

MEDGLOBAL, INC.
FINANCIAL STATEMENTS
December 31, 2021
And for the Year Then Ended

MEDGLOBAL, INC.

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
MedGlobal, Inc.
Chicago Ridge, IL

Opinion

We have audited the accompanying financial statements of MedGlobal, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MedGlobal, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MedGlobal, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MedGlobal, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MedGlobal, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MedGlobal, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Desmond & Ahern, Ltd

September 12, 2022
Chicago, IL

MEDGLOBAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

Assets

Current Assets

Cash and equivalents	\$ 2,722,229
Contributions receivable	681
Prepaid expenses and deposits	<u>36,701</u>
Total current assets	<u>2,759,611</u>

Property and equipment	7,300
Less accumulated depreciation	<u>(730)</u>
Net property and equipment	<u>6,570</u>

Total Assets	<u><u>\$ 2,766,181</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 77,212
Accrued expenses	<u>35,205</u>
Total current liabilities	<u>112,417</u>

Net Assets

Without donor restrictions	1,050,574
With donor restrictions	<u>1,603,190</u>
Total net assets	<u>2,653,764</u>

Total Liabilities and Net Assets	<u><u>\$ 2,766,181</u></u>
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See independent auditor's report and notes to financial statements.

MEDGLOBAL, INC.
STATEMENT OF ACTIVITIES
For Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues</u>			
Support			
Contributions	\$ 945,430	\$ 3,739,345	\$ 4,684,775
Donated goods	1,344,578	-	1,344,578
Donated services	140,041	-	140,041
Government grants - PPP loan forgiveness	49,195	-	49,195
Loss on currency exchange	(7,095)	-	(7,095)
Net assets released from restrictions	3,212,972	(3,212,972)	-
Total Revenue	<u>5,685,121</u>	<u>526,373</u>	<u>6,211,494</u>
<u>Expenses</u>			
Program services	4,675,014	-	4,675,014
General and administrative	427,736	-	427,736
Fundraising	255,126	-	255,126
Total Expenses	<u>5,357,876</u>	<u>-</u>	<u>5,357,876</u>
Change in net assets	327,245	526,373	853,618
Net assets, beginning of year	<u>723,329</u>	<u>1,076,817</u>	<u>1,800,146</u>
Net assets, end of year	<u>\$ 1,050,574</u>	<u>\$ 1,603,190</u>	<u>\$ 2,653,764</u>

See independent auditor's report and notes to financial statements.

MEDGLOBAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 168,282	\$ 180,614	\$ 42,341	\$ 391,237
Payroll taxes and benefits	42,725	16,682	6,528	65,935
Total salaries and related expenses	211,007	197,296	48,869	457,172
Program expense	3,828,290	-	-	3,828,290
Professional fees	437,280	115,613	32,820	585,713
Advertising and marketing	-	-	38,337	38,337
Bank and other fees	-	48,572	-	48,572
Equipment	31,944	1,090	-	33,034
Fundraising	-	-	117,853	117,853
Information technology	26,441	10,323	5,038	41,802
Insurance	-	2,240	-	2,240
Occupancy	54,533	-	-	54,533
Office expense	15,943	13,404	2,468	31,815
Printing and postage	6,721	2,624	1,027	10,372
Telephone and internet	8,448	3,299	1,291	13,038
Travel and transportation	44,670	17,440	6,824	68,934
Training and seminars	9,737	1,531	599	11,867
Website	-	13,574	-	13,574
Depreciation	-	730	-	730
	<u>\$ 4,675,014</u>	<u>\$ 427,736</u>	<u>\$ 255,126</u>	<u>\$ 5,357,876</u>

See independent auditor's report and notes to financial statements.

MEDGLOBAL, INC.
STATEMENT OF CASH FLOWS
For Year Ended December 31, 2021

Cash Flows from Operating Activities

Change in net assets	\$ 853,618
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	730
Decrease (increase) in	
Contributions receivable	27,329
Due from	7,560
Prepaid expense	(27,844)
Increase (decrease) in	
Accounts payable	(55,826)
Accrued liabilities	34,507
	<hr/>
Net cash provided by operating activities	<u>840,074</u>

Cash Flows from Investing Activities

Purchases of property and equipment	<u>(7,300)</u>
Net cash used in investing activities	<u>(7,300)</u>

Net increase in cash and equivalents	832,774
Cash and equivalents, beginning of year	<u>1,889,455</u>
Cash and equivalents, end of year	<u><u>\$ 2,722,229</u></u>

See independent auditor's report and notes to financial statements.

