

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.

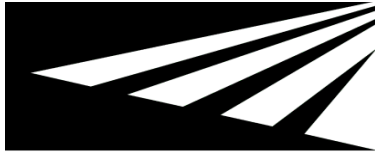
**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

**FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

INDEX

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Foundation of Orthopedics and Complex Spine, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Foundation of Orthopedics and Complex Spine, Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to 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

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 of 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.

NawrockiSmith

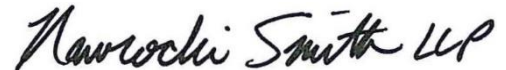
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation of Orthopedics and Complex Spine, Inc., as of December 31, 2018, 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.

Change in Accounting Principle

As described in Note 4 to the financial statements, in 2018 the Organization adopted new accounting guidance, Accounting Standards Update (“ASU”) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The effect of ASU 2016-14 requires the Organization to apply the changes discussed in Note 4 to the financial statements. Our opinion is not modified with respect to this matter.

Melville, New York
April 23, 2020



FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 118,093
Investments	262,273
Contributions receivable, net	129,920
Cash surrender value of life insurance	314,952
Security deposits	2,580
Furniture and equipment, net	<u>2,190</u>
 Total assets	 <u>\$ 830,008</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 50,468</u>
 Total liabilities	 <u>50,468</u>

NET ASSETS:

Without donor restrictions	236,341
With donor restrictions	<u>543,199</u>
 Total net assets	 <u>779,540</u>
 Total liabilities and net assets	 <u>\$ 830,008</u>

The accompanying notes to financial statements
are an integral part of this statement.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Contributions	\$ 340,992	\$ 1,901,485	\$ 2,242,477
Donated materials	347,860	-	347,860
Special events, net	179,177	-	179,177
Other income	20,248	-	20,248
Net assets released from restrictions	1,969,470	(1,969,470)	-
 Total operating revenues	 <u>2,857,747</u>	 <u>(67,985)</u>	 <u>2,789,762</u>
OPERATING EXPENSES:			
Program services	2,620,938	-	2,620,938
Administration	319,122	-	319,122
Fundraising	211,740	-	211,740
 Total operating expenses	 <u>3,151,800</u>	 <u>-</u>	 <u>3,151,800</u>
 DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	 <u>(294,053)</u>	 <u>(67,985)</u>	 <u>(362,038)</u>
NONOPERATING ACTIVITIES:			
Investment income, net	2,446	-	2,446
Unrealized gain on investments	3,882	-	3,882
Transfer of asset to FOCOS Ghana	(4,057)	-	(4,057)
 INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	 <u>2,271</u>	 <u>-</u>	 <u>2,271</u>
 CHANGE IN NET ASSETS	 <u>(291,782)</u>	 <u>(67,985)</u>	 <u>(359,767)</u>
 NET ASSETS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 12)	 <u>528,123</u>	 <u>611,184</u>	 <u>1,139,307</u>
 NET ASSETS, END OF YEAR	 <u>\$ 236,341</u>	 <u>\$ 543,199</u>	 <u>\$ 779,540</u>

The accompanying notes to financial statements
are an integral part of this statement.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
		Administration	Fundraising	
Support of foreign affiliate	\$ 2,223,176	\$ -	\$ -	\$ 2,223,176
Donated materials	347,860	-	-	347,860
Salaries	30,612	121,354	121,354	273,320
Payroll taxes and employee benefits	7,253	28,752	28,752	64,757
Consultants	-	38,283	19,286	57,569
Travel and transportation	1,167	28,373	12,124	41,664
Occupancy	4,612	18,014	13,403	36,029
Website	-	29,414	-	29,414
Fees and licenses	-	4,914	9,006	13,920
Office supplies	758	10,320	414	11,492
Dues and subscriptions	-	4,038	7,401	11,439
Miscellaneous	-	9,373	-	9,373
Insurance	-	7,540	-	7,540
Grants	5,500	-	-	5,500
Accounting	-	4,414	-	4,414
Telephone	-	3,666	-	3,666
Postage and delivery	-	3,248	-	3,248
Meals and entertainment	-	2,437	-	2,437
Legal	-	2,000	-	2,000
Depreciation	-	1,386	-	1,386
Printing and reproduction	-	1,136	-	1,136
Bad debt	-	460	-	460
Total expenses	\$ 2,620,938	\$ 319,122	\$ 211,740	\$ 3,151,800

