SIGN FRACTURE CARE INTERNATIONAL

Financial Statements and Independent Auditors' Report

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SIGN Fracture Care International
Richland, Washington

Opinion

We have audited the accompanying financial statements of SIGN Fracture Care International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIGN Fracture Care International as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SIGN Fracture Care International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SIGN Fracture Care International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SIGN Fracture Care International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SIGN Fracture Care International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Northwest CPA Group PLLC

Tri-Cities, Washington
June 20, 2022

SIGN Fracture Care International
Statements of Financial Position

	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,847,707	$ 2,516,120
Accounts receivable	237,742	146,801
Pledges receivable, *current*	172,500	227,500
Prepaid expenses and other current assets	103,829	95,950
Inventories	761,094	1,047,601
Investments	5,380,030	4,496,124
Total current assets	11,502,902	8,530,096
LAND, BUILDING, AND EQUIPMENT:		
Manufacturing equipment	2,416,650	2,150,107
Furniture and office equipment	353,082	292,112
Building and improvements	3,600,761	3,122,688
	6,370,493	5,564,907
Less accumulated depreciation	2,761,630	2,727,810
	3,608,863	2,837,097
Land	880,000	880,000
	4,488,863	3,717,097
OTHER ASSETS:		
Intangible asset, *less accumulated amortization of $14,345 and $11,964, respectively*	12,536	14,918
Pledges receivable, *noncurrent, net of discounts of $0 and $2,107, respectively*	-	167,893
	12,536	182,811
	$ 16,004,301	$ 12,430,004
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 17,001	$ 55,967
Accrued salaries, benefits, and taxes	131,594	126,379
Accrued vacation	199,301	226,060
Total current liabilities	347,896	408,406
COMMITMENTS		
NET ASSETS:		
Net assets without donor restrictions		
Undesignated	12,405,397	9,806,606
Board designated	1,996,849	1,350,000
	14,402,246	11,156,606
Net assets with donor restrictions	1,254,159	864,992
Total net assets	15,656,405	12,021,598
	$ 16,004,301	$ 12,430,004

SIGN Fracture Care International
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	$ 5,381,602	$ 843,120	$ 6,224,722
In-kind contributions	2,197,454	-	2,197,454
Implant revenue	1,078,821	-	1,078,821
Rental income	58,300	-	58,300
Paycheck Protection Program grant	675,130	-	675,130
Other revenue	6,153	-	6,153
	9,397,460	843,120	10,240,580
Net assets released from restrictions	453,953	(453,953)	-
	9,851,413	389,167	10,240,580
EXPENSES:			
Program services	6,537,340	-	6,537,340
Management and general	340,478	-	340,478
Fundraising	453,707	-	453,707
Property management	18,983	-	18,983
	7,350,508	-	7,350,508
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSES)	2,500,905	389,167	2,890,072
OTHER INCOME (EXPENSES):			
Realized/unrealized gain on investments	673,259	-	673,259
Dividend income	65,573	-	65,573
Interest income	32,682	-	32,682
Investment fees	(22,331)	-	(22,331)
Loss on obsolete inventory	(24,564)	-	(24,564)
Gain on sale of equipment	20,116	-	20,116
	744,735	-	744,735
CHANGES IN NET ASSETS	3,245,640	389,167	3,634,807
NET ASSETS, BEGINNING OF YEAR	11,156,606	864,992	12,021,598
NET ASSETS, END OF YEAR	$ 14,402,246	$ 1,254,159	$ 15,656,405

