

**D-REV: DESIGN FOR THE OTHER NINETY PERCENT**  
**(A NONPROFIT PUBLIC BENEFIT CORPORATION)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018)**

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INDEPENDENT AUDITOR'S REPORT

September 28, 2020

Board of Directors  
D-Rev: Design for the Other Ninety Percent  
San Francisco, California

***Report on the Financial Statements***

I have audited the accompanying financial statements of D-Rev: Design for the Other Ninety Percent (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D-Rev: Design for the Other Ninety Percent as of December 31, 2019, 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.

***Report on Summarized Comparative Information***

I have previously audited the D-Rev: Design for the Other Ninety Percent 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated May 30, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Healy and Associates*

Healy and Associates  
Concord, California

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## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 988,420	\$ 742,610
Accounts and grants receivable	313,037	450,000
Product inventory	3,474	26,340
Prepaid expenses	<u>28,039</u>	<u>21,289</u>
TOTAL CURRENT ASSETS	1,332,970	1,240,239
Accounts and grants receivable, long-term	-	261,373
Fixed assets, net	34,344	37,743
Intangible assets, net	4,581	7,943
Deposits	<u>7,875</u>	<u>7,875</u>
TOTAL ASSETS	<u>\$ 1,379,770</u>	<u>\$ 1,555,173</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 21,759	\$ 38,258
Accrued payroll and PTO payable	40,691	72,117
Tenant deposit	2,914	2,914
Note payable - current portion	-	100,000
Notes payable - accrued interest payable	<u>-</u>	<u>625</u>
TOTAL CURRENT LIABILITIES	65,364	213,914
Long-term notes payable	<u>-</u>	<u>300,000</u>
TOTAL LIABILITIES	<u>65,364</u>	<u>513,914</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	897,739	351,577
With donor restrictions	<u>416,667</u>	<u>689,682</u>
TOTAL NET ASSETS	<u>1,314,406</u>	<u>1,041,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,379,770</u>	<u>\$ 1,555,173</u>

See Notes to Financial Statements

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## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Without Donor	With Donor	Total All Funds	
	Restrictions	Restrictions	2019	2018
<b><u>SUPPORT AND REVENUE</u></b>				
Grants, awards, and contributions	\$ 1,620,623	\$ 698,627	\$ 2,319,250	\$ 1,810,089
Government contracts	195,977	-	195,977	200,000
Product sales	2,641	-	2,641	16,496
Product licensing and royalties	-	-	-	9,395
Other	179	-	179	(54)
Sublet rental income	44,820	-	44,820	35,232
In-kind services	241,209	-	241,209	121,200
	<u>2,105,449</u>	<u>698,627</u>	<u>2,804,076</u>	<u>2,192,358</u>
Net assets released from restrictions	<u>971,642</u>	<u>(971,642)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,077,091</u>	<u>(273,015)</u>	<u>2,804,076</u>	<u>2,192,358</u>
<b><u>EXPENSES</u></b>				
Program services	1,866,728	-	1,866,728	1,584,420
Administration	441,886	-	441,886	288,734
Fundraising	222,315	-	222,315	277,983
TOTAL EXPENSES	<u>2,530,929</u>	<u>-</u>	<u>2,530,929</u>	<u>2,151,137</u>
CHANGE IN NET ASSETS	546,162	(273,015)	273,147	41,221
NET ASSETS, beginning of year	<u>351,577</u>	<u>689,682</u>	<u>1,041,259</u>	<u>1,000,038</u>
NET ASSETS, end of year	<u>\$ 897,739</u>	<u>\$ 416,667</u>	<u>\$ 1,314,406</u>	<u>\$ 1,041,259</u>

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## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program			Total All Funds	
	Services	Administration	Fundraising	2019	2018
Salaries and wages	\$ 883,422	\$ 52,198	\$ 159,011	\$ 1,094,631	\$ 1,078,418
Payroll taxes	64,731	3,877	11,718	80,326	83,263
Employee benefits	117,749	37,302	7,309	162,360	101,132
Total personnel costs	1,065,902	93,377	178,038	1,337,317	1,262,813
Professional fees	362,341	74,266	7,110	443,717	345,879
In-kind services	2,414	238,795	-	241,209	121,200
Travel and meals	151,971	2,462	7,490	161,923	143,494
Occupancy	106,906	6,533	18,543	131,982	110,055
Communications and equipment	20,039	10,787	5,074	35,900	24,400
Utilities	21,099	4,516	2,591	28,206	19,093
Marketing	28,038	-	-	28,038	242
Event	19,597	374	143	20,114	15,988
Conferences and events	15,078	-	-	15,078	3,211
Supplies and materials	13,948	-	-	13,948	5,963
Product research and development	13,106	-	-	13,106	5,849
Cost of goods sold	10,865	-	-	10,865	10,537
Depreciation and amortization	10,122	-	-	10,122	11,197
Insurance	5,499	3,548	197	9,244	8,890
Office supplies	2,549	3,318	746	6,613	3,043
Postage, printing, and copying	5,417	861	172	6,450	1,982
Other expenses	3,773	199	90	4,062	2,288
Dues and memberships	3,668	35	300	4,003	6,465
Taxes and fees	1,956	895	(87)	2,764	11,367
Interest and bank charges	475	(199)	1,908	2,184	4,370
Payroll service fees	-	2,119	-	2,119	1,580
General business development	1,965	-	-	1,965	31,231
Total expenditures	\$ 1,866,728	\$ 441,886	\$ 222,315	\$ 2,530,929	\$ 2,151,137

