect costs are allocated to programs based on personnel costs.

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.

Subsequent Events – The Organization evaluated subsequent events through June 6, 2017, 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 and books 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

CHARITYVISION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2. Donated Supplies, Equipment, and Services (Continued)

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 \$7,398,561 and \$5,470,207 for the years ended December 31, 2016 and 2015, 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 63 and 64 percent of total revenue and support for the year ended December 31, 2016 and 2015, 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. Operating Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02 *Leases* (ASU 2016-02). ASU 2016-02 requires lessees to recognize in its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The Organization has early implemented ASU 2016-02.

During the year ended December 31, 2016, the Organization acquired the right to use equipment and office and warehouse space under operating lease agreements. The cost of these leases was \$139,365 for the year ended December 31, 2016.

CHARITYVISION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3. Operating Leases (Continued)

Future minimum payments under these operating leases together with their present values as of December 31, 2016 is summarized as follows:

Year Ending December 31,	Operating Lease
2017	\$ 170,535
2018	174,063
2019	169,298
2020	168,842
2021	71,460
Total undiscounted cash flows	754,198
Amount representing interest	<u>(63,257)</u>
Total lease liabilities	690,941
Current portion	<u>(145,749)</u>
Long-term portion	<u><u>\$ 545,192</u></u>

The remaining weighted-average of the lease terms for the operating leases is 4.41 years as of December 31, 2016. The weighed-average discount rate for the operating leases is 4 percent as of December 31, 2016.