D-REV: DESIGN FOR THE OTHER 90%

(A Colorado Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2013

D-REV: DESIGN FOR THE OTHER 90%

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RINA

Independent Auditors' Report

The Board of Directors
D-Rev: Design for the Other 90%

We have audited the accompanying financial statement of D-Rev: Design for the Other 90%, a Colorado not-for-profit corporation, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D-Rev: Design for the Other 90%, as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RINA Accountancy Corporation

Certified Public Accountants

San Francisco, California
November 12, 2014

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STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2013

ASSETS

CURRENT:		
Cash and cash equivalents	$	357,179
Grants and accounts receivable		108,472
Prepaid expenses		4,177
TOTAL CURRENT ASSETS		469,828
PROPERTY AND EQUIPMENT, net		32,873
OTHER:		
Intangible assets, net		12,633
Security deposit, long term		15,750
	$	531,084

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$	26,186
Accrued salaries and employer payroll taxes		79,883
Accrued vacation		29,004
Accrued interest		296
TOTAL CURRENT LIABILITIES		135,369
LONG-TERM LIABILITIES:		
Notes payable		250,000
Security deposit, sub-tenant		2,514
TOTAL LIABILITIES		387,883
NET ASSETS:		
Unrestricted net assets		(51,229)
Temporarily restricted net assets		194,430
TOTAL NET ASSETS		143,201
	$	531,084

See notes to financial statements.

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Grants	$ 176,000	$ 293,268	$ 469,268
Contributions	549,876	214,390	764,266
In-kind contributions	66,695	-	66,695
Interest income	10	-	10
Speaking income	4,133	-	4,133
Licensing fees	3,663	-	3,663
Net assets released from restrictions	313,228	(313,228)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,113,605	194,430	1,308,035
EXPENSES:			
Program	1,171,155	-	1,171,155
General and administrative	114,157	-	114,157
Fundraising	84,091	-	84,091
TOTAL EXPENSES	1,369,403	-	1,369,403
INCREASE (DECREASE) IN NET ASSETS	(255,798)	194,430	(61,368)
NET ASSETS, beginning of year	204,569	-	204,569
NET ASSETS, end of year	$ (51,229)	$ 194,430	$ 143,201

See notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program	Management & General	Fundraising	Total
PERSONNEL COSTS:				
Salaries and wages	$ 697,785	$ 46,037	$ 27,510	$ 771,332
Payroll taxes	55,591	3,727	2,150	61,468
Employee benefits	40,595	3,311	139	44,045
TOTAL PERSONNEL COSTS	793,971	53,075	29,799	876,845
OTHER EXPENSES:				
Contract services	135,044	32,761	37,520	205,325
Travel	96,762	1,693	1,635	100,090
Occupancy	45,364	12,279	7,352	64,995
Program supplies	48,575	269	-	48,844
Other expenses	15,046	2,293	925	18,264
Depreciation	7,424	1,817	1,069	10,310
Utilities	5,997	1,623	972	8,592
Office supplies	4,720	2,523	763	8,006
Postage, printing and copying	3,845	1,235	1,818	6,898
Telephone	3,528	1,105	572	5,205
Website	4,068	-	620	4,688
Amortization	2,358	640	371	3,369
Insurance	1,029	1,683	167	2,879
Payroll services fees	1,532	563	248	2,343
Repair and maintenance	1,186	484	192	1,862
Software	419	114	68	601
Communications support	287	-	-	287
TOTAL EXPENSES	$ 1,171,155	$ 114,157	$ 84,091	$ 1,369,403

See notes to financial statements.

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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$	(61,368)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation		10,310
Amortization		3,369
In-kind equipment contributions		(8,000)
(Increase) decrease in:		
Grants and accounts receivable		(38,103)
Prepaid expenses		6,569
Increase (decrease) in:		
Accounts payable and accrued expenses		(5,975)
Accrued payroll		27,570
Accrued vacation		11,719
Accrued interest		296
Security deposit, sub-tenant		(2,514)
NET CASH USED BY OPERATING ACTIVITIES		(56,127)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment		(13,662)
NET CASH USED BY INVESTING ACTIVITIES		(13,662)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable		250,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		250,000
INCREASE IN CASH		180,211
CASH AND CASH EQUIVALENTS, beginning of year		176,968
CASH AND CASH EQUIVALENTS, end of year	$	357,179
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$	-

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2013

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

D-Rev: Design for the Other 90% (D-Rev) (the Organization) is a Colorado non-profit corporation headquartered in San Francisco, California. The Organization was formed in 2007. D-Rev's mission is to improve the health and incomes of people living on less than $4 per day. D-Rev's aim is design market-driven solutions to ensure access to world-class, affordable technologies to the people who need them most.

The Organization's primary source of support is contributions from foundations, corporations, and individuals. The Organization has delivered its products to people living on less than $4 per day in countries including, but not limited to India, Indonesia, the Philippines, and Nepal.

Financial statement presentation:

The Organization prepares its financial statements following professional accounting standards where the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor imposed stipulations.

Temporarily restricted net assets:

The portion of net assets whose use by D-Rev is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time.