SIGN Fracture Care International
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	$ 2,534,443	$ 510,031	$ 3,044,474
In-kind contributions	2,651,380	-	2,651,380
Implant revenue	866,158	-	866,158
Rental income	70,730	-	70,730
Paycheck Protection Program grant	641,500	-	641,500
Other revenue	20,418	-	20,418
	6,784,629	510,031	7,294,660
Net assets released from restrictions	1,650,080	(1,650,080)	-
	8,434,709	(1,140,049)	7,294,660
EXPENSES:			
Program services	6,853,095	-	6,853,095
Management and general	464,031	-	464,031
Fundraising	493,399	-	493,399
Property management	17,783	-	17,783
	7,828,308	-	7,828,308
CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSES)	606,401	(1,140,049)	(533,648)
OTHER INCOME (EXPENSES):			
Realized/unrealized gain on investments	866,826	-	866,826
Dividend income	47,255	-	47,255
Interest income	33,955	-	33,955
Investment fees	(15,718)	-	(15,718)
Loss on obsolete inventory	(343)	-	(343)
Loss on disposal of equipment	(1,303)	-	(1,303)
	930,672	-	930,672
CHANGES IN NET ASSETS	1,537,073	(1,140,049)	397,024
NET ASSETS, BEGINNING OF YEAR	9,619,533	2,005,041	11,624,574
NET ASSETS, END OF YEAR	$ 11,156,606	$ 864,992	$ 12,021,598

SIGN Fracture Care International
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					
	Cost of Products	Education	Management and General	Fundraising	Property Management	Total
Wages and benefits	$ 1,342,971	$ 700,313	$ 277,594	$ 345,344	$ -	$ 2,666,222
Cost of product distributed	2,033,123	-	-	-	-	2,033,123
In-kind professional services	414,445	695,125	-	-	-	1,109,570
Medical supplies and equipment (Note 8)	603,403	-	-	-	-	603,403
Supplies	81,173	48,223	8,101	46,343	1,283	185,123
Shipping	168,137	-	-	-	-	168,137
Depreciation	90,403	26,302	5,509	6,798	17,678	146,690
Grants	-	104,823	-	-	-	104,823
Dues, fees, and taxes	24,447	10,831	18,727	15,003	-	69,008
Outside services	16,571	5,719	18,520	26,067	-	66,877
Repairs and maintenance	34,394	8,475	3,098	3,486	22	49,475
Minor equipment	39,808	3,405	-	-	-	43,213
Insurance	8,233	4,173	1,525	1,717	-	15,648
Telephone and internet	7,845	3,976	1,453	1,636	-	14,910
Rent	7,518	6,423	374	421	-	14,736
Travel	1,787	1,119	43	849	-	3,798
Miscellaneous	29,607	14,568	5,534	6,043	-	55,752
	$ 4,903,865	$ 1,633,475	$ 340,478	$ 453,707	$ 18,983	$ 7,350,508

SIGN Fracture Care International
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services					
	Cost of Products	Education	Management and General	Fundraising	Property Management	Total
Wages and benefits	$ 1,473,946	$ 553,341	$ 389,007	$ 381,451	$ -	$ 2,797,745
Cost of product distributed	1,703,214	-	-	-	-	1,703,214
In-kind professional services	370,620	722,200	-	-	-	1,092,820
Medical supplies and equipment (Note 8)	1,334,738	-	-	-	-	1,334,738
Supplies	150,042	35,750	12,210	30,776	-	228,778
Shipping	128,532	-	-	-	-	128,532
Depreciation	68,913	9,692	5,920	6,450	17,678	108,653
Grants	-	105,673	-	-	-	105,673
Dues, fees, and taxes	21,365	5,537	22,066	13,809	-	62,777
Outside services	9,171	1,544	16,411	25,292	-	52,418
Repairs and maintenance	26,218	3,647	2,735	2,703	105	35,408
Minor equipment	32,633	7,085	360	2,151	-	42,229
Insurance	8,069	2,431	1,823	1,802	-	14,125
Telephone and internet	7,300	2,200	1,649	1,630	-	12,779
Rent	9,008	6,156	567	560	-	16,291
Travel	1,237	11,923	72	1,886	-	15,118
Special events	-	-	-	18,910	-	18,910
Conferences	-	1,300	-	-	-	1,300
Miscellaneous	28,684	10,926	11,211	5,979	-	56,800
	$ 5,373,690	$ 1,479,405	$ 464,031	$ 493,399	$ 17,783	$ 7,828,308

