

Tsoutsouras & Company, P.C.

Certified Public Accountants

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**Independent Auditor's Report**

Board of Directors  
Medicines for Humanity, Inc.

We have audited the accompanying financial statements of Medicines for Humanity, Inc., which comprise the balance sheet as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 financial statements are free from 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 that 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 Medicines for Humanity, Inc. as of September 30, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Tsoutsouras & Company, P.C.  
Certified Public Accountants  
Ipswich, Massachusetts  
February 26, 2021

Medicines for Humanity, Inc.  
Balance Sheet  
As of September 30, 2020

<b>Assets</b>		
Cash & Cash Equivalents	\$	1,250,499
Investments, At Market Value (See Note 6)		758,432
Other Assets		<u>1,877</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>2,010,808</u></u></b>
<b>Liabilities &amp; Net Assets</b>		
Liabilities		
Accounts Payable	\$	1,925
Notes Payable		50,257
Deferred Revenue		<u>437,982</u>
Total Liabilities		490,164
Net Assets		
Without Donor Restrictions		
Operating Funds		212,182
Dominican Republic - Quisqueya - Board Designated		20,000
Emergency Reserve Fund - Board Designated		<u>130,000</u>
Total Without Donor Restrictions		362,182
With Donor Restrictions		
Thomas & Jane Bilodeau Fund		300,082
Other Programs		408,842
Endowment Fund		
Haiti - Cite Soleil Fund	190,344	
Dominican Republic - Consuelo Fund	153,575	
Dominican Republic - Quisqueya Fund	<u>105,619</u>	
Total Endowment Fund		<u>449,538</u>
Total With Donor Restrictions		<u>1,158,462</u>
Total Net Assets		<u>1,520,644</u>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$</b>	<b><u><u>2,010,808</u></u></b>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.  
Statement of Activities  
For The Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 916,066	\$ 1,185,378	\$ 2,101,444
Investment Return	37,394	38,354	75,748
Special Event Income	32,168	-	32,168
Net Assets Released From Restriction - Satisfaction of Program Restrictions	982,334	(982,334)	-
<b>Total Revenues</b>	1,967,962	241,398	2,209,360
<b>Expenses</b>			
Program Services	1,791,570	-	1,791,570
General & Administrative	17,817	-	17,817
Fundraising	182,601	-	182,601
<b>Total Expenses</b>	1,991,988	-	1,991,988
<b>Change in Net Assets (See Note 13)</b>	(24,026)	241,398	217,372
<b>Net Assets at Beginning of Year</b>	386,208	917,064	1,303,272
<b>Net Assets at End of Year</b>	\$ 362,182	\$ 1,158,462	\$ 1,520,644

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.  
Statement of Functional Expenses  
For The Year Ended September 30, 2020

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Project Operating Expenses	\$ 1,202,038	\$ -	\$ -	\$ 1,202,038
Grants Paid	894	-	-	894
Compensation	318,237	10,030	90,594	418,861
Payroll Taxes	19,556	629	6,113	26,298
Consulting	93,137	2,966	59,422	155,525
Professional Fees	17,922	1,030	1,450	20,402
Insurance	9,713	180	253	10,146
Office Expense	37,160	943	11,972	50,075
Other Expense	27,070	-	-	27,070
Shipping & Postage	681	24	529	1,234
Printing	948	-	1,761	2,709
Rent	14,279	674	3,659	18,612
Telephone	4,680	222	1,942	6,844
Travel	45,255	927	2,208	48,390
Special Event Expense	-	192	2,698	2,890
<b>Total Expenses</b>	<u><u>\$ 1,791,570</u></u>	<u><u>\$ 17,817</u></u>	<u><u>\$ 182,601</u></u>	<u><u>\$ 1,991,988</u></u>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.  
Statement of Cash Flows  
For The Year Ended September 30, 2020  
Increase (Decrease) In Cash

<b>Operating Activities</b>	
Change in Net Assets	\$ 217,372
Adjustments to Reconcile Change in Net Assets to Cash Flow from Operating Activities	
Realized & Unrealized (Gain) Loss on Investments	(58,935)
Changes in Assets & Liabilities:	
Accounts, Pledges & Investment Income Receivables	44,320
Accounts & Credit Cards Payable and Accrued Expenses	1,925
Deferred Revenue	437,982
Other Liabilities	<u>(1,400)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>641,264</u>
<b>Investing Activities</b>	
Purchase of Investments	-
Sale of Investments	<u>67,298</u>
<b>Net Cash Provided by Investing Activities</b>	<u>67,298</u>
<b>Financing Activities</b>	
Borrowings on Long Term Liabilities	<u>50,257</u>
<b>Net Cash Provided by Financing Activities</b>	<u>50,257</u>
<b>Net Increase (Decrease) in cash During Year</b>	758,819
<b>Cash - Beginning of Year</b>	<u>491,680</u>
<b>Cash - End of Year</b>	<u><u>\$ 1,250,499</u></u>

See Accompanying Notes To The Financial Statements

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**1. Organization**

Medicines for Humanity, Inc. (MFH) is a nonprofit organization originally incorporated in 1997 in Massachusetts. MFH is a tax exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code (IRC).

