

REMOTE AREA MEDICAL

Knoxville, Tennessee

FINANCIAL STATEMENTS

December 31, 2022





PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Remote Area Medical
Knoxville, Tennessee

Opinion

We have audited the financial statements of Remote Area Medical (the "Organization") which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Remote Area Medical as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 GAAS 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.



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Members of the Tennessee Society
Of Certified Public Accountants

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 5, 2023

REMOTE AREA MEDICAL
STATEMENT OF FINANCIAL POSITION
As of December 31, 2022

ASSETS

CURRENT ASSETS

| | |
|-------------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 13,165,505 |
| Other Receivable | 81,055 |
| Investments | 678,262 |
| Prepaid Expenses | 307,957 |
| Medical, Dental and Vision Supplies | <u>1,198,055</u> |
| Total Current Assets | 15,430,834 |

PROPERTY AND EQUIPMENT, NET

5,064,413

OTHER ASSETS

130

TOTAL ASSETS

\$ 20,495,377

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|----------------------------------|----------------|
| Accounts Payable | \$ 113,091 |
| Accrued Liabilities | <u>98,962</u> |
| Total Current Liabilities | <u>212,053</u> |

TOTAL LIABILITIES

212,053

NET ASSETS

| | |
|---------------------------------------|-------------------|
| Net Assets Without Donor Restrictions | 19,756,710 |
| Net Assets With Donor Restrictions | <u>526,614</u> |
| Total Net Assets | <u>20,283,324</u> |

TOTAL LIABILITIES AND NET ASSETS

\$ 20,495,377

REMOTE AREA MEDICAL
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--|--|---|----------------------|
| REVENUES AND PUBLIC SUPPORT | | | |
| General Contributions | \$ 4,959,994 | \$ 2,733,686 | \$ 7,693,680 |
| Contributed Nonfinancial Assets | 4,556,406 | 0 | 4,556,406 |
| Special Events Revenue | 32,386 | 0 | 32,386 |
| Gain on Sales of Assets | 142,000 | 0 | 142,000 |
| Net Investment Income (Loss) | (41,892) | 0 | (41,892) |
| Other Revenue | 354 | 0 | 354 |
| Total Revenues and Public Support | <u>9,649,248</u> | <u>2,733,686</u> | <u>12,382,934</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>2,558,889</u> | <u>(2,558,889)</u> | <u>(0)</u> |
| TOTAL REVENUES AND PUBLIC SUPPORT | <u>12,208,137</u> | <u>174,797</u> | <u>12,382,934</u> |
| EXPENSES | | | |
| Program Services | 8,199,765 | 0 | 8,199,765 |
| Management and General | 826,822 | 0 | 826,822 |
| Fundraising | 813,841 | 0 | 813,841 |
| TOTAL EXPENSES | <u>9,840,428</u> | <u>0</u> | <u>9,840,428</u> |
| CHANGE IN NET ASSETS | 2,367,709 | 174,797 | 2,542,506 |
| NET ASSETS, BEGINNING OF YEAR | <u>17,389,001</u> | <u>351,817</u> | <u>17,740,818</u> |
| NET ASSETS, END OF YEAR | <u>\$ 19,756,710</u> | <u>\$ 526,614</u> | <u>\$ 20,283,324</u> |