SIGN Fracture Care International
Statements of Cash Flows

	Years Ended December 31, 2021	2020
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from operations, contributions and other sources	$ 8,175,078	$ 5,875,416
Cash paid to vendors and employees	(5,139,189)	(5,168,828)
Interest and dividends received	98,255	81,210
Net cash provided by operating activities	3,134,144	787,798
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,031,884)	(884,503)
Proceeds from sale of investments	1,219,903	772,508
Proceeds from sale of equipment	25,000	-
Capital purchases	(1,015,576)	(360,129)
Net cash used in investing activities	(802,557)	(472,124)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,331,587	315,674
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,516,120	2,200,446
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,847,707	$ 2,516,120

	Years Ended December 31, 2021	Years Ended December 31, 2020
Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:		
Changes in net assets	$ 3,634,807	$ 397,024
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	245,140	246,967
Amortization	2,382	2,382
Realized/unrealized gain on investments	(673,259)	(866,826)
Donations of stock	(398,666)	(66,875)
Donations of equipment	(6,214)	(66,000)
Loss on disposal of equipment	(20,116)	1,303
Decrease (increase) in assets:		
Accounts receivable	(90,941)	(77,750)
Pledges receivable	222,893	1,309,886
Prepaid expenses and other current assets	(7,879)	(725)
Inventories	286,507	(175,122)
Increase (decrease) in liabilities:		
Accounts payable	(38,966)	(8,663)
Accrued salaries, benefits, and taxes	5,215	32,363
Accrued vacation	(26,759)	59,834
Total adjustments	(500,663)	390,774
Net cash provided by operating activities	$ 3,134,144	$ 787,798

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

SIGN Fracture Care International (SIGN) is a nonprofit corporation incorporated under the laws of the State of Washington in 1999. SIGN (the Organization) is an international humanitarian orthopaedic organization dedicated to equipping surgeons in developing countries with the skills and tools required to treat disabling bone fractures. Ninety percent of these types of injuries occur in developing countries, yet eighty percent of the trained orthopaedic surgeons live in developed countries. To alleviate this inequality of access to proper care, the Organization provides ongoing education and training to surgeons in developing countries through conferences, disbursement of educational material, and surgical training provided by North American and international surgeons. To complement the training, the Organization also designs, manufactures, and donates or sells at cost, orthopaedic implants for use in hospitals that treat the poor.

Summary of Significant Accounting Policies:

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

Cash and cash equivalents – For the purpose of the statements of financial position and cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash and cash equivalent balances may exceed federally insured limits by the Federal Deposit Insurance Corporation for brief periods; management monitors bank account balances to minimize risk.

Accounts receivable – Accounts receivable are carried at their original amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2021 or 2020. Recoveries of receivables previously written off are recorded when received.

Pledges receivable – Unconditional promises to give are included in the accompanying financial statements as pledges receivable and donation revenue. Promises to give are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2021 or 2020.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Inventories – Inventories are stated at the lower of cost (determined on the average cost basis) or net realizable value. Finished goods and work-in-process inventory includes labor and manufacturing overhead.

Investments – The Organization records investments in marketable securities with readily determinable market values at their fair values in the statements of financial position. Investment securities consist of a highly diversified portfolio of stocks, mutual funds, and corporate bond funds. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments are initially recorded at cost if purchased or, if donated, are recorded at the fair market value at the date of the gift. The investments in marketable securities are subject to market risk.

Property and equipment – Property and equipment purchased by the Organization are recorded at cost. Donated equipment is recorded at fair value as of the date of the gift. Items of less than $5,000 are charged to expense as minor equipment or supplies. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment, ranging from 3 to 39 years. Depreciation expense for the years ended December 31, 2021 and 2020, was $245,140 and $246,967, respectively.