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## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Total All Funds	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 273,147	\$ 41,221
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	10,122	11,197
Forgiveness of note payable	(400,000)	-
	(116,731)	52,418
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) decrease in:		
Grants and accounts receivable	398,336	552,810
Inventory	22,866	7,775
Prepaid expenses	(6,750)	50,281
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,550)	26,291
NET CASH PROVIDED BY OPERATING ACTIVITIES	249,171	689,575
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible, net of disposals	(3,361)	-
NET CASH USED BY INVESTING ACTIVITIES	(3,361)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable	-	(100,000)
NET CASH USED BY FINANCING ACTIVITIES	-	(100,000)
NET CHANGE IN CASH	245,810	589,575
CASH AND CASH EQUIVALENTS, beginning of year	742,610	153,035
CASH AND CASH EQUIVALENTS, end of year	\$ 988,420	\$ 742,610
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ -	\$ 1,822



## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE A – NATURE OF ACTIVITIES

D-Rev: Design for the Other Ninety Percent (D-Rev or Organization) is a California non-profit corporation headquartered in San Francisco, California with team members based in India and East Africa. D-Rev believes no one should die or suffer from an easily treatable health condition. Its mission is to design and deliver user-centric medical technologies that close the quality healthcare gap for underserved populations.

The Organization's primary source of support is grants and contributions from foundations, corporations, and individuals. The Organization delivers its products via a market-driven model to over 50 countries, predominantly in South Asia, SE Asia, and Sub-Saharan Africa.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**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. These net assets may be used at the discretion of the Organization's management and the board of directors.

**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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization 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, and those differences could be material.

##### Tax Exemption Status

The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no uncertain tax positions that require recognition or disclosure in the financial statements.

##### Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

##### Accounts and Grants Receivable

Accounts and grants receivable are stated at the amounts management expects to collect from outstanding balances. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2019 and 2018.

##### Inventory

Product inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out method. Management performs periodic assessments to determine the existence of obsolete, slow moving and non-salable inventories, and records necessary provisions to reduce such inventories to net realizable value.

##### Fixed Assets

Fixed asset additions in excess of \$5,000 are recorded at cost or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

**Level 1**— Quoted prices for identical assets and liabilities in active markets.

**Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

**Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

##### Revenue Recognition - Contributions

The Organization is supported primarily through grants and contributions from foundations, individuals, and corporations. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

In accordance with accounting principles generally accepted in the United States of America, the Organization records the present value of the estimated future cash flows for contributions that exceed one year.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition – Product Sales

Sales of products are recognized as revenue when the product ships or evidence of a sale exists. Deferred revenue, if any, represents funds received for products not yet shipped to customers.

##### Donated Services and In-Kind Contributions

The Organization receives goods and services, which are donated for carrying out its mission. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. The Organization recognized \$241,209 and \$121,200 in donated services during the year ended December 31, 2019 and 2018, respectively.

##### Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs, such as general and administrative expenses, include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on employee time spent in the functional area.

##### Comparative Information and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Newly Adopted Accounting Principles

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard on January 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

##### Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (“IFRS”), the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2019. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2019 to January 1, 2020, while allowing for early adoption as of January 1, 2019 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

**D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating impact of adopting this new guidance on its financial statements.

NOTE C – CONCENTRATIONS

At December 31, 2019 and 2018, 96% and 96% of accounts receivable are due primarily from two funders. For the years ended December 31, 2019 and 2018, the Organization received approximately 45% and 62% of revenue from three and four donors, respectively. The loss of this funding could have an impact on the Organization's ability to operate its programs.

The Organization manages deposit concentration risk by placing assets with financial institutions believed to be creditworthy. Total cash held by the Organization at December 31, 2019, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by \$771,097. It is the opinion of management that the solvency of the financial institution is not of concern at this time.

NOTE D – ACCOUNTS AND GRANTS RECEIVABLE

As of December 31, 2019 and 2018, accounts and grants receivable consist of the following:

<u>Amount Due</u>	<u>2019</u>	<u>2018</u>
Within one year	\$ 313,037	\$ 450,000
Within two to five years	-	261,373
	<u>\$ 313,037</u>	<u>\$ 711,373</u>

Grants that exceed two years are discounted to the present value. As of December 31, 2019 and 2018, the Organization has a discount on receivables of \$0 and \$38,627, respectively, using a discount rate of 3.69%.