Permanently restricted net assets:

The portion of net assets whose use by D-Rev is limited by donor imposed stipulations that the net assets are held in perpetuity and its income be used for the stipulated purposes. There were no permanently restricted net assets as of December 31, 2013.

Cash and cash equivalents:

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Receivables:

Accounts and grant receivable are stated at the amounts management expects to collect from outstanding balances. Uncollectible accounts are written off when management determines that they will not be collected. Management has determined that an allowance for bad debts is not required at December 31, 2013. If amounts become uncollectible, they will be charged to expense in the period in which that determination is made.

Property and equipment:

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over useful lives ranging from 3 to 5 years.

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income tax status:

D-Rev is a tax-exempt organization under the provisions of the United States Internal Revenue Code and related State of California and State of Colorado provisions. D-Rev is relying on its tax exempt status and its adherence to all applicable laws and regulations to preserve that status. Accordingly, no provision for income taxes has been reflected in these financial statements.

Accounting for uncertain tax positions:

D-Rev recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of December 31, 2013, D-Rev has had no uncertain tax positions. D-Rev recognizes interest and penalties, if any, related to uncertain tax position as income tax expense. D-Rev is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. The Organization's tax returns are generally subject to examination by Federal and State taxing authorities for three and four years, respectively.

Revenue recognition:

Contributions are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions, as applicable. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions are recognized as revenue when they are unconditionally communicated. Temporarily restricted contributions where the restrictions are met in the same year as the contributions are received are reported as increases in unrestricted net assets. Donated professional services and goods are recorded at their estimated fair market value at the date of donation.

Contracts, grants and donations:

Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Non-cash donations are recorded at their estimated fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported as donated services.

The Organization receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met by incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2013

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional allocation of expenses:

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Subsequent event:

Management has evaluated subsequent events through November 12, 2014, the date which the financial statements were available for issue.

Note 2. NATURE 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Organization places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Organization has not experienced any losses in such accounts.

Note 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2013:

Furniture	$ 9,762
Computer Equipment	17,430
Leasehold Improvements	19,013
	46,205
Less: accumulated depreciation	(13,332)
Fixed assets, net	$ 32,873

Depreciation and amortization expense is $13,679 for the year ended December 31, 2013.

Note 5. INTANGIBLE ASSETS:

Intangible assets consist of the following at December 31, 2013:

Patent	$ 16,845
Less: accumulated depreciation	(4,212)
Patents, net	$ 12,633

Note 6. NOTES PAYABLE:

During the year ended December 31, 2013, the Organization entered into an unsecured promissory note with a Foundation in the amount of $250,000. The loan matures on July 15, 2018 and bears interest at 0.25% per annum. The terms of the note require the proceeds only be to expended on the launch of at least three neo-natal products and to globally launch and scale the ReMotion Knee. During the year ended December 31, 2013, no funds were used for this purpose and the entire loan proceeds are held in financial institutions.

Note 7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended December 31, 2013:

	Beginning Balance	Income and Contributions	Released From Restriction	Ending Balance
ReMotion	$ -	$ 296,423	$ (187,410)	$ 109,013
Impact	-	125,000	(39,583)	85,417
Neonatal Jaundice	-	86,235	(86,235)	-
Total temporarily restricted net assets	$ -	$ 507,658	$ (313,228)	$ 194,430

Note 8. IN-KIND CONTRIBUTIONS:

In-kind contributions for the year ended December 31, 2013 is summarized as follows:

Professional services	$ 55,695
Donated equipment	8,000
Donated lodging	3,000
Total in-kind contributions	$ 66,695

Note 9. RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors, either directly or through donor-advised contributions. These contributions amounted to $240,000 for the year ended December 31, 2013.

Note 10. LEASE COMMITMENTS:

The Organization leases the office facility in San Francisco under a non-cancelable operating lease agreement. The lease expires on September 30, 2017. Rent expense is $8,111 per month and will increase at a fixed rate of 3% per annum. The Organization also subleases 1,669 rentable square feet of space at a monthly rate of $2,589 increasing at a rate of 3% per annum. The Organization records the rent received from the sub-lessee against rent expense. Net rent expense for the year ended December 31, 2013 was $64,995.

Note 10. LEASE COMMITMENTS (Continued):

The Organization's future minimum lease payments as of December 31, 2013 are as follows:

Years Ending December 31,	Lease Commitment	Sub-lessee Commitment	Net Commitment
2014	$ 98,065	$ (31,306)	$ 66,759
2015	101,007	(32,245)	68,762
2016	104,035	(33,213)	70,822
2017	79,770	(25,466)	54,304
	$ 382,877	$ (122,230)	$ 260,647

Note 11. EMPLOYEE BENEFIT PLAN:

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 the employees' contributions. The Organization's total matching contribution for the 2013 plan year was $0.

Note 12. CONTINGENCIES:

D-Rev is vulnerable to the inherent risk associated with revenue that is substantially dependent on grant funding, public support and contributions. The continued growth and well-being of D-Rev is contingent upon successful achievement of its long-term revenue-raising goals.