Intangible asset – The intangible asset consists of costs associated with a patent and are amortized over the life of the patent. Amortization expense for each of the years ended December 31, 2021 and 2020, was $2,382.

Net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and net asset changes are classified and reported as follows:

> *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve. These net assets may be used at the discretion of the Board of Directors.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Net assets (continued):

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and when the assets are subsequently placed in service.

Revenue recognition – contributions:

Contributions – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In-kind contributions – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Gifts of property and equipment, and gifts of cash to be used to acquire property and equipment, are reported as restricted support, and classified to net assets without donor restrictions when placed into service.

Revenue recognition – contracts with customers:

Revenue is recognized based on a five-step model. For customer contracts, the Organization identifies the performance obligations (products or service), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when the performance obligation is fulfilled, which is when the product is received by the customer or when the services are provided to the customer, depending on specific terms of the arrangement. The Organization's revenue that is recognized over time consists of performance obligations that are satisfied within one year or less.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Revenue recognition (continued):

Implant revenue – The Organization derives revenues from the sale of orthopaedic nails and implants to hospitals in developing countries. Revenues for these sales are recognized when control of the products is transferred to customers (at shipment), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. The Organization considers all shipping and handling to be fulfillment activities and not a separate performance obligation. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after shipment.

Accounts receivable from implant sales were as follows:

	2021	2020
Beginning of year	$ 146,801	$ 69,051
End of year	237,742	146,801

Rental income – The Organization recognizes revenue from rental agreements ratably over the contract period. See Note 9 for detailed description of lease agreements in effect for the years ended December 31, 2021 and 2020.

Conference registration – Annually, the Organization holds a conference for physicians from developing countries to share skills and to learn about the SIGN method. The Organization requires payment for attendance, which offsets the cost of holding the conference. Conference registration revenue is recognized when the conference takes place. Due to the COVID-19 pandemic, there was no conference held during the year ended December 31, 2021 or 2020.

Federal income tax – The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization is not a private foundation under Section 509(a) of the Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustments to the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

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 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.

Allocation of expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Wages and benefits are allocated based upon estimated time spent; rent is allocated based upon square footage used; supplies, depreciation, dues, fees, taxes, repairs and maintenance, and minor equipment are allocated based upon estimated usage; and insurance is allocated based upon the specific policies utilized. All other expenses are allocated based on actual expenses.

Financial instruments – At December 31, 2021 and 2020, the carrying values of the Organization's financial instruments approximated fair value.

Accounting pronouncements effective in future periods – In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization's management is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY:

The Organization regularly monitors liquidity required to meet its operating needs and other commitments while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable, and long-term investments.

The Board of Directors has enacted a liquidity policy in order to build and maintain an adequate level of net assets without restrictions to support the Organization's day-to-day operations in the event of unforeseen shortfalls in the form of an operating reserve fund. The target minimum amount in the reserve fund is equal to three months of the approved budget for the following year, which will be calculated and re-evaluated each December. The Board designated operating reserve can be made available to meet operating needs, if necessary.

NOTE 2 – LIQUIDITY AND AVAILABILITY (continued):

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's financial assets available for general expenditure within one year of the balance sheet date are as follows:

	December 31,	
	2021	2020
Cash and cash equivalents	$ 4,847,707	$ 2,516,120
Accounts receivable	237,742	146,801
Pledges receivable	172,500	395,393
Investments	5,380,030	4,496,124
Total financial assets	10,637,979	7,554,438
Less amounts not available to be used within one year:		
Donor imposed restrictions:		
Funds subject to purpose restrictions	1,081,659	469,599
Funds subject to time restrictions	-	167,893
Financial assets available to meet cash needs for general expenditures within one year prior to board designated operating reserve	9,556,320	6,916,946
Less internal designations:		
Operating reserve	1,996,849	1,350,000
Financial assets available to meet cash needs for general expenditures within one year	$ 7,559,471	$ 5,566,946

NOTE 3 – PLEDGES RECEIVABLE:

The Organization's pledges receivable consisted of unconditional promises to give and are due as follows:

	December 31, 2021	December 31, 2020
Receivable in less than one year	$ 172,500	$ 227,500
Receivable in one to five years	-	170,000
	172,500	397,500
Less:		
Discount to net present value	-	2,107
	$ 172,500	$ 395,393

Unconditional promises to give, due in more than one year, are reflected at the present value of estimated future cash flows using a discount rate of 1.00%.