The accompanying notes to financial statements
are an integral part of this statement.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (359,767)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Provision for bad debts	460
Depreciation	1,386
Unrealized gain on investments	(3,882)
Increase in value of investment in life insurance	(20,248)
Decrease in contributions receivable	42,218
Decrease in security deposits	7,826
Decrease in prepaid expenses	5,000
Decrease in accounts payable and accrued expenses	<u>(8,626)</u>
Net cash used by operating activities	<u>(335,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(84,121)
Sales of investments	<u>237,599</u>
Net cash provided by investing activities	<u>153,478</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(182,155)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>300,248</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 118,093</u></u>
CASH PAID DURING THE YEAR FOR:	
Interest	<u><u>\$ 87</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities:

Foundation of Orthopedics and Complex Spine, Inc. (the "Organization") was organized and incorporated in 1998. The primary purpose of the organization is to provide comprehensive and affordable orthopedic care to underserved communities in Africa and throughout the world. By providing direct care at the Foundation of Orthopedics and Complex Spine ("FOCOS Ghana"), West Africa, the Organization services both adult and pediatric patients with varying orthopedic deformities and injuries. The Organization also acquires research and knowledge related to various orthopedic and spinal disorders in order to advance the diagnosis, treatment, and preventative care of injuries and disease to the musculoskeletal system.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are reflected on the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization.

Basis of accounting and financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets consist of the following:

Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

With donor restrictions - net assets 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, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, the Organization has also presented a Statement of Cash Flows for the year ended December 31, 2018.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents for financial statement purposes.

Contributions receivable, net -

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Contributions receivable are presented in the Statement of Financial Position, net of an allowance for uncollectible amounts. The allowance is estimated by management based on the Organization's prior years' experience and evaluation of the collectability of individual accounts.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(2) Summary of significant accounting policies (continued):

Investments -

Investments are recorded at fair value. Fair value is defined 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. The Organization follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Cash surrender value of life insurance -

The Organization has several life insurance policies which are reported at their cash surrender values.

Furniture and equipment -

Furniture and equipment in excess of \$500 are capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation of property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years.

Impairment of long-lived assets and long-lived assets to be disposed -

The Organization follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the Organization's financial position, results of activities or liquidity during the year ended December 31, 2018.

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Organization:

Contributions - contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor 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 Statement of Activities and Changes in Net Assets as net assets released from restriction.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(2) Summary of significant accounting policies (continued):

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising revenue - the portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Donated materials -

Donated materials are stated at fair value. Donated materials include drugs and medical supplies. The Organization reports gifts of equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support.

Functional expenses -

Expenses are recognized when incurred. The Statement of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort. Depreciation is allocated on basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Income taxes -

The Organization qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2015.

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(2) Summary of significant accounting policies (continued):

Use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

(3) Liquidity and availability:

Financial assets available for general expenditure, within one year of the Statement of Financial Position date, are comprised of the following:

Cash and cash equivalents	\$ 118,093
Investments	262,273
Contributions receivable, net	<u>129,920</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 510,286</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(4) New accounting standards:

For the fiscal year ended December 31, 2018, the Organization implemented FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The Organization has applied the changes to the periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources and functional expense allocation; and
- Investment expenses are included in net investment return and are presented on the face of the Statement of Activities and Changes in Net Assets.

(5) Fair value measurement:

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

**FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(5) Fair value measurement (continued):

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Organization's investments as of December 31, 2018, are comprised of the following:

	Level 1	Level 2	Level 3
Fixed income	\$ 252,816	\$ -	\$ -
U.S. equities	4,977	-	-
Money market	4,480	-	-
	\$ 262,273	\$ -	\$ -
Total investments	\$ 262,273	\$ -	\$ -

As of December 31, 2018, the Organization did not possess any level 2 or 3 type of investments.