MFH envisions a world in which no child dies from preventable causes or from a lack of basic health services. MFH's mission is to save the lives of vulnerable children and mothers. The organization works in areas of high child mortality. MFH collaborates with and empowers committed in-country partners to strengthen maternal and child health in the communities it serves.

**2. General & Administrative and Fundraising Expenses**

General & administrative and fundraising expenses combined were 10.06% of total expenses. This ratio is computed by dividing the sum of general & administrative and fundraising expenses by total expenses on the statement of activities.

**3. Summary of Significant Accounting Policy**

*Basis of Presentation*

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

*Fair Value Measurements*

MFH uses fair value measurements in the financial statements as follows:

- Recurring measurement of investments (Note 6)
- Non-recurring initial measurement of non-cash gifts and pledges receivable

ASC 820-10, 'Fair Value Measurements and Disclosures' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement that should utilize market data or assumptions that market participants would use in pricing assets or liabilities including assumptions about risks. The ASC requires MFH to classify its fair value measurements into a three tier level hierarchy, based on the priority of inputs to the valuation technique as either level 1, level 2, or level 3. Level 1 being the highest and level 3 being the lowest as follows:

- Level 1 – Quoted prices which are available in active markets for identical assets or liabilities;
- Level 2 – Inputs other than level 1, quoted prices for similar assets or liabilities in markets that are not active or model derived valuations whose inputs are observable either directly or indirectly through market corroboration.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Summary of Significant Accounting Policy - Continued**

- Level 3 – Inputs that are generally unobservable for which market data is not available and developed using best information available about assumptions that the market would use to price the assets or liabilities.

*Revenue Recognition*

*Contributions*

MFH recognizes revenue in accordance with Accounting Standards Codification (ASC) 958-605-25 Not-for-Profit Entities Revenue Recognition. Under ASC 958-605-25, unconditional contributions are recognized as revenues when received or pledged in the appropriate net asset category, depending upon the nature of any donor restrictions. When donor restrictions expire, restricted assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. If donor restrictions expire in the year of receipt, the contribution is reported as net assets without donor restrictions.

Contributions of assets other than cash are reported at fair value on the date the property is pledged or donated. The initial fair value measurement is generally considered a Level 1 measurement. Pledges that are expected to be collected in less than one year are reported at net realizable value. Pledges that are expected to be collected in more than one year from the financial statement date are recorded at fair value at the date of promise. Fair value is computed using a present value technique, anticipated cash flows and a risk adjusted discount rate. MFH uses a discount rate of 5%. This is considered a Level 2 fair value measurement. Amortization of the discount is recorded as additional contribution revenue. Conditional gifts and grants are recognized as revenue when the conditions on which they depend are met.

In countries where MFH operates programs, certain labor, facilities and materials are provided at no cost by local government, community or other charitable organizations. Although these services contribute significantly to the program, the value of these services is not recorded in the financial statements, as MFH would not purchase these services.

*Agency Funds*

Periodically, MFH acts as an agent for donors and will receive funds that must be transferred to a specific beneficiary designated by the donor. In accordance with ASC 958-605-25 Not-for-Profit Entities Revenue Recognition, these funds are not included in contribution revenue, but instead are reflected as a liability until the funds are transferred.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Summary of Significant Accounting Policy - Continued**

*Net Asset Categories*

*Net Assets Without Donor Restrictions*

This category includes resources which contain no external restrictions, resources for which restrictions have lapsed in the current fiscal year, a board designated emergency reserve of \$130,000 and a board designated fund of \$20,000 for the Dominican Republic - Quisqueya.

*Net Assets With Donor Restrictions*

This includes gifts for which donors imposed restrictions. Some donor-imposed restrictions are temporary in nature and will expire when the resource is used for a particular purpose or in a particular future period. Other donor-imposed restrictions are perpetual in nature (endowment gifts). MFH must invest endowment gifts in perpetuity and use the endowment in accordance with donor instructions.

*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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash in banks and other institutions, and time deposits with an original maturity of ninety days or less.

*Investments*

Investments are carried at fair value.