NOTE 4 – INVENTORIES:

The following is a summary of the components of inventory:

	December 31, 2021	December 31, 2020
Raw materials	$ 199,898	$ 274,185
Work in process	32,115	112,065
Finished goods	529,081	661,351
Total inventories	$ 761,094	$ 1,047,601

During the years ended December 31, 2021 and 2020, the Organization reduced the finished goods inventory by $24,564 and $343, respectively, for a lower of cost or market adjustment caused by inventory becoming obsolete.

NOTE 5 – INVESTMENTS:

Accounting standards establish a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

NOTE 5 – INVESTMENTS (continued):

The Organization utilizes the fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level 1. Fair value is determined through quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

Investments measured at fair value on a recurring basis consisted of the following at December 31, 2021:

	Fair Value			
	Level 1	Level 2	Total	Cost
Common stock and mutual funds:				
Materials	$ 90,248	$ -	$ 90,248	$ 72,887
Telecommunication services	424,877	-	424,877	210,745
Consumer discretionary	753,243	-	753,243	187,286
Consumer staples	84,543	-	84,543	65,710
Real estate	121,451	-	121,451	91,837
Energy	50,780	-	50,780	40,003
Financial	966,350	-	966,350	832,302
Health care	484,080	-	484,080	382,695
Information technology	852,263	-	852,263	301,847
Industrials	348,122	-	348,122	221,895
Utilities	35,403	-	35,403	27,644
Corporate bonds	-	1,168,670	1,168,670	1,161,579
	$ 4,211,360	$ 1,168,670	$ 5,380,030	$ 3,596,430

NOTE 5 – INVESTMENTS (continued):

Investments measured at fair value on a recurring basis consisted of the following at December 31, 2020:

	Fair Value			
	Level 1	Level 2	Total	Cost
Common stock and mutual funds:				
Materials	$ 59,956	$ -	$ 59,956	$ 48,185
Telecommunication services	375,643	-	375,643	193,937
Consumer discretionary	690,339	-	690,339	147,822
Consumer staples	64,055	-	64,055	52,075
Real estate	97,986	-	97,986	87,454
Energy	44,825	-	44,825	45,399
Financial	368,739	-	368,739	300,575
Health care	417,120	-	417,120	331,044
Information technology	692,807	-	692,807	254,720
Industrials	259,984	-	259,984	178,407
Utilities	26,075	-	26,075	20,999
Corporate bonds	-	1,398,595	1,398,595	1,367,655
	$ 3,097,529	$ 1,398,595	$ 4,496,124	$ 3,028,272

Investments classified as Level 1 have publicly traded values, which are based on current quoted market prices provided by custodians. Investments classified as Level 2 are publicly traded in a quoted market although not necessarily on a daily basis. Fair values are provided primarily by custodians and are based on pricing models that incorporate available trade, bid, and other market information.

There were no Level 3 investments as of December 31, 2021 or 2020.

