HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

D-REV: DESIGN FOR THE OTHER 90%
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

April 27, 2016

Board of Directors
D-Rev: Design for the Other 90%
San Francisco, California

Report on the Financial Statements
I have audited the accompanying financial statements of D-Rev: Design for the Other 90% (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

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Board of Directors
D-Rev: Design for the Other 90%
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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 90% as of December 31, 2015, 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.

Healy and Associates
Certified Public Accountant

D-REV: DESIGN FOR THE OTHER 90%
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents (Notes A and C)	$ 171,315
Accounts and grants receivable	538,424
Inventory	63,054
Prepaid expenses	10,515
Other current assets	1,874
TOTAL CURRENT ASSETS	785,182
Property and Equipment, net (Notes A and D)	79,286
Intangible assets, net (Note E)	22,412
Deposits	15,750
TOTAL ASSETS	$ 902,630
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 34,046
Accrued payroll and PTO payable	21,912
Tenant deposit	2,514
Deferred revenue	4,316
Notes payable - accrued interest payable (Note F)	625
TOTAL CURRENT LIABILITIES	63,413
Long-term notes payable (Note F)	500,000
TOTAL LIABILITIES	563,413
COMMITMENT AND CONTINGENCY (Notes G and H)	
NET ASSETS:	
Temporarily Restricted Net Assets (Note I)	532,403
Unrestricted Net Assets	(193,186)
TOTAL NET ASSETS	339,217
TOTAL LIABILITIES AND NET ASSETS	$ 902,630

See Notes to Financial Statements

D-REV: DESIGN FOR THE OTHER 90%
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	$ 483,153	$ 1,215,949	$ 1,699,102
Contributions	152,347		152,347
Product sales	14,065		14,065
Other	39,101		39,101
In-kind	39,979		39,979
	728,645	1,215,949	1,944,594
Net assets released from restrictions	758,546	(758,546)	-
TOTAL SUPPORT AND REVENUE	1,487,191	457,403	1,944,594
EXPENSES			
Program services	1,064,732		1,064,732
Administration	221,590		221,590
Fundraising	147,798		147,798
TOTAL EXPENSES	1,434,120	-	1,434,120
CHANGE IN NET ASSETS	53,071	457,403	510,474
NET ASSETS, beginning of year	(246,257)	75,000	(171,257)
NET ASSETS, end of year	$ (193,186)	$ 532,403	$ 339,217

D-REV: DESIGN FOR THE OTHER 90%
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program	Administration	Fundraising	Total
Salaries and wages	$ 650,308	$ 115,149	$ 78,748	$ 844,205
Payroll taxes	50,411	8,926	6,104	65,441
Employee benefits	41,630	7,761	5,019	54,410
Total personnel costs	742,349	131,836	89,871	964,056
Professional fees	51,338	38,643	34,794	124,775
Occupancy	76,022	13,461	9,206	98,689
Travel and meals	66,391	3,656	4,278	74,325
In-kind	39,979	1,200	6	41,185
Product development	36,612	-	-	36,612
Communications	2,129	13,390	919	16,438
Depreciation and amortization	11,095	2,102	1,100	14,297
Utilities	9,762	679	464	10,905
Insurance	5,569	3,085	-	8,654
Office supplies	3,564	3,108	1,311	7,983
Postage, printing and copying	2,668	1,767	3,506	7,941
Equipment	4,667	537	584	5,788
Taxes and fees	3,695	1,308	229	5,232
Payroll service fees	3,895	690	472	5,057
Dues and memberships	44	4,110	-	4,154
Interest and bank charges	51	2,405	-	2,456
Program supplies	1,739	-	-	1,739
Event	953	199	-	1,152
Marketing	401	38	670	1,109
General business development	734	265	-	999
Conferences	933	-	-	933
Other expenses	142	(889)	388	(359)
Total expenditures	$ 1,064,732	$ 221,590	$ 147,798	$ 1,434,120

D-REV: DESIGN FOR THE OTHER 90%
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 510,474
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	14,297
	524,771
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:	
(Increase) decrease in:	
Grants and accounts receivable	(408,106)
Inventory	(63,054)
Prepaid expenses	(9,187)
Other current assets	(1,874)
Increase (decrease) in:	
Accounts payable and accrued expenses	(11,365)
Deferred revenue	4,316
Accrued interest payable	(401)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,100
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets, net of disposals	(44,282)
Increase in intangible assets	(16,517)
NET CASH USED BY INVESTING ACTIVITIES	(60,799)
NET DECREASE IN CASH	(25,699)
CASH, beginning of year	197,014
CASH, end of year	$ 171,315
SUPPLEMENTAL INFORMATION:	
Interest paid	$ 1,250

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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 design and deliver medical technologies that close the quality healthcare gap for underserved populations. D-Rev's aim is to design market-driven solutions to ensure access to world-class, affordable technologies for the people who need them most.

The Organization's primary source of support is grants and contributions from foundations, corporations, and individuals. The Organization has delivered its products to over 37 countries including India, Kenya, Nepal and the Philippines.

