

Audited Financial Statements



May 31, 2016

Quigley & Miron

Real Medicine Inc., dba: Real Medicine Foundation
Audited Financial Statements
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Independent Auditor's Report

Board of Directors

Real Medicine Inc., dba: Real Medicine Foundation

Los Angeles, California

We have audited the accompanying financial statements of Real Medicine Inc., dba: Real Medicine Foundation (RMF), a nonprofit organization, which comprise the statement of financial position as of May 31, 2016, 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 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 of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Real Medicine Inc., dba: Real Medicine Foundation as of May 31, 2016, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
May 26, 2017

Real Medicine Inc., dba: Real Medicine Foundation
Statement of Financial Position
May 31, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 866,446
Contributions receivable	520,701
Other assets	646

Total Current Assets 1,387,793

Property and Equipment, Net—Note 3

25,406

Total Assets \$ 1,413,199

Liabilities and Net Assets

Net Assets

Unrestricted	\$ (36,460)
Temporarily restricted—Note 4	1,449,659

Total Net Assets 1,413,199

Total Net Assets and Liabilities \$ 1,413,199

See notes to financial statements.

Real Medicine Inc., dba: Real Medicine Foundation
Statement of Activities
Year Ended May 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions and grants—Note 8	\$ 673,305	\$ 2,252,694	\$ 2,925,999
In-kind contributions—Note 7	10,211,181		10,211,181
Patient fees	16,103		16,103
Other income	45,813		45,813
Net assets released from restrictions	2,169,736	(2,169,736)	
Total Support and Revenues	13,116,138	82,958	13,199,096
Expenses			
Program services	12,874,240		12,874,240
Management and general	136,451		136,451
Fundraising	8,207		8,207
Total Expenses	13,018,898		13,018,898
Change in Net Assets	97,240	82,958	180,198
Net Assets at Beginning of Year	(133,700)	1,366,701	1,233,001
Net Assets at End of Year	<u>\$ (36,460)</u>	<u>\$ 1,449,659</u>	<u>\$ 1,413,199</u>

See notes to financial statements.

Real Medicine Inc., dba: Real Medicine Foundation
Statement of Functional Expenses
Year Ended May 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Field operations	\$ 11,345,505	\$	\$	\$ 11,345,505
Outside labor	1,386,453	73,867		1,460,320
Assistance to local organizations	94,874			94,874
Travel and conferences	28,301	4,508		32,809
Professional fees	19,107	8,974	868	28,949
Rent		26,665		26,665
Depreciation		9,866		9,866
Development			6,518	6,518
Telephone		4,761		4,761
Bank fees		4,199		4,199
Other expenses		1,971		1,971
Technology		847		847
Office supplies		743		743
Advertising		50		50
Totals	<u>\$ 12,874,240</u>	<u>\$ 136,451</u>	<u>\$ 8,207</u>	<u>\$ 13,018,898</u>

See notes to financial statements.

Real Medicine Inc., dba: Real Medicine Foundation
Statement of Cash Flows
Year Ended May 31, 2016

Cash Flows from Operating Activities

Change in net assets	\$ 180,198
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,866
Changes in operating assets and liabilities:	
Contributions receivable	128,989
Accounts payable and accrued expenses	(2,552)

Net Cash Provided by Operating Activities	316,501
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Cash Flows from Investing Activities

Purchases of property and equipment	(17,069)
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Net Cash Used in Investing Activities	(17,069)
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Increase in Cash and Cash Equivalents	299,432
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Cash and Cash Equivalents at Beginning of Year	567,014
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Cash and Cash Equivalents at End of Year	\$ 866,446
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Supplementary Disclosures

Interest paid	\$
Income taxes paid	\$

See notes to financial statements.

Real Medicine Inc., dba: Real Medicine Foundation
Notes to Financial Statements
May 31, 2016

Note 1—Organization

Organization—Real Medicine Inc., dba: Real Medicine Foundation (RMF) is a California nonprofit organization, formed in 2005, providing humanitarian support to people living in disaster and poverty-stricken areas, and continues to help communities long after the world's spotlight has faded. RMF believes that 'real' medicine focuses on the person as a whole by providing medical/physical, emotional, economic and social support.

