



LEE AND CROWLEY

ACCOUNTANTS & ADVISORS

Medicines for Humanity, Inc.

Financial Statements

September 30, 2021

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Medicines for Humanity, Inc.

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LEE AND CROWLEY

Independent Auditor's Report

To the Board of Directors
Medicines for Humanity, Inc.
Rockland, Massachusetts

We have audited the accompanying financial statements of Medicines for Humanity, Inc., which comprise the statement of financial position as of September 30, 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.

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 organization'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 organization'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.



LEE AND CROWLEY

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lee & Crowley, LLC

August 5, 2022
Boston, Massachusetts

Medicines for Humanity, Inc.

Statement of Financial Position

September 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 2,031,028
Investments, at fair value	923,679
Other assets	7,142
Total current assets	2,961,849

Property and equipment:

Vehicles	27,610
Less accumulated depreciation	4,755
Property and equipment, net	22,855

Total Assets

\$ 2,984,704

Liabilities and Net Assets

Current liabilities:

Current maturities of note payable, paycheck protection program	\$ 3,627
Accounts payable	-
Deferred revenue	167,662
Total current liabilities	171,289

Long-term liabilities:

Note payable, paycheck protection program, less current maturities	70,663
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Total Liabilities

241,952

Net Assets

Without donor restrictions:

Operating funds	219,948
Dominican Republic - Quisqueya - Board Designated	20,000
Emergency Reserve Fund - Board Designated	130,000
Total without donor restrictions	369,948

With donor restrictions:

Tim Bilodeau Fund	383,444
Other programs	1,398,601
Endowment funds:	
Haiti - Cite Soleil Fund	237,156
Dominican Republic - Consuelo Fund	186,882
Dominican Republic - Quisqueya Fund	166,721
Total with donor restrictions	2,372,804

Total Net Assets

2,742,752

Total Liabilities and Net Assets

\$ 2,984,704

See accompanying notes to the financial statements.

Medicines for Humanity, Inc.

Statement of Activities

For the year ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 720,072	\$ 2,458,718	\$ 3,178,790
In-kind contributions	631,614	-	631,614
Investment returns	88,484	120,977	209,461
Special events income	82,500	-	82,500
Government grant income	50,257	-	50,257
Net assets released from restriction	1,365,353	(1,365,353)	-
Total Revenues	<u>2,938,280</u>	<u>1,214,342</u>	<u>4,152,622</u>
Expenses:			
Program services	2,695,954	-	2,695,954
General and administrative	20,675	-	20,675
Fundraising	213,885	-	213,885
Total Expenses	<u>2,930,514</u>	<u>-</u>	<u>2,930,514</u>
Change in Net Assets (See Note 10)	7,766	1,214,342	1,222,108
Net Assets, beginning of year	<u>362,182</u>	<u>1,158,462</u>	<u>1,520,644</u>
Net Assets, end of year	<u>\$ 369,948</u>	<u>\$ 2,372,804</u>	<u>\$ 2,742,752</u>

See accompanying notes to the financial statements.

Medicines for Humanity, Inc.

Statement of Functional Expenses

For the year ended September 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Project operating expenses	\$ 2,062,357	\$ -	\$ -	\$ 2,062,357
Compensation	342,758	10,803	97,574	451,135
Consulting	97,769	3,113	62,377	163,259
Travel	75,791	1,552	3,698	81,041
Office expense	32,598	828	10,502	43,928
Payroll taxes	21,217	682	6,632	28,531
Special event expenses	-	1,624	22,815	24,439
Professional fees	19,199	1,104	1,553	21,856
Rent	12,878	608	3,300	16,786
Insurance	6,796	126	177	7,099
Telephone	4,523	214	1,877	6,614
Depreciation	4,755	-	-	4,755
Printing	1,577	-	2,930	4,507
Grants paid	1,390	-	-	1,390
Shipping and postage	579	21	450	1,050
Other expenses	11,767	-	-	11,767
Total	\$ 2,695,954	\$ 20,675	\$ 213,885	\$ 2,930,514
Percentage of Total	92%	1%	7%	100%

See accompanying notes to the financial statements.

Medicines for Humanity, Inc.

Statement of Cash Flows

For the year ended September 30, 2021

Cash Flows From Operating Activities:	
Change in net assets	\$ 1,222,108
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(194,320)
Depreciation	4,755
Note forgiveness, paycheck protection program	(50,257)
Changes in assets and liabilities:	
Other assets	(5,265)
Accounts payable	(1,925)
Deferred revenue	(270,320)
Other liabilities	-
Net Cash Provided by Operating Activities	<u>704,776</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	29,073
Purchase of property and equipment	(27,610)
Net Cash Provided by Investing Activities	<u>1,463</u>
Cash Flows from Financing Activities:	
Proceeds from note payable, paycheck protection program	<u>74,290</u>
Net Increase in Cash and Cash Equivalents	780,529
Cash and Cash Equivalents, beginning of year	<u>1,250,499</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,031,028</u>

See accompanying notes to the financial statements.