NOTE 6 – NET ASSET DESIGNATIONS AND RESTRICTIONS:

A portion of the Organization's net assets without donor restriction was designated by the Board of Directors for a specific purpose as follows:

	December 31,	
	2021	2020
Operating reserve	$ 1,996,849	$ 1,350,000

NOTE 6 – NET ASSET DESIGNATIONS AND RESTRICTIONS (continued):

Net assets with donor restrictions consisted of the following:

	December 31, 2021	December 31, 2020
Subject to expenditure for specified purpose:		
SIGN Spine	$ 752,674	$ 85,103
Mapuor - South Sudan	116,149	91,149
WHH – Expand Orthopaedic Educational Opportunities	85,822	107,500
Skin Graft Project - Dermatomes/UV Lights	35,199	35,054
Conference	28,450	28,450
Mapour - South Sudan - Edith Grobe	20,000	-
Worabe Comprehensive Specialized Hospital	19,487	-
Medical Simulation Skills Institute	10,000	-
Limb Deformity - Training (Gelman/Nolasi)	5,000	5,000
Limb Deformity - Training (Jun Valera)	5,000	-
CURE Children's Hospital	2,602	4,700
Panag'angay, Pagpakabana Sa Pagpanambal	856	856
SIGN Infection Control Project (Clorapactin)	282	8,498
Hospital Regional Universitario - Jose Maria Cabral	138	-
Procedural Learning and Bioskills Lab	-	87,766
WHH – Pelvic Fracture Fellowship	-	10,902
Samburu County Referral Hospital	-	1,989
Nangarhar Baghter Hospital	-	1,892
Al Ahli Arab Hospital	-	740
Subject to passage of time:		
Pledges receivable	172,500	395,393
	$ 1,254,159	$ 864,992

NOTE 6 – NET ASSET DESIGNATIONS AND RESTRICTIONS (continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows:

	December 31,	
	2021	2020
Satisfaction of purpose restriction:		
WHH - Expand Orthopaedic Educational Opportunities	$ 107,500	$ -
Procedural Learning and Bioskills Lab	87,766	-
WHH - Pelvic Fracture Fellowship	10,902	24,500
SIGN Infection Control Project (Clorapactin)	8,216	-
Skin Graft Project - Dermatomes/UV Lights	4,855	-
CURE Children's Hospital	4,700	-
Samburu County Referral Hospital	1,989	1,921
Nangarhar Baghter Hospital	1,892	-
Al Ahli Arab Hospital	740	-
Limb Deformity - Karakin Grant	-	25,000
Mapour - South Sudan	-	20,500
Dawei General Hospital	-	19,000
Pyay General Hospital	-	19,000
Muhimbili National Hospital	-	13,860
Chinhoyi Provincial	-	6,000
St. Walburg's Hospital	-	1,486
SIM Galmi Hospital	-	1,026
Scheer Memorial Hospital	-	401
Expiration of time restrictions:		
Pledges receivable	225,393	1,517,386
	$ 453,953	$ 1,650,080

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN:

In response to the coronavirus disease (COVID-19) outbreak, the United States government responded with relief legislation. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended and expanded under later legislation, among other things, authorized emergency loans to businesses by establishing and providing funding for forgivable bridge loans under the Paycheck Protection Program (PPP). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements are met related to wage rates and maintenance of full-time equivalents.

On April 17, 2020, the Organization received $641,500 from Umpqua Bank under the PPP. The Organization applied for and received forgiveness of the entire amount on December 9, 2020. As such, the loan has been recognized as revenue during the year ended December 31, 2020.

On February 25, 2021, the Organization received a second PPP loan in the amount of $675,130 from Umpqua Bank. Similar to the first PPP loan, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements are met related to wage rates and maintenance of full-time equivalents. Any unforgiven portion of the second PPP, if any, is payable over five years, at an interest rate of 1%, with a deferral of payments until ten months after the Organization's covered period. The Organization applied for and received forgiveness of the entire amount on November 5, 2021. As such, the second PPP loan has been recognized as revenue during the year ended December 31, 2021.

After the SBA reviews and approves the forgiveness amount, they have the right to audit the Organization's compliance for a period of up to six years. The timing and outcome of any SBA review is not known.

NOTE 8 – IN-KIND CONTRIBUTIONS:

The Organization receives a significant amount of donated goods and services from volunteers. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Orthopaedic surgeons have donated their time to assist in training surgeons around the world on SIGN implant surgeries. The fair value of these services is included in professional services below.

