

REAL MEDICINE INC.
dba REAL MEDICINE FOUNDATION

FINANCIAL STATEMENTS

MAY 31, 2012

REAL MEDICINE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Real Medicine Foundation

Members of the Board:

We have audited the accompanying statement of financial position of Real Medicine Inc. dba Real Medicine Foundation (a nonprofit organization), as of May 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 7 to the financial statements, operations of a related but separate nonprofit organization are not recorded in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such operations be consolidated. It was not practicable to determine the effects of the unconsolidated operations on the financial statements.

In our opinion, except for the effects of not consolidating related organizations, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Real Medicine Foundation as of May 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Miller Kaplan Arase LLP

MILLER KAPLAN ARASE LLP

April 18, 2013

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REAL MEDICINE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2012

ASSETSCURRENT ASSETS

Cash	\$ 174,167
Property Held for Donation	<u>1,000</u>

<u>TOTAL CURRENT ASSETS</u>	175,167
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Property and Equipment, Net	<u>29,328</u>
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<u>TOTAL ASSETS</u>	<u>\$ 204,495</u>
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LIABILITIES AND NET ASSETSCURRENT LIABILITIES

Accounts Payable	\$ 22,080
Note Payable, Current Portion	<u>10,272</u>

<u>TOTAL CURRENT LIABILITIES</u>	32,352
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Note Payable, Less Current Portion	<u>18,832</u>
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<u>TOTAL LIABILITIES</u>	51,184
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<u>NET ASSETS - UNRESTRICTED</u>	<u>153,311</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 204,495</u>
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REAL MEDICINE FOUNDATION
STATEMENT OF ACTIVITIES
JUNE 1, 2011 TO MAY 31, 2012

<u>REVENUE AND SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants and Contributions	\$ 324,555	\$ 1,017,729	\$ 1,342,284
In-kind Donations	-	220,414	220,414
Patient Fees	12,078	-	12,078
Other Income	6,187	-	6,187
	<hr/>	<hr/>	<hr/>
<u>TOTAL REVENUE AND SUPPORT</u>	342,820	1,238,143	1,580,963
Net Assets Released from Restrictions	1,238,143	(1,238,143)	-
	<hr/>	<hr/>	<hr/>
	1,580,963	-	1,580,963
	<hr/>	<hr/>	<hr/>
<u>EXPENSES</u>			
Program Services	1,178,216	-	1,178,216
Administration	143,562	-	143,562
Fundraising	22,334	-	22,334
In-kind Expenses	219,914	-	219,914
	<hr/>	<hr/>	<hr/>
<u>TOTAL EXPENSES</u>	1,564,026	-	1,564,026
	<hr/>	<hr/>	<hr/>
<u>CHANGE IN NET ASSETS</u>	16,937	-	16,937
<u>NET ASSETS, BEGINNING OF YEAR</u>	136,374	-	136,374
	<hr/>	<hr/>	<hr/>
<u>NET ASSETS, END OF YEAR</u>	\$ 153,311	\$ -	\$ 153,311
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

REAL MEDICINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 1, 2011 TO MAY 31, 2012

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Assistance to Local Organizations	\$ 358,791	\$ -	\$ -	\$ 358,791
Field Operations	345,526	-	-	345,526
Labor and Personnel	434,320	72,876	3,982	511,178
Professional Fees	-	35,710	5,900	41,610
Advertising and Promotion	-	2,733	-	2,733
Bank Fees	-	5,454	-	5,454
Depreciation	-	1,992	-	1,992
Donations	4,480	-	-	4,480
Events	3,181	-	12,452	15,633
Insurance	-	4,207	-	4,207
Office Supplies	-	3,360	-	3,360
Rent	-	6,459	-	6,459
Repairs and Maintenance	-	1,615	-	1,615
Technology	-	5,841	-	5,841
Telephone	5,293	588	-	5,881
Travel and Conferences	26,625	200	-	26,825
Other Expenses	-	2,527	-	2,527
	<u>\$ 1,178,216</u>	<u>\$ 143,562</u>	<u>\$ 22,334</u>	<u>\$ 1,344,112</u>
Expenses Paid				
In-kind Expenses	<u>77,816</u>	<u>20,200</u>	<u>121,898</u>	<u>219,914</u>
<u>TOTAL EXPENSES</u>	<u>\$ 1,256,032</u>	<u>\$ 163,762</u>	<u>\$ 144,232</u>	<u>\$ 1,564,026</u>

REAL MEDICINE FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 1, 2011 TO MAY 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 16,937
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,992
(Increase) in Operating Assets - Property Held for Donation	(500)
Increase in Operating Liabilities - Accounts Payable	<u>22,090</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	40,519

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Note Payable	<u>(1,711)</u>
<u>NET INCREASE IN CASH</u>	38,808
<u>CASH, JUNE 1, 2011</u>	<u>135,359</u>
<u>CASH, MAY 31, 2012</u>	<u>\$ 174,167</u>

SUPPLEMENTAL DISCLOSURE

The Organization purchased software financed by a note payable of \$30,816.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Formed in 2005, **Real Medicine Inc. dba Real Medicine Foundation (RMF)** provides humanitarian support to people living in disaster and poverty stricken areas, and continues to help communities long after the world's spotlight has faded. We believe that 'real' medicine is focused on the person as a whole by providing medical/physical, emotional, economic and social support.

