MENDING KIDS INTERNATIONAL
DBA MENDING KIDS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

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(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mending Kids International
(A California Non-Profit Corporation)
Woodland Hills, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mending Kids International (A California Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2022, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Mending Kids International 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mending Kids International 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 Mending Kids International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Mending Kids International'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 Mending Kids International'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.

Adopted Accounting Pronouncements

As described in Note 2 to the financial statements, Mending Kids International has adopted ASU 2016-02, *Leases (Topic 842)* and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to those matters.

INDEPENDENT AUDITORS' REPORT - Continued

Report on Summarized Comparative Information

We previously audited Mending Kids International's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Mending Kids International.

Calabasas, California
November 17, 2023

MENDING KIDS INTERNATIONAL
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 246,106	$ 317,514
Accounts and other receivables	4,100	4,901
Deposits and prepaid expenses	500	5,214
Inventory	149,819	86,398
Investments	419,069	544,571
Total assets	$ 819,594	$ 958,598
LIABILITIES		
Accounts payable	$ 30,435	$ 8,372
Accrued payroll and related liabilities	19,740	13,228
Total liabilities	50,175	21,600
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions:		
Designated for long-term investing	143,565	156,882
Undesignated	478,927	569,508
With donor restrictions	146,927	210,608
Total net assets	769,419	936,998
Total liabilities and net assets	$ 819,594	$ 958,598

See accompanying auditors' report and notes to financial statements

MENDING KIDS INTERNATIONAL
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT AND RESTRICTIONS RELEASED				
Contributions and grants	$ 392,447	$ 25,400	$ 417,847	$ 337,875
Forgiveness of Paycheck Protection Program loan	-	-	-	58,952
Forgiveness of interest on Paycheck Protection Program loan	-	-	-	504
Mission team fees	77,100	-	77,100	3,565
Interest and investment income, net of expenses	7,357	-	7,357	6,474
Realized gain/(loss) on investments	(8,550)	-	(8,550)	143,703
Unrealized gain/(loss) on investments	(80,801)	-	(80,801)	(85,245)
In-kind contributions	1,531,093	-	1,531,093	652,088
Special events	282,720	-	282,720	170,517
Restrictions released	89,081	(89,081)	-	-
Total revenue, support and restrictions released	2,290,447	(63,681)	2,226,766	1,288,433
EXPENSES				
Program services	2,141,252	-	2,141,252	1,012,066
Support services	88,769	-	88,769	74,522
Fundraising expenses	164,324	-	164,324	120,937
Total expenses	2,394,345	-	2,394,345	1,207,525
CHANGE IN NET ASSETS	(103,898)	(63,681)	(167,579)	80,908
NET ASSETS - beginning of year	726,390	210,608	936,998	856,090
NET ASSETS - end of year	$ 622,492	$ 146,927	$ 769,419	$ 936,998

See accompanying auditors' report and notes to financial statements

MENDING KIDS INTERNATIONAL
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services	Support Services	Fundraising Expenses	2022 Total Expenses	2021 Total Expenses
SALARIES AND RELATED EXPENSES					
Salaries	$ 226,959	$ 50,526	$ 40,673	$ 318,158	$ 207,194
Payroll taxes	18,213	4,055	3,264	25,532	17,146
Employee benefits	39,627	8,822	7,102	55,551	46,990
	284,799	63,403	51,039	399,241	271,330
OTHER EXPENSES					
Advertising	-	-	6,805	6,805	2,063
Bank charges	10,975	2,443	1,967	15,385	11,031
Consultants	7,587	1,689	40,694	49,970	30,916
Dues and subscriptions	3,757	836	673	5,266	10,285
Facility rental and catering	-	-	24,914	24,914	1,348
Hometown missions	111,426	-	-	111,426	231,899
Insurance	12,828	2,856	2,299	17,983	14,995
International surgeries	154,286	-	-	154,286	69,584
Meals and entertainment	828	184	25,430	26,442	4,737
Miscellaneous expenses	6	1	5,742	5,749	3,872
Parking	1,383	308	248	1,939	1,321
Postage and delivery	234	52	42	328	1,265
Printing	1,304	290	234	1,828	3,057
Professional fees	-	13,312	906	14,218	14,930
Rent	10,890	2,424	1,952	15,266	12,290
Supplies	352	78	661	1,091	5,694
Surgical expenses	1,534,432	-	-	1,534,432	394,324
Telephone	4,007	893	718	5,618	11,542
United States surgeries	2,158	-	-	2,158	111,042
Total expenses	2,141,252	88,769	164,324	2,394,345	1,207,525

See accompanying auditors’ report and notes to financial statements

MENDING KIDS INTERNATIONAL
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (167,579)	$ 80,908
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized (gain)/loss on investments	8,550	(143,703)
Unrealized (gain)/loss on investments	80,801	85,245
Forgiveness of Paycheck Protection Program loan	-	(58,952)
(Increase) decrease in:		
Accounts and other receivables	801	(4,901)
Deposits and prepaid expenses	4,714	(5,214)
Inventory	(63,421)	32,362
Increase (decrease) in:		
Accounts payable	22,063	1,521
Accrued payroll and related liabilities	6,512	(5,453)
Total adjustments	60,020	(99,095)
Net Cash Provided (Used) by Operating Activities	(107,559)	(18,187)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends and interest reinvested	(57,192)	36,129
Proceeds from sale of investments	177,234	438,995
Purchase of investments	(83,891)	(364,068)
Net Cash Provided (Used) by Investing Activities	36,151	111,056
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from Paycheck Protection Program loan	-	58,952
Net Cash Provided (Used) by Financing Activities	-	58,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,408)	151,821
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	317,514	165,693
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 246,106	$ 317,514
Supplementary disclosure of non-cash investing activities:		
In-kind contributions	$ 1,531,093	$ 652,088
Forgiveness of Paycheck Protection Program loan	$ -	$ 58,952
Forgiveness of interest on Paycheck Protection Program loan	$ -	$ 504

