

**CHARITYVISION INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016 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.

*Squire & Company, PC*

Orem, Utah  
October 10, 2018

**CHARITYVISION INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 1,097,212	\$ 1,189,041
Accounts receivable	354,585	76,070
Contributions receivable	43,193	152,380
Prepaid expenses	29,191	35,596
Inventory	<u>10,094,826</u>	<u>5,791,460</u>
Total current assets	11,619,007	7,244,547
<b>Fixed Assets:</b>		
Equipment	90,518	79,909
Accumulated depreciation	<u>(62,604)</u>	<u>(52,553)</u>
Net fixed assets	27,914	27,356
<b>Right-of-Use Assets</b>	515,838	660,892
<b>Land Held For Resale</b>	<u>35,000</u>	<u>35,000</u>
Total assets	<u><u>\$ 12,197,759</u></u>	<u><u>\$ 7,967,795</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Current portion of lease liabilities	\$ 151,056	\$ 145,749
Accounts payable	478,727	159,787
Accrued expenses	<u>42,727</u>	<u>34,363</u>
Total current liabilities	672,510	339,899
<b>Lease Liabilities, less current portion</b>	<u>394,136</u>	<u>545,192</u>
Total liabilities	1,066,646	885,091
<b>Net Assets:</b>		
Unrestricted:		
Designated for inventory	10,094,826	5,791,460
Undesignated	1,036,287	921,244
Temporarily restricted	<u>-</u>	<u>370,000</u>
Total net assets	<u>11,131,113</u>	<u>7,082,704</u>
Total liabilities and net assets	<u><u>\$ 12,197,759</u></u>	<u><u>\$ 7,967,795</u></u>

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

**CHARITYVISION INTERNATIONAL, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>Unrestricted Net Assets:</b>		
Revenues and support:		
Donations	\$ 2,010,705	\$ 1,346,511
In-kind donations	12,813,746	7,398,561
Sales of medical equipment:		
Revenue	1,132,639	1,083,758
Direct costs	<u>(315,236)</u>	<u>(316,278)</u>
Net sales of medical equipment	817,403	767,480
Special events:		
Revenue	479,021	665,047
Direct event expenses	<u>(123,903)</u>	<u>(464,824)</u>
Net special events	355,118	200,223
Net assets released from restrictions	<u>370,000</u>	<u>300,000</u>
Total revenues and support	16,366,972	10,012,775
Expenses:		
Program services:		
Medical services	11,116,952	7,980,325
Equipment and warehousing	563,346	487,041
Supporting services:		
Management and general	199,572	170,625
Fundraising	<u>68,693</u>	<u>109,085</u>
Total expenses	<u>11,948,563</u>	<u>8,747,076</u>
Change in unrestricted net assets	4,418,409	1,265,699
<b>Temporarily Restricted Net Assets:</b>		
Donations	-	370,000
Net assets released from restrictions	<u>(370,000)</u>	<u>(300,000)</u>
Change in temporarily restricted net assets	<u>(370,000)</u>	<u>70,000</u>
<b>Change in Net Assets</b>	4,048,409	1,335,699
<b>Net Assets at Beginning of Year</b>	<u>7,082,704</u>	<u>5,747,005</u>
<b>Net Assets at End of Year</b>	<u>\$ 11,131,113</u>	<u>\$ 7,082,704</u>

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

**CHARITYVISION INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
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
Occupancy	17,651	184,491	-	-	202,142
<b>Total</b>	<b>\$ 11,116,952</b>	<b>\$ 563,346</b>	<b>\$ 199,572</b>	<b>\$ 68,693</b>	<b>\$ 11,948,563</b>

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

**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
Warehousing	17,874	152,248	-	-	170,122
<b>Total</b>	<b>\$ 7,980,325</b>	<b>\$ 487,041</b>	<b>\$ 170,625</b>	<b>\$ 109,085</b>	<b>\$ 8,747,076</b>

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

**CHARITYVISION INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 4,048,409	\$ 1,335,699
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net in-kind grants	(4,303,366)	(1,182,909)
Loss on sale of fixed assets	-	6,080
Depreciation	10,297	7,317
Changes in operating assets and liabilities:		
Accounts receivable	(278,515)	59,079
Contributions receivable	109,187	(110,454)
Prepaid expenses	6,405	(33,506)
Right-of-use assets	145,054	117,422
Accounts payable	318,940	(53,582)
Accrued expenses	8,364	(10,160)
Lease liabilities	(145,749)	(87,373)
Total adjustments	<u>(4,129,383)</u>	<u>(1,288,086)</u>
Net cash provided (used) by operating activities	(80,974)	47,613
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of fixed assets	-	10,737
Purchases of fixed assets	(10,855)	(19,169)
Net cash used by investing activities	<u>(10,855)</u>	<u>(8,432)</u>
<b>Net Change in Cash</b>	(91,829)	39,181
<b>Cash at Beginning of Year</b>	<u>1,189,041</u>	<u>1,149,860</u>
<b>Cash at End of Year</b>	<u>\$ 1,097,212</u>	<u>\$ 1,189,041</u>

**Supplementary Data:**

The Organization paid no interest or income taxes during the years ended December 31, 2017 and 2016.

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 and land valued at \$35,000 during the year ended December 31, 2016.

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



## CHARITYVISION INTERNATIONAL, INC. NOTES TO FINANCIAL STATEMENTS

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### 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 – 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, 2017, the carrying amount of the Organization's cash deposits was \$1,097,212 and the bank balance was \$891,564, of which \$533,976 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, 2017 and 2016. 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.

**CHARITYVISION INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

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 October 10, 2018, 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

**CHARITYVISION INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

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 \$12,813,746 and \$7,398,561 for the years ended December 31, 2017 and 2016, 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 76 and 63 percent of total revenue and support for the years ended December 31, 2017 and 2016, 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**

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 \$170,048 and \$139,365 for the year ended December 31, 2017 and 2016, respectively.

Future minimum payments under these operating leases together with their present values as of December 31, 2017 is summarized as follows:

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2018	\$ 174,063
2019	169,298
2020	168,842
2021	<u>71,460</u>
Total undiscounted cash flows	583,663
Amount representing interest	<u>(38,471)</u>
Total lease liabilities	545,192
Current portion	<u>(151,056)</u>
Long-term portion	<u>\$ 394,136</u>

**CHARITYVISION INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Operating Leases (Continued)**

The remaining weighted-average of the lease terms for the operating leases is 3.4 years as of December 31, 2017. The weighted-average discount rate for the operating leases is 4 percent as of December 31, 2017.