

REAL MEDICINE INC.
dba REAL MEDICINE FOUNDATION

FINANCIAL STATEMENTS

MAY 31, 2013

REAL MEDICINE FOUNDATION

CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1-2
EXHIBIT "A" - Statement of Financial Position as of May 31, 2013	3
EXHIBIT "B" - Statement of Activities - June 1, 2012 to May 31, 2013	4
EXHIBIT "C" - Statement of Functional Expenses - June 1, 2012 to May 31, 2013	5
EXHIBIT "D" - Statement of Cash Flows - June 1, 2012 to May 31, 2013	6
NOTES TO FINANCIAL STATEMENTS	7-10

INDEPENDENT AUDITORS' REPORT

Board of Directors
Real Medicine Foundation
Los Angeles, California

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Real Medicine Foundation (a nonprofit organization), which comprise the statement of financial position as of May 31, 2013, 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified 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. The effects on the accompanying financial statements of the failure to consolidate have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Real Medicine Foundation of May 31, 2013, 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.



MILLER KAPLAN ARASE LLP

North Hollywood, California

March 31, 2014

REAL MEDICINE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2013

ASSETSCURRENT ASSETS

Cash	\$ 168,464
Property Held for Donation	-

<u>TOTAL CURRENT ASSETS</u>	168,464
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Property and Equipment, Net	38,027
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<u>TOTAL ASSETS</u>	<u>\$ 206,491</u>
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LIABILITIES AND NET ASSETSCURRENT LIABILITIES

Accounts Payable	\$ 5,776
Note Payable, Current Portion	10,272

<u>TOTAL CURRENT LIABILITIES</u>	16,048
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Note Payable, Less Current Portion	8,560
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<u>TOTAL LIABILITIES</u>	24,608
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NET ASSETS

Unrestricted	(183,319)
Temporarily Restricted	365,202

<u>TOTAL NET ASSETS</u>	181,883
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 206,491</u>
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REAL MEDICINE FOUNDATION
STATEMENT OF ACTIVITIES
JUNE 1, 2012 TO MAY 31, 2013

EXHIBIT "B"

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Grants and Contributions	\$ 437,862	\$ 1,035,950	\$ 1,473,812
In-kind Donations	-	128,547	128,547
Patient Fees	15,727	-	15,727
Other Income	6,235	-	6,235
<u>TOTAL REVENUE AND SUPPORT</u>	459,824	1,164,497	1,624,321
Net Assets Released from Restrictions	799,295	(799,295)	-
	1,259,119	365,202	1,624,321
<u>EXPENSES</u>			
Program Services	1,339,562	-	1,339,562
Administration	179,443	-	179,443
Fundraising	21,244	-	21,244
In-kind Expenses	55,500	-	55,500
<u>TOTAL EXPENSES</u>	1,595,749	-	1,595,749
<u>CHANGE IN NET ASSETS</u>	(336,630)	365,202	28,572
<u>NET ASSETS, BEGINNING OF YEAR</u>	153,311	-	153,311
<u>NET ASSETS, END OF YEAR</u>	\$ (183,319)	\$ 365,202	\$ 181,883

(Attached notes are an integral part of this statement)

REAL MEDICINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 1, 2012 TO MAY 31, 2013

EXHIBIT "C"

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Assistance to Local Organizations	\$ 128,445	\$ -	\$ -	\$ 128,445
Field Operations	660,453	-	-	660,453
Labor and Personnel	514,863	81,988	3,639	600,490
Professional Fees	-	45,666	10,355	56,021
Advertising and Promotion	-	1,316	-	1,316
Bank Fees	-	6,156	-	6,156
Depreciation	-	7,442	-	7,442
Donations	-	-	300	300
Events	1,737	-	6,950	8,687
Office Supplies	-	3,472	-	3,472
Rent	-	13,688	-	13,688
Repairs and Maintenance	-	255	-	255
Technology	-	10,722	-	10,722
Telephone	7,915	879	-	8,794
Travel and Conferences	26,149	-	-	26,149
Other Expenses	-	7,859	-	7,859
	<u>\$ 1,339,562</u>	<u>\$ 179,443</u>	<u>\$ 21,244</u>	<u>\$ 1,540,249</u>
Expenses Paid				
	<u>\$ 1,339,562</u>	<u>\$ 179,443</u>	<u>\$ 21,244</u>	<u>\$ 1,540,249</u>
In-kind Expenses	-	55,500	-	55,500
	<u>\$ 1,339,562</u>	<u>\$ 234,943</u>	<u>\$ 21,244</u>	<u>\$ 1,595,749</u>
<u>TOTAL EXPENSES</u>				

(Attached notes are an integral part of this statement)

REAL MEDICINE FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 1, 2012 TO MAY 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 28,572
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	7,442
Donated Property Used	1,000
In-kind Property Donations	(16,141)
Increase in Operating Liabilities - Accounts Payable	<u>(16,304)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	4,569

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Note Payable	<u>(10,272)</u>
<u>NET (DECREASE) IN CASH</u>	(5,703)
<u>CASH, JUNE 1, 2012</u>	<u>174,167</u>
<u>CASH, MAY 31, 2013</u>	<u>\$ 168,464</u>

SUPPLEMENTAL DISCLOSURE

The Organization paid interest of \$130

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013

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 eight years, RMF 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, as well as POV status with USAID. 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. As explained in Note 7, operations of Real Medicine Deutschland have not been consolidated.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013

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. Temporarily restricted net assets were available for the following programs at May 31, 2013:

Haiti	\$ 29,182
Kenya	156,576
Mozambique	6,679
Nigeria	22,336
South Sudan	<u>150,429</u>
	<u>\$ 365,202</u>

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 under 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, 2013, information returns for years after 2008 (2007 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.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Donated Property

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.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment held at May 31, 2013 consisted of the following:

Equipment	\$ 16,646
Computer Software	30,816
	<u>47,462</u>
Less: Accumulated Depreciation	9,435
	<u><u>\$ 38,027</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>	
2014	\$ 10,272
2015	8,560
	<u><u>\$ 18,832</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 \$13,688 during the year ended May 31, 2013.

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 generally accepted accounting principles and are recognized as both revenue and expense in the financial statements. For the year ended May 31, 2013, estimated fair values of in-kind donations included in the financial statements totaled \$55,000 for services, \$16,000 for equipment and \$57,000 for goods and supplies.

REAL MEDICINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013

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 \$602,000 funded by Real Medicine Deutschland.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2014, 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.