*Accounts and Pledges Receivable*

It is MFH's policy to provide an allowance for doubtful accounts, if necessary. At September 30, 2020, no allowance was deemed necessary.

*Income Taxes*

MFH is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization as defined in IRC Section 509(a)(1). MFH may, however, incur a tax liability on certain ancillary activities. There was no such liability for fiscal year 2020.

In accordance with ASC 740-Income Taxes, MFH recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.



Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Summary of Significant Accounting Policy - Continued**

In addition, interest and penalties are accrued on any unrecognized tax benefit from uncertain tax positions.

Fiscal years 2017, 2018, 2019 and 2020 are within the statute of limitations and are open for examination by Federal and State jurisdictions.

**4. Future Accounting Standard Updates (ASU)**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, “Leases.” The ASU requires that lessees recognize on the balance sheet the rights and obligations created by leases with terms of more than twelve months, regardless of their classification as either operating or capital leases. For non-profit organizations, this ASU takes effect for fiscal years beginning after December 15, 2021. MFH has not determined the effect of this update on its financial statement.

**5. Grants receivable**

MFH did not record any grants receivable at September 30, 2020.

Four grants totaling \$462,600 that are subject to a condition related to MFH meeting the donors’ expectations were awarded to MFH but were still receivable as of September 30, 2020. In accordance with ASC 958-605-25, these conditional pledges will not be recognized as grants receivable until the conditions are met.

**6. Investments**

At September 30, 2020, investments consist of the following:

	<u>Cost</u>	<u>Carrying Value (Level 1 Fair Value)</u>	<u>Unrealized Gain (Loss)</u>
Stock Mutual Funds	\$ 429,956	\$ 706,728	\$ 276,772
Corporate Debt Securities	49,449	51,704	2,255
	<u>\$ 479,405</u>	<u>\$ 758,432</u>	<u>\$ 279,027</u>

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Investments - Continued**

Investment return consisted of the following for the year ended September 30, 2020

Interest and Dividend Income	\$ 16,813
Realized Gain (Loss)	2,946
Unrealized Gain (Loss) - Beginning of Year	\$ 223,038
Unrealized Gain (Loss) - End of Year	<u>279,027</u>
Change in Unrealized Gain (Loss)	<u>55,989</u>
Total Investment Return	<u>\$ 75,748</u>

**7. Net Assets With Donor Restrictions**

At September 30, 2020, Net assets with donor restrictions consisted of the following:

Available for spending but restricted to a purpose	
Restricted emergency Bilodeau fund	\$300,082
Reduce Child Mortality in Impoverished Communities	<u>408,842</u>
Total available for spending but restricted to a purpose	708,924
Endowment funds which must be appropriated for expenditure before use	
Original gifts	404,616
Accumulated Income	<u>44,922</u>
Total endowment funds	<u>449,538</u>
Total net assets with donor restrictions	<u>\$1,158,462</u>

Net assets with donor restrictions includes donations and income that contain restrictions specifying how or when the funds may be expended. At September 30, 2020, this category includes the balance of funds that have not yet been expended for the specified purpose or are to be expended in a future year. Included in this category is the original principal balance of the Thomas and Jane Bilodeau Fund. All income, including gains, is available for general use by MFH, and is included in net assets without donor restrictions. Principal may only be expended in an emergency. To ensure observance of restrictions on resources within the framework of Accounting Standards Codification (ASC) 958-205 Not-for-Profit Entities, MFH accounts for restricted resources in fund groups.

This category also includes endowment gifts for which donors require that the original gift be invested in perpetuity and that all investment income be expended for designated purposes.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Net Assets With Donor Restrictions - Continued**

MFH has an investment policy which is monitored by its finance committee. The policy sets ranges for asset allocation and strives to achieve high returns with acceptable levels of risk. At a minimum the policy is to provide necessary funding for programs. The organization does not invest in alternative investments such as limited partnerships, real estate, or joint ventures.

MFH manages its endowment under the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Under UPMIFA, MFH may appropriate for expenditure so much of the endowment fund as is prudent taking into consideration: the duration and preservation of the endowment fund, the purposes of MFH and the endowment fund, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of MFH, and the investment policy. MFH has interpreted UPMIFA as requiring the preservation of the original gifts to the endowment fund. As a result of this interpretation, MFH classified the original gifts as a permanent endowment. The remaining portion of the endowment may be appropriated for expenditure for designated purposes.