RMF listens, learns, and supports the long term whole health of communities most in need, and commits to projects where we will make lasting change. RMF believes 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. RMF employs, trains and educates locals, producing innovative solutions and strong communities that sustain and grow health care capacity with the help of cutting edge technology and modern best practices. RMF ignites the potential of the people it supports - 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, RMF establishes 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, RMF implements 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 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. Through its commitment to maintaining an extended local presence, and by working with local staff and resources, RMF ensures long-term sustainability, local ownership and capacity building. Since 2009, RMF has developed and implemented strategies for access to secondary and tertiary care such as support and upgrade of hospitals, and training of medical personnel, thus starting to build health care capacity and strengthen health systems on a larger scale. At its U.S. home base, 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 healthcare and poverty-related issues. By empowering people and providing them with the necessary resources, RMF paves the way for communities to become strong and self-sufficient. In just 10 years, RMF has worked on four continents in 22 different countries, with currently-active projects in 17 countries, aligning with governments and international agencies (including the United Nations) to reach those most in need. In 2011, RMF was granted United Nations Special Consultative Status, as well as Private Voluntary Organization (PVO) status with USAID. RMF's primary source of revenue is contributions from individuals, foundations, the United Nations, and government agencies.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. RMF recognizes grants and contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of RMF and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of RMF. Management is aware of its deficit in unrestricted net assets and is actively taking steps to rectify this situation.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of RMF and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit RMF to use all or part of the income earned on related investments for general or specific purposes. At May 31, 2016, RMF had no permanently restricted net assets.

Cash and Cash Equivalents—For purposes of the Statement of Cash Flows, RMF considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

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.

Concentrations of Credit Risk—Financial instruments which potentially subject RMF to concentrations of credit risk consist of cash and cash equivalents and receivables. RMF maintains its domestic cash and cash equivalents at a high quality financial institution and a large broker-dealer. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In the normal course of business, RMF's cash and cash equivalent balances may exceed the FDIC insurance limit. The account at the large broker-dealer is uninsured but secured by the underlying assets of the money market fund in which it is invested. Contributions receivable are due from individuals and foundations well-known to RMF with excellent payment histories. RMF's management has assessed the credit risk associated with its deposits and receivables held at May 31, 2016 and has determined that an allowance for potential losses due to credit risk is not necessary.

Donated Property—RMF receives donated property from third parties, which is recorded as contributions when received and as expense when used, at its estimated fair value. 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 Inc., dba: Real Medicine Foundation
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Functional 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.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$50 for the year ended May 31, 2016.

Income Taxes—No provision has been made for federal or state income taxes because RMF is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. In addition, the Internal Revenue Service has determined that RMF is not a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at May 31, 2016. Generally, RMF’s information returns remain open for examination three (federal) and four (state) years from the date of filing.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 3—Property and Equipment, Net

Net property and equipment consisted of the following at May 31, 2016:

Furniture and equipment	\$	33,069
Software		30,925
		<hr/>
		63,994
Less accumulated depreciation		(38,588)
		<hr/>
Net	\$	<u>25,406</u>

Real Medicine Inc., dba: Real Medicine Foundation
Notes to Financial Statements—Continued

Note 4—Temporarily Restricted Net Assets

As of May 31, 2016, temporarily restricted net assets consisted of the following:

South Sudan program	\$	365,070
Uganda		120,808
Nepal earthquake relief		692,069
Serbia		54,046
Kenya		115,779
Other projects		101,887
Total	\$	<u>1,449,659</u>

Note 5—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, RMF deems the contingency remote, since it has made its best efforts to comply in all material respects with the provisions of each grant.

In the normal course of operations, RMF is subject to business risks in delivering its services involving its clients and vendors, among others. In management's opinion, the financial effects of any such risks would not have a material effect on the financial position of RMF at May 31, 2016.

Note 6—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 \$2,560 per month directly to the landlord for this space, which totaled \$30,720 for the year ended May 31, 2016.

RMF's sister organization, Real Medicine Deutschland, receives contributions from European donors on behalf of the Foundation and then remits the funds to the Foundation. Contributions reported in the statement of activities for the year ended May 31, 2016 include \$310,530 that was funded through Real Medicine Deutschland.

Note 7—In-Kind Contributions

In-kind contributions consist of contributed medicines, medical supplies, and equipment that meet the criteria for recognition under U.S. generally accepted accounting principles and are recognized on the statement of activities under support and revenues, and on the statement of functional expenses under field operations. For the year ended May 31, 2016, estimated fair values of in-kind contributions included in the financial statements totaled \$10,211,181 for medicines, medical supplies, and equipment.

Real Medicine Inc., dba: Real Medicine Foundation
Notes to Financial Statements—Continued

Note 8—Support Received by Projects in Foreign Countries

In addition to contributions received by RMF, the following countries received direct project contributions from donors, based on RMF fundraising efforts during the year ended May 31, 2016, as follows:

Pakistan	\$	150,553
Peru		37,320
South Sudan		652,233
Uganda		425,004
		<hr/>
Total	\$	<u>1,265,110</u>

Note 9—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 the project that is being served 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 10—Subsequent Events

Management evaluated all of RMF's activities through May 26, 2017, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.