(6) Contributions receivable, net:

Contributions receivable as of December 31, 2018 was \$171,630. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of a donor to meet their obligations. As of December 31, 2018, the allowance for contributions receivable totaled \$41,710. This resulted in a net contributions receivable as of December 31, 2018 of \$129,920.

(7) Cash surrender value of life insurance:

The Organization maintains two life insurance policies on the founder and President of the Organization, for which the Organization is the beneficiary. The face value and cash surrender value included in the financial statements as of December 31, 2018 were:

Policy	Face Value	Cash Surrender Value
MetLife	\$ 1,000,000	\$ 207,174
John Hancock	500,000	107,778
		\$ 314,952
		\$ 314,952

**FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(8) Furniture and equipment:

Furniture and equipment as of December 31, 2018 are comprised of the following:

Office equipment	\$	49,406
Less: accumulated depreciation		47,216
	\$	2,190

Depreciation expense was \$1,386 for the year ended December 31, 2018.

(9) Related party transactions:

For the year ended December 31, 2018, contributions totaling \$58,245 were received from members of the Board of Directors.

Effective January 1, 2002, the Board of Directors of the Organization spun off FOCOS Ghana, an affiliated organization incorporated in Ghana. FOCOS Ghana was established to provide total orthopedic and spine care for the people of Ghana and the surrounding countries. Some members of the Board of Directors of the Organization are also members of the Board of Directors of FOCOS Ghana. The support provided by the Organization to FOCOS Ghana consisted of grants totaling \$2,223,176 and donated materials totaling \$347,860.

(10) Net assets with donor restrictions:

As of December 31, 2018, net assets with donor restrictions are restricted for the following purposes:

Children's Ward	\$	189,139
Ethiopian Patients		81,145
Sierra Leone Patients		74,539
Stablizer Fund		55,000
Solar Project		45,000
Tanzanian Patients		38,500
Patients Education Fund		24,000
K2M Program		11,520
Research Grant		10,000
Specific Patient		5,316
Patient Sponsorship		5,100
Hospital Operations		2,840
Support for Missions		900
Development		200
Total net assets with donor restrictions	\$	543,199

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) Net assets with donor restrictions (continued):

For the year ended December 31, 2018, net assets were released from donor restrictions by satisfying the following restricted purposes:

Solar Project	\$ 1,000,000
Ethiopian Patients	738,200
Sierra Leone Patients	85,000
Children's Ward	67,332
Specific Patient	61,559
Research Grant	17,379
	<hr/>
Total	<u><u>\$ 1,969,470</u></u>

(11) Concentrations of credit risk:

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

For the year ended December 31, 2018, one donor accounted for 45% of total contributions. The highest three donors accounted for approximately 62% of net contributions receivable as of December 31, 2018.

(12) Prior period adjustment:

Certain adjustments have been made to prior period financial statements as follows:

	Originally Reported	Effect of Change	As Adjusted
	<hr/>	<hr/>	<hr/>
As of December 31, 2017:			
Contributions receivable, net	\$ 123,700	\$ 43,950	\$ 167,650
Furniture and equipment, net	8,211	(578)	7,633
Net assets without donor restrictions	483,860	44,263	528,123
For the Year Ended December 31, 2017:			
Expenses	3,475,961	27,937	3,503,898
Revenue	1,990,936	72,200	2,063,136

FOUNDATION OF ORTHOPEDICS AND COMPLEX SPINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(13) Subsequent events:

The Organization has evaluated subsequent events through April 23, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the impact of COVID-19 will continue for some time. Currently, there has been no material adverse effect on the Organization's operations. Future potential considerations may include disruptions or restrictions on the Organization's employees' ability to work and disruptions to special events. The future effects of COVID-19 on the Organization's operational and financial performance, and cash flow needs are uncertain and cannot be predicted as of the date of these financial statements.