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|------------------------------|-------------------|---------------------|
| In-Kind Value of Volunteer Hours | \$ 3,409,938 | \$ 0 | \$ 0 | \$ 3,409,938 |
| Payroll, Taxes and Benefits | 2,236,794 | 537,040 | 426,688 | 3,200,522 |
| Direct Expedition Expenses | 300,499 | 0 | 36 | 300,535 |
| Travel | 766,999 | 7,031 | 21,042 | 795,072 |
| Aviation | 136,334 | 155 | 0 | 136,489 |
| Affiliate Expenses | 59,577 | 0 | 0 | 59,577 |
| Public Relations and Fundraising | 50,409 | 170 | 83,207 | 133,786 |
| Legal and Professional Fees | 96,532 | 59,632 | 28,201 | 184,365 |
| Computer and Internet | 250,778 | 62,734 | 64,494 | 378,006 |
| Conferences and Meetings | 15,473 | 4,549 | 2,688 | 22,710 |
| Credit Cards and Other Service Fees | 14,482 | 195 | 0 | 14,677 |
| Equipment and Tools | 176,172 | 7,152 | 2,383 | 185,707 |
| Equipment Rentals | 19,300 | 594 | 594 | 20,488 |
| Facilities | 51,663 | 3,438 | 1,175 | 56,276 |
| Insurance | 137,495 | 9,420 | 0 | 146,915 |
| Licenses and Fees | 40,962 | 4,651 | 9,500 | 55,113 |
| Office Supplies and Expenses | 60,093 | 2,816 | 58,303 | 121,212 |
| Postage and Delivery | 15,973 | 26,957 | 38,228 | 81,158 |
| Repairs and Maintenance | 43,211 | 35 | 0 | 43,246 |
| Telephone | 6,416 | 1,047 | 893 | 8,356 |
| Utilities | 36,332 | 8,513 | 1,452 | 46,297 |
| Depreciation | 222,781 | 74,260 | 74,260 | 371,301 |
| Insurance Loss Expense | 0 | 14,340 | 0 | 14,340 |
| Miscellaneous | 51,552 | 2,093 | 697 | 54,342 |
| TOTAL EXPENSES | \$ 8,199,765 | \$ 826,822 | \$ 813,841 | \$ 9,840,428 |

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022

| | |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in Net Assets | \$ <u>2,542,506</u> |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Depreciation | 371,301 |
| (Gain) Loss on Disposition of Property | (142,000) |
| Realized (Gain) Loss on Investments | (22,618) |
| (Increase) Decrease in Assets: | |
| Other Receivables | (81,055) |
| Prepaid Expenses | (25,570) |
| Medical Supplies Inventory | (628,725) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 7,232 |
| Accrued Expenses | 39,931 |
| Total Adjustments | <u>(481,504)</u> |
| Net Cash Provided by Operating Activities | <u>2,061,002</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Sale of Investments | 772,026 |
| Purchase of Investments | (1,352,816) |
| Proceeds from Disposition of Property | 142,000 |
| Purchase of Property and Equipment | <u>(1,332,212)</u> |
| Net Cash Used in Investing Activities | <u>(1,771,002)</u> |
| NET INCREASE IN CASH | 290,000 |
| CASH AT BEGINNING OF YEAR | <u>12,875,505</u> |
| CASH AT END OF YEAR | <u>\$ <u>13,165,505</u></u> |
| Supplemental Disclosure of Non-Cash Investing Activities : | |
| Contributions of Property and Equipment | \$ 500,000 |

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Remote Area Medical ("RAM" or "The Organization") is a nonprofit organization with headquarters in Knoxville, Tennessee, and is committed to providing mobile medical services in medically deprived areas throughout the world and the United States. RAM provides medical, dental, veterinary, and ophthalmic services through a volunteer corps of doctors, veterinarians, nurses, and technicians. These volunteers go on expeditions mostly at their own expense, treating hundreds of patients a day. In addition to the services provided by medical volunteers, RAM is dependent upon the volunteer services of expedition support staff, contributions of supplies, equipment and medicines, and monetary support to fulfill its objectives.

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards ASU 2016-14. The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates those resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as such in the statement of activities. The Organization has donations with donor restrictions at December 31, 2022 of \$526,614 (See Note 9).

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Indirect expenses are allocated among the program and supporting services benefited, based on revenues or estimates of time and effort.

Cash and Cash Equivalents - The Organization's cash and cash equivalents include money market funds and certificates of deposit held at various financial institutions. For purposes of the statement of cash flows, the Organization considers certificates of deposits and highly liquid debt instruments to be cash equivalents, unless permanently restricted. The fair value of cash equivalents does not differ materially from the carrying value due to the short maturities of the instruments.