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

MedGlobal, Inc. (the “Organization”) is an Illinois not-for-profit corporation established in 2017. The Organization provides free healthcare to the refugees, internally displaced people, victims of natural and man-made disasters, and indigent populations in developing countries. The Organization is committed to creating a world without healthcare disparity. An organization established by diverse doctors, nurses and medics experienced in humanitarian medicine and emergency services to address the health needs of the most vulnerable across the world. Volunteers utilize humanitarian principles and the best medical practices, in addition to partnering with local communities to provide innovative, sustainable and dignified healthcare. The Organization deploys medical missions to provide life-saving and life-sustaining emergency medical services to the most vulnerable individuals impacted by crisis. As of today, the Organization has deployed more than 455 medical volunteers to 15 countries around the globe, including to: Bangladesh, Lebanon, Yemen, Syria, Lebanon, Greece, Puerto Rico, and Sierra Leone. New medical missions are planned to Colombia, Syria, North Iraq, Jordan, Palestine, Haiti, Ethiopia and other places based on need. Their global volunteer staff comes from the US, UK, Europe, Australia, Latin America, Asia and the Gulf States. The average medical mission lasts for seven days. A diverse team of medical and mental health professionals transport supplies, medications and equipment. In partnership with the local NGOs and health authorities these dedicated practitioners bring their skills and expertise to the affected.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivables, payables, and other assets and liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Use of 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents and Concentration of Credit Risk

Cash and equivalents consist of bank deposits in federally insured accounts. The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit.

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents. No cash was paid for taxes or interest during the year ended December 31, 2021.

Branch Office Cash Advances

Branch office cash advances held in foreign bank are reflected at the U.S. dollar value after adjustments are made for differences in the exchange rates. Branch offices are used in various countries to conduct their mission statement and healthcare service trips.

For the year ended December 31, 2021 the Organization reported a loss of \$7,095 on foreign currency exchange.

Contributions Receivable

Contributions receivable are recorded at fair value and recognized as revenue in the period in which the pledge or grant is made. The Organization reviews contributions receivable and determines the need for an allowance for doubtful accounts based on management’s experience and information. As of December 31, 2021, no allowance for uncollectible accounts was deemed necessary.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are stated at cost. Depreciation is recorded by the straight-line method over the estimated useful lives ranging from three to ten years for furniture and equipment. Depreciation expense was \$730 for the year ended December 31, 2021.

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Support and Revenue

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

The Organization reports gifts of land, buildings, and equipment as without donor restriction 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 regarding how long 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. During the year ending December 31, 2021 no such gifts of land, buildings, or equipment were received.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. The Organization currently does not have this type of contract that it is engaged, which is based on performance reporting. There was no contract revenue recorded in 2021 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2020 that were performance reporting contracts. There are no contract assets or liabilities.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the current year ended December 31, 2021, the Organization recorded \$140,041 of donated time by medical professionals for work performed in developing countries.

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Donated Services (cont.)

The donated services were calculated using a three-tier system: lead medical (licensed physicians), support medical (other non-physician medical), and non-medical (other professionals). The rates for lead and support medical were determined by the Bureau of Labor Statistics at \$150 and \$75 per hour, respectively. Non-medical professionals' rate was approximately \$28 per hour determined by the Independent Sector national average value of volunteer labor

Furthermore, the Organization received donated work from fundraising volunteers that did not meet the requirements above to be recorded as donated services.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. For the year ended December 31, 2021, the Organization received donated medical supplies and equipment for its mission programs valued at \$1,344,578.

Advertising

Advertising and marketing costs are expensed as incurred. For the year ended December 31, 2021, the amount charged to expense was \$38,337.

Certain Vulnerabilities and Concentrations

The Organization's total public support and revenue for the year ended December 31, 2021 amounted to \$6,211,494, of which \$1,455,669 or 24% were donated goods and services. In addition, \$2,274,099 or 37% of revenues was contributed by two donors. Decreased funding from donor could have significant negative impact on the Organization's program and operations.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services as the basis of periodic time and expense reviews made by management.

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Income Taxes

The Organization was granted an exemption from federal income tax by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. The Organization continues to operate in compliance with its tax-exempt purpose. The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination generally for three years after it is filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2021.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through September 12, 2022, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing accreditation activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end	
Cash and equivalents	\$ 2,722,229
Contributions receivable	681
Total financial assets at year-end	<u>2,722,910</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	<u>(1,603,190)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,119,720</u>

MEDGLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 2 – Financial Assets and Liquidity Resources (cont.)

The Organization is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

The Organization has sufficient financial assets available for general expenditure within one year. The restrictions noted are closely related to Organization’s mission purpose and programs therefore funding operations should not be affected. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 3 – Net Assets With Donor Restrictions

The Organization had net assets with donor restrictions for the following purposes at December 31, 2021:

Various country specific missions	\$ 1,286,876
Medication and medical supplies	278,081
Emergency response including COVID19 funding	<u>38,233</u>
	<u>\$ 1,603,190</u>

Note 4 – Paycheck Protection Loan

In March 2021, the Organization received loan proceeds in the amount of \$49,195 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where when forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. The Organization has recognized the full amount of \$49,195 as a government contribution for the year ended December 31, 2021.