In-kind contributions other than contributed services are valued at the contributed item's fair market value and are held for use within the Organization.

NOTE 8 – IN-KIND CONTRIBUTIONS (continued):

In-kind contributions consisted of the following:

	Years Ended December 31, 2021	Years Ended December 31, 2020
Professional services	$ 1,109,570	$ 1,092,820
Medical supplies and equipment	603,403	1,334,738
Stock donations	399,168	66,875
Engineering and production supplies	35,520	73,782
Precious metals	19,834	-
Fundraising supplies	17,422	-
Engineering equipment	6,214	66,000
Facility rent	5,400	5,400
Educational travel costs	923	11,765
	$ 2,197,454	$ 2,651,380

NOTE 9 – LEASE COMMITMENTS AND INCOME:

Lease income:

The Organization began leasing part of the building to a tenant on February 1, 2019, under an operating lease expiring in December 2023. The lease requires monthly payments of $5,300 and includes an option to renew for five additional one-year terms.

Projected rental receipts are as follows:

Years Ending December 31,	Amount
2022	$ 63,600
2023	63,600

Lease expense:

The Organization leases workspace in Portland, Oregon, under an annual lease with a board member. The lease renews automatically on its anniversary date but can be terminated by either party with 60 days written notice. The lease has a monthly fair value of $950 and requires monthly payments of $500. Donated rent from the board member was $5,400 for each year ended December 31, 2021 and 2020.

NOTE 9 – LEASE COMMITMENTS AND INCOME (continued):

Lease expense (continued):

The Organization also leases office equipment under an operating lease. The lease requires monthly payments of $225 and expires December 2023.

Future minimum lease payments are as follows (excluding in-kind rent donation):

Years Ending December 31,	Amount
2022	$ 8,700
2023	2,700

The total rent expense for the years ended December 31, 2021 and 2020, was $16,533 and $18,953, respectively.

NOTE 10 – SELF INSURANCE:

The Organization has elected to opt-out of participation in the Washington State Employment Security Program. The Organization instead utilizes a third-party administrator (the Trust) to manage unemployment claims. Contributions to the Trust are accumulated and used to pay claims made by past employees. The Organization could be required to make additional payments if claims exceed the accumulated contributions. As of December 31, 2021 and 2020, the prepaid insurance balance was $72,167 and $56,911, respectively, and is included in prepaid expenses. The ultimate costs of claims are accrued when billed. Although the liability cannot be estimated, the Organization's management believes the ultimate liability will not have a material adverse effect on their financial position or activities.

NOTE 11 – RETIREMENT PLAN:

The Organization sponsors a 401(k)-profit sharing plan. The 401(k) plan covers eligible employees and allows them to contribute to the plan on a tax-deferred basis. The Organization contributes a matching amount, not to exceed 4% of the participant's compensation for the plan year. Profit sharing contributions are made at the discretion of the Organization. For the years ended December 31, 2021 and 2020, the Organization incurred retirement expense of $113,656 and $115,466, respectively.

NOTE 12 – CONCENTRATIONS:

Four and two donors accounted for 70% and 24% of contribution revenue (net of discount on pledges receivable) during the years ended December 31, 2021 and 2020, respectively. One and two donors accounted for 87% and 74% of pledges receivable as of December 31, 2021 and 2020, respectively.

NOTE 13 – RISKS AND UNCERTAINTIES:

In March 2020, the federal government and the state of Washington issued guidelines for businesses to limit personal working conditions due to the virus COVID-19. The impact of these guidelines is widespread and specific impacts on the Organization, its donors, customers, vendors, and lessees cannot be predicted. Management is closely monitoring the situation and is limiting any potential negative impacts and disruptions to operations within their control. However, COVID-19 may affect the future revenue and expenses, as well as the recognition and measurement of assets and liabilities, of the Organization.

NOTE 14 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through June 20, 2022, which is the date the financial statements were available to be issued.