Medicines for Humanity, Inc.

Notes to Financial Statements

1. Business and Organization

Medicines for Humanity, Inc. (the “Organization” or “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.

Risks and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced an international public health emergency related to the COVID-19 outbreak. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The extent to which the COVID-19 pandemic impacts the Organization’s financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the virus, the duration of the outbreak, governmental regulations and restrictions, travel restrictions and actions to contain the outbreak or treat its impact.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization presents its financial statements on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Net Assets

Net assets are classified as without donor restrictions or with donor restrictions, when appropriate, to properly disclose the nature and number of significant resources that have been restricted in accordance with specified objectives as follows:

Without Donor Restrictions: Represents amounts not restricted for identified purposes by donors. These amounts are available to be used for the general purposes of the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

- Operating Funds
- Dominican Republic – Quisqueya – Board Designated: The Board of Directors approved these funds to be used for the Dominican Republic – Quisqueya.
- Emergency Funds – Board Designated: The Board of Directors approved these funds for use in emergency situations.

With Donor Restrictions: Represents amounts whose use by the Organization has been limited by donors to a specific period or purpose. As of September 30, 2021, the Organization had \$2,372,804 net assets with donor restrictions.

Medicines for Humanity, Inc.

Notes to Financial Statements

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.

Use of Estimates

The preparation of financial statements in accordance with US GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investment Valuation and Income (Loss) Recognition

Investments are reported at fair value. Fair value is 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. See Note 6 for the discussion on fair value.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Organization reports investment income net of the related investment expenses.

Donated investments and other non-cash contributions are recorded as contributions at their estimated fair value at the date of donation.

Property and Equipment

Property and equipment greater than \$2,500 are stated at historical cost or, if donated, at the appraised value at the date of the gift. Expenditures for maintenance and repairs are charged to operations as incurred.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

<u>Assets</u>	<u>Life in Years</u>
Vehicles	5

Depreciation expense was \$4,755 for the year ended September 30, 2021.

Medicines for Humanity, Inc.

Notes to Financial Statements

Implementation of New Revenue Recognition Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09 - *Revenue from Contracts with Customers* (“ASC 606”), which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. On October 1, 2020, the Organization adopted ASC 606, using the modified retrospective method applied to those contracts which were not completed as of October 1, 2020. Results for reporting periods after October 1, 2020, are presented under ASC 606, while prior period amounts are not restated and continue to be reported in accordance with accounting standards in effect for that period. The Adoption of ASC 606 did not have a material impact on the Organization’s financial statements; therefore, no transition adjustment was required upon adjustment.

Revenue Recognition

In accordance with Topic 958, the Organization must determine whether a grant or contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome, and either a right of return of the assets or a right of release of the promise to transferrable assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and the stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. There were no such conditional grant advance liabilities at September 30, 2021.

Revenues received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Revenues that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted revenues are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 Statements of Activities as net assets released from 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 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 adjustment 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.

Medicines for Humanity, Inc.

Notes to Financial Statements

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program services and supporting services benefit. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Compensation	Time and effort
Consulting	Time and effort
Travel	Time and effort
Office expense	Time and effort
Payroll taxes	Time and effort
Special event expense	Time and effort
Professional fees	Time and effort
Rent	Square footage
Insurance	Time and effort
Telephone	Time and effort
Printing	Time and effort
Shipping and postage	Time and effort

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the IRC and, accordingly, does not provide for income taxes. An exemption was granted to the Organization on September 22, 1998.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions, and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended September 30, 2021, there were no interest or penalties recorded or included in the statements of activities.

New Accounting Pronouncement

In February 2016, the FASB issued 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 the fiscal years beginning after December 15, 2021. MFH has not determined the effect of this update on its financial statement.

Medicines for Humanity, Inc.

Notes to Financial Statements

Subsequent Events

The Organization has evaluated subsequent events through August 5, 2022, which is the date the financial statements were available for issuance. See Note 11 for further discussion.

3. Liquidity and Availability of Financial Assets

The following represents the Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures at September 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,031,028
Investments	923,679
Total	<u>2,954,707</u>
Less financial assets with restrictions:	
Board designated for purpose	150,000
Deferred revenue	167,662
Restricted by donors for purpose	2,372,804
Total	<u>2,690,466</u>
Total financial assets available for use	<u>\$ 264,241</u>

4. Concentrations of Credit Risk

The Organization has a potential concentration of credit risk in that it sometimes maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount for interest-bearing and noninterest-bearing accounts, which is applied per depositor, per insured bank for each account ownership category, is \$250,000. As of September 30, 2021, the Organization had \$1,620,647 of deposits in excess of FDIC limits.