We listen, learn, and support the long term whole health of communities most in need, and commit to projects where we will make lasting change. We believe in the human ability to transform - that the people in developing and disaster stricken areas are most capable of creating solutions to their unique challenges. We employ, train and educate locals, producing innovative solutions and strong communities that sustain and grow health care capacity, enlisting cutting edge technology and modern best practices. We ignite the potential of the people we are supporting - turning aid into empowerment and victims into leaders.

Based on today's best practice Modern Medicine, RMF utilizes a Comprehensive Integrative Health Care Model. Once survival and immediate health care needs are addressed, we establish mobile and stationary health clinics employing regional medical doctors, other healthcare professionals and supporting staff, and tailoring them to local needs. Using these clinics as hubs, we implement additional modules of care that address the priority needs of the region being served. Programs such as Maternal Child Healthcare, Malnutrition Eradication, HIV/AIDS Care, Malaria Treatment and Prevention, mHealth, and Vocational Training and Livelihood projects are introduced to build on the existing infrastructure already in place. These programs, addressing some of the developing world's most important issues, are part of RMF's commitment to treating the whole person. By staying for the longer term and by working with local staff and resources, we ensure long term sustainability, local ownership and capacity building. Since 2009, responding to needs presented to us, RMF has developed and implemented strategies for access to secondary and tertiary care, i.e. support and upgrade of hospitals, training of medical personnel, and has thus started to build health care capacity and to strengthen health systems on a larger scale. At home in the US, RMF conducts healthcare and education outreach programs in South Los Angeles.

Real Medicine Foundation's vision is to move beyond traditional humanitarian aid programs by creating long-term solutions to health care and poverty related issues. By empowering people and providing them with the necessary resources, we pave the way for communities to become strong and self-sufficient. In just seven years, Real Medicine Foundation has worked in 17 countries on 4 continents, with currently active projects in 13 countries, and has aligned with governments, international agencies, including the UN, to reach those most in need. In 2011, RMF was granted United Nations Special Consultative Status. Real Medicine Foundation is a US based non-profit public charity 501(c)(3), headquartered in Los Angeles, California, with branches in the UK and Germany, and with offices and partners all over the world. RMF's primary source of revenue is contributions from individuals and foundations.

B. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). As explained in Note 7, operations of Real Medicine Deutschland have not been consolidated.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Property and Equipment

Property and equipment purchases over \$1,000 are capitalized and are stated at cost. Donated equipment is recorded at its estimated fair value on the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives of five to seven years. Expenditures for maintenance and repairs or minor renewals are charged to expense when incurred.

D. Grants and Contributions

Grants and contributions of cash and property received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor stipulations. There were no temporary or permanently restricted net assets at May 31, 2012.

E. Tax-Exempt Status

No provision for Federal or state income tax is made. RMF has received tax-exempt status from the Federal government under Internal Revenue Code Section 501(c)(3) and the State of California Revenue and Taxation Code Section 23701d.

RMF has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that RMF has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. As of May 31, 2012, information returns for years after 2007 (2006 for state returns) are subject to examination by authorities.

F. Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

H. Property Held for Donation

RMF receives donated property and services from third parties, which is recorded at estimated fair value as contributions when received and as expense when used. Some of the items received do not have readily available market values. Management believes that it would be misleading to the reader of these financial statements not to include these items; therefore, their value is estimated based on amounts paid for similar items or prices observed for similar items.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Held for Donation (Continued)

Donated property held in inventory at year end is \$1,000. It is expected to be used within one year of the date of RMF's statement of financial position and is classified as property held for donation.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment held at May 31, 2012 consisted of the following:

Equipment	\$ 504
Computer Software	30,816
	<u>31,320</u>
Less: Accumulated Depreciation	1,992
	<u><u>\$ 29,328</u></u>

NOTE 3 - NOTE PAYABLE

On April 4, 2012, RMF purchased computer software using a line of credit from LEAF Capital Funding. The note payable is interest-free and calls for monthly payments of \$856 through March 2015. Future minimum payments are as follows:

<u>Year Ending</u> <u>May 31,</u>	
2013	\$ 10,272
2014	10,272
2015	<u>8,560</u>
	<u><u>\$ 29,104</u></u>

NOTE 4 - RELATED PARTY TRANSACTIONS

RMF does not maintain office space in the United States. The organization rents a portion of the personal residence of one of RMF's staff for its file storage. RMF paid rent of approximately \$1,000 per month directly to the landlord for this space starting in December 2011. Rent for the storage space totaled \$6,390 during the year ended May 31, 2012.

NOTE 5 - IN-KIND DONATIONS

In-kind donations consist of contributed services, use of facilities, goods and supplies that meet the criteria for recognition under US GAAP and are recognized as both revenue and expense in the financial statements. For the year ended May 31, 2012, estimated fair values of in-kind donations included in the financial statements totaled \$155,000 for services, \$13,000 for facilities and \$52,000 for goods and supplies.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012

NOTE 6 - FACILITIES IN FOREIGN LOCATIONS

RMF's projects involve use of facilities at various locations in the communities served. Furniture and equipment essential to the operation of its local programs has been purchased by RMF and donated to RMF since its inception. It is RMF's intention that such items remain on location for ongoing use by the local population. Accordingly, such furniture and equipment has not been recorded on the books of RMF.

NOTE 7 - CONSOLIDATION OF FOREIGN OPERATIONS

Real Medicine Foundation's sister organization, Real Medicine Deutschland, receives contributions from European donors and directs the use of its funds by way of the Foundation. RMF has not consolidated operations of Real Medicine Deutschland in its financial statements. Contributions and expenses reported in the statement of activities include approximately \$515,000 funded by Real Medicine Deutschland.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 18, 2013, the date financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.