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## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

**NOTE E – FIXED ASSETS**

Fixed assets by major classes at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Computers, furniture, and equipment	\$ 23,394	\$ 16,808
Leasehold improvements	19,613	19,613
Tooling for products	66,050	66,050
	<u>109,057</u>	<u>102,471</u>
Less: Accumulated depreciation	(74,713)	(64,728)
Total fixed assets, net	<u>\$ 34,344</u>	<u>\$ 37,743</u>

Depreciation expense for the years ended December 31, 2019 and 2018 is \$9,985 and \$9,703, respectively.

**NOTE F – INTANGIBLE ASSETS**

Intangible assets at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Intellectual property - Patents	\$ 4,719	\$ 9,437
Less: Accumulated amortization	(138)	(1,494)
Total intangible assets	<u>\$ 4,581</u>	<u>\$ 7,943</u>

Amortization expense for the years ended December 31, 2019 and 2018 is \$137 and \$1,494, respectively.

**NOTE G – NOTE PAYABLE**

During the years ended December 31, 2014 and 2013, the Organization entered into unsecured promissory notes with a foundation in the amounts of \$250,000 and \$250,000, respectively, for a total available of \$500,000. The funds were to be used to support general D-Rev operations with the expectation of launching three neonatal products, along with the global launch and scale of the ReMotion Knee. The loan agreement was modified on June 4, 2018, to mature on December 15, 2021, and bear interest at a below market rate of 0.25% per annum. Interest, if imputed, would not be material to these financial statements taken as a whole.

On February 28, 2019, the remaining balance of \$400,000 was forgiven by the foundation and converted into a contribution. At December 31, 2019 and 2018, the Organization owed \$0 and \$400,000, respectively. Total interest expense for the year ended December 31, 2019 and 2018 is \$0 and \$1,822, respectively.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE H – COMMITMENTS AND CONTINGENCIES

The Organization leases the office facility in San Francisco under a non-cancelable operating lease agreement through August 2022. The base rent is \$13,125 per month increasing at a rate of 3% annually. The Organization also subleases 1,669 rentable square feet of space at a monthly rate of approximately \$4,200 increasing at a rate of 3% annually through August 2022. The Organization recognized approximately \$44,820 in sublet rental income from this arrangement.

The Organization's future minimum lease payments as of December 31, 2019 are as follows:

<u>Years ended December 31</u>	<u>Lease Commitment</u>
2020	\$ 165,072
2021	\$ 163,847
2022	\$ 111,394

The Organization recognized \$131,982 and \$110,055 in rental expense for the year ended December 31, 2019 and 2018, respectively.

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. Management believes the Organization has complied with the terms of all grants.

#### NOTE I – EMPLOYEE BENEFITS

Employees of the Organization are entitled to paid time-off (PTO) and gain a vested right to accumulated PTO. Accrued PTO was \$29,752 and \$27,569 as of December 31, 2019 and 2018, respectively, as reflected in the statement of financial position.

Effective January 1, 2013, the Organization adopted a 401(k) benefit plan covering substantially all qualified employees. In addition to employee contributions, the Organization is committed to match a portion of non-highly compensated employees' contributions. The Organization's total matching contribution for the 2019 and 2018 plan year was \$21,110 and \$23,236, respectively.



**D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

**NOTE J – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 988,420
Grants and accounts receivable	313,037
Total financial assets	<u>1,301,457</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(416,667)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$884,790</u></u>

As part of the Organization's liquidity management, D-Rev has a goal to maintain financial assets on hand to meet 60 days of normal operating expense, which are, on average, approximately \$300,000. D-Rev has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE K – NET ASSETS WITH DONOR RESTRICTIONS**

Activity in net assets with donor restrictions for the year ended December 31, 2019, consists of the following:

<u>Nature of Restriction</u>	<u>Beginning Balance</u>	<u>Income and Contributions</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Time restricted	\$ 561,373	\$38,627	\$ (300,000)	\$ 300,000
Brilliance/newborn health	-	220,000	(220,000)	-
Intern	-	15,000	(15,000)	-
New product development	128,309	425,000	(436,642)	116,667
Total	<u>\$ 689,682</u>	<u>\$698,627</u>	<u>\$ (971,642)</u>	<u>\$ 416,667</u>

**NOTE L – RELATED PARTY TRANSACTIONS**

In March 2019, the Organization engaged one of their Board members to serve as Interim COO. The individual was compensated during the year in the amount of \$15,400.

## **D-REV: DESIGN FOR THE OTHER NINETY PERCENT**

### **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### **NOTE M – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events for recognition and disclosure through September 28, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019, that required recognition or disclosure in the financial statements.

In January 2020, the Organization created D-Rev India Private Limited, an incorporated subsidiary entity in India, to expand operations abroad.

In July 2020, the Organization received a Small Business Administration Economic Injury Disaster Loan for \$149,900. The loan is a 30 year loan with a 2.75% interest rate.

In April 2020, the Organization received approximately \$285,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The Organization intends to use the funds on eligible expenses and seek forgiveness in 2020 and record the grant revenue. However, the actual amount the Organization will earn or need to repay on the loan funds for any unearned portion cannot be determined.

In 2020, the Organization amended their 401(k) plan such that non-highly compensated people will have a 100% match up to 4% of their salary and highly compensated employees will have a 50% match up to 4% of their salary.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.