Summary of Significant Accounting Practices

Accounting Method

The Organization maintains its accounting records on the accrual basis.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Support and Revenue

In accordance with ASC 958 contributions received are recorded as unrestricted, temporarily or permanently restricted depending on the existence and nature of grantor restrictions. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or a time restriction passes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. In accordance with ASC 958, restricted contributions released in the same year awarded, are reflected as unrestricted in the accompanying financial statements. The Organization had no permanently restricted net assets at year end.

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Practices (Continued)

Support and Revenue (Continued)

All other contributions are recognized as unrestricted upon receipt. Support arising from services and/or donated assets contributed by certain businesses and individuals has been recognized in the accompanying financial statements at the fair value of the services performed or assets contributed.

Sales of products are recognized as revenue when the products ship or evidence of a sale exists.

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.

Accounts and grants receivable

Accounts and grants receivable are stated at the amounts management expects to collect from outstanding balances. Management continually monitors receivables for collectability. At December 31, 2015, no allowance for doubtful accounts was deemed necessary by management.

Inventory

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.

Property and Equipment

Property and equipment, in excess of $5,000, are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

Maintenance and repairs, which do not materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in operations as incurred.

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Practices (Continued)

Deferred Revenue

Deferred revenue represents funds received for products not yet shipped to customers.

Donated Services

The Organization records non-cash contributions of donated services at their fair value on the date they are received. Contributed services are recognized in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

Functional Allocation of Indirect Expenses

Expenses are allocated to program, administration and fund raising based upon a combination of specific identification and percentage allocation plan(s). Costs incurred in direct connection to the operation of the program are allocated to program expenses in full. General and administrative costs that are incurred in connection with the general operations of the organization and support of the program have been allocated based on an estimate of benefits derived, as assessed by management.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement,* establishes a fair value hierarchy to prioritize the inputs used in measuring fair value.

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Practices (Continued)

Fair Value Measurements

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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 are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization measured the fair value of cash and cash equivalents using Level 1 inputs.

NOTE B - INCOME TAX

The Organization has received tax-exempt status under Section 501(c) (3) of the Internal Revenue Code, and State(s) of California and Colorado revenue and taxation codes.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization returns for years ended December 31, 2014, 2013, and 2012 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

NOTE C – CONCENTRATION RISK

At December 31, 2015, accounts receivable were due primarily from two funders (43% and 37%). Management believes these funds to be fully collectible and thus has recorded no allowance for doubtful accounts.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment by major classes at December 31, 2015 consist of the following:

Computers, furniture and equipment	$ 22,634
Leasehold improvements	19,013
Tooling	66,050
Total	107,697
Less: accumulated depreciation	(28,411)
	$ 79,286

Depreciation expense for the year ended December 31, 2015 is $10,928.

NOTE E – INTANGIBLE ASSETS

Intangible assets at December 31, 2015 consist of the following:

Intellectual property - Patents	$ 33,362
Less: accumulated amortization	(10,950)
	$ 22,412

Amortization expense for the year ended December 31, 2015 is $3,369.

NOTE F – NOTE PAYABLE

During the years ended December 31, 2014 and 2013, the Organization entered into unsecured promissory notes with a foundation in the amount of $250,000 and $250,000, respectively, for a total available of $500,000. The loans mature on July 15, 2018 and bear 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. At December 31, 2015, the Organization owed $500,000 with accrued interest of $625, resulting in a balance of $500,625.

Interest expense for the year ended December 31, 2015 was $1,250.

NOTE G – COMMITMENT

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 $8,605 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 $2,747 increasing at a rate of 3% per annum.

NOTE G – COMMITMENT (Continued)

The Organization's future minimum lease payments as of December 31, 2015 are as follows:

Years Ended December 31,	Lease Commitment	Sub-Lessee Commitment	Net Commitment
2016	$ 104,035	$ (33,213)	$70,822
2017	79,770	(25,466)	54,304
	$ 183,805	$ (58,679)	$125,126

The Organization recognized $68,762 in net rental expense for the year ended December 31, 2015.

NOTE H – CONTINGENCY

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 is of the opinion that the Organization has complied with the terms of all grants.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 consist of the following:

Program	Beginning Balance	Income and Contributions	Released From Restriction	Ending Balance
General operations	$50,000	$300,000	(150,000)	$200,000
Research and development	0	251,615	(26,615)	225,000
Newborn health	25,000	132,000	(69,500)	87,500
Mobility	0	507,334	(487,431)	19,903
Impact	0	25,000	(25,000)	0
Total	$ 75,000	$ 1,215,949	$(758,546)	$532,403

NOTE J – EMPLOYEE BENEFITS

Employees of the Organization are entitled to paid time-off (PTO). Employees gain a vested right to accumulated PTO. Accrued PTO was $18,882 as of December 31, 2015 as reflected in the accompanying financial statements.

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 2015 plan year was $18,151.

NOTE K – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, "Subsequent Events", the Organization has evaluated subsequent events through April 27, 2016, which is the date these financial statements were available to be issued.