Investments - The Organization's investments are carried at their estimated fair values in the state of financial position. Fair value of the Organization's investments is based on quoted market prices. Investment transactions are recorded on trade date. Any realized and/pr unrealized gain or loss is reported in the statement of activities. Dividend and interest income is accrued when earned.

Revenue Recognition - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Assets received in conditional contributions are accounted for as refundable advances until the conditions have been substantially met.

The Organization recognizes revenue from exchange transactions in accordance with FASB ASC 606, Revenue from Contracts with Customers. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Remote Area Medical recorded the following exchange transaction revenue in its statements of activities and changes in net assets for the year ended December 31, 2022:

Special Events - Remote Area Medical conducts special events in which a portion of the gross proceeds paid by the participant or sponsor represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Remote Area Medical. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by Remote Area Medical. FASB ASC 606 requires allocation of the transaction price to the performance obligation. Accordingly, the Organization discloses this allocation in Note 11. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Property and Equipment - Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over forty years for real property and five to ten years for other property. It is the Organization's policy to expense additions to property and equipment with individual costs of less than \$5,000. Construction in progress represents costs incurred on projects or the construction of assets that have not been completed or placed in service as of the end of the year. Expenditures for repairs and maintenance are charged to expense when incurred, while the costs of major improvements that materially extend the useful lives of depreciable assets are capitalized.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets - Donated property and equipment are recorded at the estimated fair value at the date of receipt. Donated services are recognized as contributions if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by RAM.

Donated Services - The accomplishment of the Organization's mission is entirely dependent upon volunteers. RAM requires a staff of medical professionals who provide specialized treatment to patients. These professionals include physicians, registered nurses, dentists, veterinarians, and optometrists. The value of the services provided by such individuals is recorded in the financial statements based on national averages established by the United States Department of Labor. In-kind contributions of donated services totaled \$3,409,938 for the year ended December 31, 2022.

RAM also utilizes other volunteers to assist the medical professionals in the treatment of patients and in support of office operations. These donated services are not reflected in the financial statements but have an estimated value of approximately \$107,329 for the year ended December 31, 2022.

Donated Materials - Other noncash donations totaling \$639,682 for the year ended December 31, 2022, have been recorded as contributions in-kind and expenses, or medical, dental and vision supply assets, in the financial statements. The value of donated medicines and some other medical supplies are not reflected in the accompanying financial statements since there is no objective basis available to measure the value of such materials, many of which are perishable. These donations are generally received from medical, dental and vision suppliers.

Property and Equipment - Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent explicit donor stipulations about how long assets must be maintained, RAM reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets. These donations are generally received from other nonprofits or private donors.

Travel In-Kind - The Organization's expeditions periodically require volunteers to travel to remote locations. In most situations, the volunteers are responsible for providing their own transportation resulting in an in-kind donation of travel costs. The value of these contributions is not reflected in the accompanying financial statements because information is not currently available to compute the amount of the expenses incurred.

Advertising and Marketing - The Organization recognizes expense for public relations and promotional costs as incurred. The Organization recognized a total of \$63,985 in public relations and promotional expenses in the year ended December 31, 2022.

Income Tax Status - Remote Area Medical is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision for income taxes is made in the accompanying financial statements as the Organization has no net unrelated business income. The Organization is no longer subject to examinations by tax authorities for years before 2019.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards - In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which applies to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The Organization has adopted this guidance for the year ended December 31, 2022. The adoption of ASU 2020-07 impacted certain disclosures of the Organization’s financial statements. See Note 10.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Organization’s financial statements.

Recent Accounting Pronouncements - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. This ASU is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of this new guidance and does not expect the impact on its financial statements to be significant.

Evaluation of Subsequent Events - Management has evaluated subsequent events through December 5, 2023, which is the date the financial statements were available to be issued. See Note 16.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover approximately 600 days of general expenditures. Financial assets in excess of daily cash requirements may be invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Organization’s financial assets as of December 31, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

| | |
|---|-----------------------------|
| Financial Assets at Year End: | |
| Cash and Cash Equivalents | \$ 13,165,505 |
| Receivables | 81,055 |
| Investments | <u>678,262</u> |
| Total Financial Assets | 13,924,822 |
| Less Amounts Not Available to be Used Within One Year: | |
| None | <u>0</u> |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | <u><u>\$ 13,924,822</u></u> |

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash in bank accounts at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per legal ownership. The cash balances on deposit in excess of FDIC coverage as of December 31, 2022 totaled approximately \$7,197,700.