**8. Changes in Endowment Net Assets**

The following schedule summarizes the change in endowment net assets for the year ended September 30, 2020:

Endowment Net Assets - Beginning of Year	\$ 416,854
Investment Return	32,684
Contributions	-
Appropriated for Expenditure	<u>-</u>
Endowment Net Assets - End of Year	<u>\$ 449,538</u>

**9. Long Term Debt**

On May 1, 2020, MFH was granted a loan from Eastern Bank of \$50,257 pursuant to the Paycheck Protection Program (PPP). The loan is payable monthly in principal and interest payments of \$2,828 commencing on May 1, 2021, and bears interest at 1% per annum. The note is unsecured. Funds from the loan may only be used for payroll costs, costs to continue group healthcare benefits, mortgage payments, rent, utilities, interest on other debt obligations incurred before February 15, 2020, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures. The loan is forgivable if it is used for qualifying expenses. MFH intends to use the entire loan for qualifying expenses so the loan is forgiven. MFH has reflected the loan as a liability as of September 30, 2020 since they had not submitted the forgiveness application as of that date. Scheduled principal and interest payments will change based on the amount forgiven.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**Long Term Debt - Continued**

Maturities of long-term debt are as follows:

Fiscal Year 2021	\$ 13,550
Fiscal Year 2022	33,869
Fiscal Year 2023	2,838
Fiscal Year 2024	-
Fiscal Year 2025 and thereafter	-
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	\$ 50,257
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**10. Use of Estimates**

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

**11. Financial Instruments with Concentrations of Credit Risk**

Financial instruments that potentially subject MFH to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, and receivables. The maximum exposure to MFH on these assets is their book value. Cash and cash equivalents consist of the following:

Eastern Bank	\$ 249,490
Stripe	5,414
Facebook	5
Ameriprise	995,590
	<hr/>
	\$ 1,250,499
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The FDIC provides insurance of up to \$250,000 in Eastern Bank. The Deposit Insurance Fund (DIF) provides insurance of amounts over \$250,000 in Eastern Bank. Funds in the Ameriprise cash reserve and money market accounts are insured up to a total of \$250,000 by Securities Investors Protection Corp (SIPC). Certificates of deposit held in the Ameriprise accounts are insured up to a total of \$250,000 by the FDIC.

Investments are exposed to various risks, such as interest rate, market volatility and credit risk. MFH's diversification mitigates some of this potential exposure, as no individual investment accounts for more than 9.03% of the total assets.

MFH does not require collateral on receivables.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**12. Leases**

MFH leases its office space in Massachusetts and Cameroon as a tenant-at-will. MFH also leases office space in Colorado under a non-cancellable operating lease that expires on November 30, 2021. Future minimum payments due on the operating lease at September 30, 2019 are:

Fiscal Year 2021	\$	8,074
Fiscal Year 2022		1,346
Fiscal Year 2023		-
Fiscal Year 2024		-
Fiscal Year 2025 and thereafter		-
		<hr/>
	\$	<u>9,420</u>

Total rent expense paid in fiscal year 2019 was \$18,612.

**13. Change in Net Assets**

The Change in Net Assets is influenced by the timing of the receipt and expenditure of Net Assets with Donor Restrictions and is an important factor in determining whether Total Change in Net Assets is positive or negative in any particular year. In years when net assets with donor restrictions are received and not spent, the change in net assets with donor restrictions will appear as a positive amount. In subsequent years when the net assets with donor restrictions are spent, the change in net assets with donor restrictions will appear as a negative amount. For the year ended September 30, 2020, restricted revenues received were greater than restricted expenditures, which resulted from receiving donations and pledges in FY20 that will be spent in future years. Accordingly, the change in net assets with donor restrictions is an increase of \$241,398. In addition, the Organization utilized unrestricted net assets in FY20 which were accumulated in prior years to fund projects it deemed necessary. This resulted in an excess of expenses over revenue in unrestricted net assets.

Medicines for Humanity, Inc.  
Notes To The Financial Statements  
For The Year Ended September 30, 2020

**14. Liquidity and Availability**

MFH works to maintain financial assets on hand to meet its normal operating expenses and structures its financial assets to be available as it's covered expenditures and liabilities come due.

MFH's financial assets available for general expenditure within one year of September 30, 2020 are as follows:

	From assets without donor restrictions	From donor restricted assets	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash	\$ 789,054		\$ 789,054
Investments	61,415		61,415
Less Refundable Advances	(437,982)		(437,982)
Less Board- Designated Fund	(150,000)		(150,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>\$ 262,487</u>	<u>\$ -</u>	<u>\$ 262,487</u>

The above table reflects board-designated funds as unavailable because it is MFH's intention to use these funds for specific purposes as designated by the Board of Directors. However, in the case of need, the Board of Directors could appropriate resources from its board-designated fund.

**15. Subsequent Events**

The Organization has evaluated subsequent events through February 26, 2021, the date the financial statements were available to be issued.