5. Investments

At September 30, 2021, investments consist of corporate debt securities and stock mutual funds carried at their fair market value. Investments are not insured and are subject to ongoing market fluctuations. The investments are held in one investment portfolio and are managed by one investment advisor.

Cost and fair value of marketable securities at September 30, 2021:

Medicines for Humanity, Inc.

Notes to Financial Statements

	Cost Basis	Fair Value	Unrealized Gain (Loss)
<u>September 30, 2021</u>			
Investments	\$ 450,410	\$ 923,679	\$ 473,269

During the year ended September 30, 2021, unrealized gains were recorded in the Statement of Activities totaling \$194,242. Realized gains from sales of securities totaled \$78, and dividend and interest income totaled \$15,141 for the year ended September 30, 2021.

6. Fair Value Measurements

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in these methodologies used at September 30, 2021.

Medicines for Humanity, Inc.

Notes to Financial Statements

Corporate Debt Securities

Exchange-traded funds are valued at the daily closing price of the fund. Exchange-traded funds operate similar to mutual funds in that they experience no price change throughout the day as they are bought and sold at the closing market price.

Stock Mutual Funds

Stock mutual funds are valued at the daily closing price as reported by the fund.

Fair value of assets measured on a recurring basis at September 30, 2021:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
<u>September 30, 2021</u>				
Corporate Debt Securities	\$ 625,562	\$ 625,562	\$ -	\$ -
Stock Mutual Funds	298,117	298,117	-	-
Total Investments at Fair Value	<u>\$ 923,679</u>	<u>\$ 923,679</u>	<u>\$ -</u>	<u>\$ -</u>

7. Note Payable, Paycheck Protection Program (“PPP”)

On March 11, 2021, the Organization obtained an unsecured loan through a bank in the amount of \$74,290 in connection with round two of the PPP pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan is guaranteed by the United States Small Business Administration. Interest on the PPP loan is charged at a rate of 1% per year, and repayment of the loan balance commences in July 2022, at which time the balance is payable in 60 monthly installments if not forgiven in accordance with the forgiveness rules under the CARES Act and the PPP.

Future principal maturities of debt, if not forgiven, are as follows:

Years ending September 30:

2022	\$ 3,627
2023	14,599
2024	14,746
2025	14,894
2026	15,043
Thereafter	11,381
	<u>\$ 74,290</u>

During the year ended September 30, 2020 the Organization had received \$50,257 of funds from PPP round one, which was forgiven in May 2021. The forgiveness of the PPP loan is recorded as a government grant in the Statement of Activities for the year ended September 30, 2021.

Medicines for Humanity, Inc.

Notes to Financial Statements

8. Operating Leases

The Organization entered into an operating lease agreement to lease office space in Englewood, Colorado. Under the agreement, the Organization is required to make monthly rent payments of \$740 over the term of the lease. The lease was set to expire on November 3, 2021, and was renewed on December 1, 2021 through November 3, 2023, requiring monthly payments of \$1,116.

MFH leases office space in Haiti under an operating lease agreement. The lease expired on November 2021 and was subsequently renewed through November 2022.

MFH also leases office space in Massachusetts and Cameroon as a tenant-at-will.

Future minimum payments required under non-cancellable operating leases are as follows for the years ended September 30:

2022	\$	12,640
2023		13,392
2024		2,232
	\$	<u>28,264</u>

For the year ended September 30, 2021, rent expense was \$16,786 and is included in rent expense on the Statement of Functional Expenses.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows:

September 30, 2021

Available for spending but restricted for a purpose:

Tim Bilodeau Fund	\$	383,444
Reduce Child Mortality in Impoverished Communities		<u>1,398,601</u>
Total available for spending but restricted with a purpose		<u>1,782,045</u>

Endowment funds which must be appropriated for expenditure before use:

Original Gifts		404,616
Accumulated Income		<u>186,143</u>
Total endowment funds		<u>590,759</u>

Total net assets with donor restrictions	\$	<u><u>2,372,804</u></u>
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Medicines for Humanity, Inc.

Notes to Financial Statements

Net assets with donor restrictions were released due to satisfaction of program restrictions as follows:

For the year ended September 30, 2021

Reduce Child Mortality in Impoverished Communities	\$ <u>1,392,831</u>
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10. 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 negative amount. For the year ended September 30, 2021, restricted revenues received were greater than restricted expenditures, which resulted from receiving donations and pledges in FY21 that will be spent in future years. Accordingly, the change in net assets with donor restrictions is an increase of \$1,214,342. In addition, the Organization utilized unrestricted net assets in FY21 which were accumulated in prior years to fund projects it deemed necessary.

11. Subsequent Events

On December 31, 2021, the Organization received forgiveness for the second funding of the PPP loan in the amount of \$74,290.