In addition, the Organization also holds cash and cash equivalents and investments in Securities Firms. The Securities Firms are members of the Securities Investor Protection Corporation (SIPC), which protects securities accounts up to a maximum of \$500,000 per customer, including \$250,000 in cash balances. Cash and cash equivalents and investment balances held in Securities Firms in excess of protected amounts totaled approximately \$4,157,200 as of December 31, 2022. In addition, these funds are subject to market risk.

NOTE 4 - CASH AND INVESTMENTS

The balances in Cash and Cash Equivalents and Investments as of December 31, 2022 include:

| | |
|--|----------------------|
| Cash and Cash Equivalents | |
| Bank Accounts and Certificates of Deposit | \$ 9,186,585 |
| Securities Firm Cash and Certificates of Deposit | <u>3,978,920</u> |
| Total Cash and Cash Equivalents | <u>\$ 13,165,505</u> |
| Investments | |
| Common Stocks and Options | \$ 74,123 |
| Mutual Funds and Exchange Traded Funds | <u>604,139</u> |
| Total Investments | <u>\$ 678,262</u> |

NOTE 5 - FAIR VALUE MEASUREMENTS

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset and liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

A description of valuation methodologies used for assets and liabilities recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is shown below. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Equity Securities: Value measurement for these securities is based upon quoted prices. These measurements are obtained from a service provider who considers observable data from active exchanges.

Mutual Funds: These funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange Traded Funds (ETFs): Valued at the daily closing price as reported by the fund. ETF's hold assets such as stocks, bonds or commodities and trade close to its daily NAV. ETF's held by the Organization are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2022:

| | <u>Fair Value</u> | <u>Fair Value Measurement Using:</u> | | |
|--|-------------------|--------------------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>December 31, 2022</u> | | | | |
| Equity Securities | \$ 74,123 | \$ 74,123 | \$ 0 | \$ 0 |
| Mutual Funds and Exchange Traded Funds | <u>604,139</u> | <u>604,139</u> | <u>0</u> | <u>0</u> |
| | <u>\$ 678,262</u> | <u>\$ 678,262</u> | <u>\$ 0</u> | <u>\$ 0</u> |

NOTE 6 - INVESTMENT INCOME

The following summarizes the investment income in the statement of activities for the year ended December 31, 2022:

| | |
|--------------------------------|--------------------|
| Interest and Dividends | \$ 17,903 |
| Realized Gains (Losses) | 22,618 |
| Unrealized Gains (Losses) | <u>(82,413)</u> |
| Total Investment Return (Loss) | <u>\$ (41,892)</u> |

NOTE 7 - OTHER RECEIVABLE

As of December 31, 2022, the Organization has a receivable in the amount of \$81,055, which consists of \$135,000 for proceeds resulting from the sale of an airplane, net of \$53,945 donations from RAM to the entity holding the proceeds. The funds are held by a separate organization outside of the United States and RAM is in the process of repatriating the funds subsequent to December 31, 2022.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022:

| | | |
|--|----|-------------------------|
| Donated Caravans | \$ | 1,497,615 |
| Equipment | | 2,256,527 |
| Buildings | | 2,203,691 |
| Land and Improvements | | 1,377,532 |
| Vehicles and Mobile Equipment | | 1,891,348 |
| Furniture | | 136,717 |
| Construction in Progress | | <u>971,511</u> |
| Total | | 10,334,941 |
| Less: Accumulated Depreciation | | <u>(5,270,528)</u> |
| Net Book Value of Property and Equipment | \$ | <u><u>5,064,413</u></u> |

Total property and equipment includes assets totaling \$500,000 donated in the year ended December 31, 2022. The value of donated medical equipment is estimated by the medical professionals who work with RAM. The value of all other donated assets is determined with reference to published sources.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of cash and cash equivalents and are restricted for the following purposes as of December 31, 2022:

| | | |
|----------------------|----|-----------------------|
| Training Materials | \$ | 406,250 |
| Aircraft Maintenance | | 70,116 |
| Haiti | | 44,648 |
| Philippines | | 4,095 |
| Washington D.C. Area | | 1,305 |
| Africa Expedition | | <u>200</u> |
| | \$ | <u><u>526,614</u></u> |

NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization is dependent upon donated materials and services from diverse groups to fulfill its mission. For the year ended December 31, 2022, donated materials and services recorded in the financial statements as in-kind contributions totaled \$4,556,406.

Contributed nonfinancial assets consist of the following:

| | | |
|---|----|-------------------------|
| Medical and Health Services | \$ | 3,409,938 |
| Materials and Other Supplies | | 639,682 |
| Vehicles and Equipment | | 500,000 |
| Consumable Supplies for Fundraising Event | | <u>6,786</u> |
| | \$ | <u><u>4,556,406</u></u> |

RAM recognizes contributed nonfinancial assets within revenue including contributed property, services and supplies. The Organization typically does not monetize the above assets, but rather uses them in their programs and operations. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized consists primarily of volunteer medical professionals who provide specialized treatment to patients and the value of services provided is based on national averages established by the United States Department of Labor.

NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS (Continued)

In valuing contributed medical and health materials and supplies and other consumable supplies, the Organization estimates the fair values based on estimated wholesale values that would be received for selling similar products in the United States.

Contributed vehicles and equipment consists of a pre-owned dental trailer vehicle received from another nonprofit organization and was valued based on estimates of market value for similar items.

NOTE 11 - SPECIAL EVENTS REVENUE

RAM typically has one annual fundraising event. Gross receipts from this event consists of exchange transaction revenue and contribution revenue. In accordance with FASB ASC 606, the Organization is required to separately present the components of this revenue for the year ended December 31, 2022.

| | | |
|----------------------|----|-----------------------|
| Contribution Revenue | \$ | 72,080 |
| Gifts in Kind | | 6,786 |
| Exchange Revenue | | <u>32,386</u> |
| Gross Revenue | \$ | <u><u>111,252</u></u> |

NOTE 12 - RETIREMENT PLAN

The Organization has established a Simple IRA defined contribution retirement plan. Employees are eligible to participate immediately upon employment. The Organization matches employee contributions up to 3% of compensation. Retirement benefit expense for the year ended December 31, 2022 totaled \$61,511.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization uses companies owned by Board members to service aircraft and purchase certain supplies. The Board members all sign a Board Awareness and Conflict of Interest statement. Amounts paid to these companies totaled approximately \$110,074 during the year ended December 31, 2022.

NOTE 14 - CONCENTRATION

Approximately 46% of contributions during the year ended December 31, 2022 were from two donors. Of these two donors, one provided two grants that consisted of over 32% of total contributions revenue in 2022.

NOTE 15 - RISKS AND UNCERTAINTIES RELATED TO FOREIGN OPERATIONS

The Organization's foreign operations are subject to various risks, including compliance with foreign laws, economic or political uncertainties, oversight of the Organization's activities, and oversight of Organization representatives. The Organization has limited foreign operations.

NOTE 16 - CONTINGENCIES / SUBSEQUENT EVENT

In the normal course of operations, Remote Area Medical is subject to lawsuits, claims and regulatory oversight covering a wide range of matters. Management believes that any potential additional liability in excess of the amounts accrued in the financial statements that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Organization.

In July 2023, the Organization brought legal proceedings against a former employee and seeks restitution. Additionally, the Organization filed an insurance claim in 2023 related to losses incurred as a result of this matter and expects to collect approximately \$250,000 from its insurance provider. At this time, a reasonable outcome of the legal matter is unable to be determined. These financial statements do not include an adjustment for any potential contingency or recovery that may occur as a result of this matter; any such events will be recognized when they are realized.