See accompanying auditors' report and notes to financial statements

MENDING KIDS INTERNATIONAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION

Mending Kids International dba Mending Kids ("MKI") is a nonprofit public benefit corporation chartered by the State of California in 1993 to provide donated surgical services and transportation to sick and injured children worldwide who otherwise could not afford such treatment.

MKI provides the following areas of service:

International In-Bound Program – Transports foreign children with correctable surgical conditions to the United States of America where they can be treated by local physicians and medical facilities.

International Surgeries – Facilitates and funds the "matchmaking" between specialized surgeons or medical facilities and the children who need surgery.

Surgical Missions –Transports medical teams to developing countries where they can provide specialized surgical care to prescreened children, training and exchange of experience to local medical staff.

Hometown Missions Program – Provides free out-patient surgical care to children from the United States. Surgeries are performed at domestic volunteer surgical centers with volunteer surgeons.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MKI prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by MKI are described below to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of MKI, 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.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. MKI's unspent contributions are classified in this class if the donor limited their use. 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. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by MKI, unless the donor provides more specific directions about the period of its use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets - Continued

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts and Other Receivables

Accounts and other receivables are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants and customers on performance contracts. MKI considers all accounts receivables to be fully collectible at December 31, 2022. Accordingly, no allowance for doubtful accounts was deemed necessary.

Deposits and Prepaid Expenses

Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

Inventory

Inventory is recorded at the lower of cost or market on a first-in, first-out basis.

Investments and Investment Income

MKI carries its investments in marketable securities at fair value in the Statement of Financial Position.

Realized and unrealized gains and losses are included in the accompanying Statement of Activities in the appropriate class of net assets. Investment income and gains or losses restricted by donors are reported as changes in net assets without donor restrictions. Nevertheless, any appreciation in the value of these restricted assets continues to be treated as restricted, consistent with the original restriction of the funds to be used only for the construction of the new building.

The fair values of investments are based on quoted market price therefore, they have been classified as Level 1 investments in the valuation hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

MKI capitalizes all material expenditures for fixed assets. Property and equipment is capitalized at cost or, if donated, as the estimated fair market value at the time of donation. Equipment is capitalized if it has a cost of $1,000 or more and a useful life when acquired of more than 1 year. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets which are:

Computer software and website	3 years
Furniture and equipment	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Vacation Policy

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to MKI as follows:

Years Employed	Annualized Accrual
0-2 years	5 days
2-4 years	10 days
4-6 years	15 days
6+ years	20 days

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2022, was $19,740.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

MKI received significant contributions of materials and services from individuals, medical facilities, and other organizations. Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value in the period received. Contributions of 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 recorded at fair value at the date of donation.

Donated goods and services are included in revenue at estimated fair market value of $1,531,093 for the year ending December 31, 2022.

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose for a restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions that are received in the same period for which the restrictions are met are recorded as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adopted Accounting Pronouncements

Leases

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new standard is effective for fiscal years beginning after December 15, 2021, and could have an impact on MKI reporting of leases. During the year ended December 31, 2022, MKI adopted Accounting Standards Update, ASU 2016-02, *Leases (Topic 842).*

MKI recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. MKI determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. MKI recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise MKI uses its incremental borrowing rate if applicable or relative treasury bill rate. Since MKI does not have any borrowing debt and therefore, does not have any incremental borrowing rate, as such, the relative treasury bill rate is used for all leases. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

MKI has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that MKI is reasonable certain to exercise. MKI recognizes lease cost associated with our short-term leases on a straight-line basis over the lease term. There were no leases subject to ASC 842 at December 31, 2022.

In-Kind

In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard is effective for fiscal years beginning after June 15, 2021, and could have an impact on MKI's reporting of contributed nonfinancial assets. During the year ended December 31, 2022 MKI adopted Accounting Standards Update, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

MKI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified MKI as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

MKI has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2022, MKI had no material unrecognized tax benefits, tax penalties or interest.

MKI's Forms 990, *Return of Organization Exempt from Income Tax*, the tax years ended December 31, 2021, 2020, 2019 are subject to examination by the IRS, generally for 3 years after they were filed.

MKI's Forms 199, *California Exempt Organization Return*, for each of the tax years ended December 31, 2021, 2020, 2019, and 2018 are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

Expense Recognition and Allocation

The cost of providing MKI's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of MKI.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. MKI generally does not conduct its fundraising activities in conjunction with its other activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

MKI reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which MKI has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. The alternative instruments, equities, and mutual funds are valued at quoted market prices, which represent the net asset value of shares held by MKI at year end.

The carrying amounts of liabilities approximate fair value because of the relatively short maturity of these financial instruments.

When available, MKI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, MKI's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. MKI's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2021 comparative totals have been reclassified to conform with the 2022 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MKI's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

3. INVENTORY

In 2022, MKI recognized medical supplies and equipment, most of which were donated, and a small amount were purchased at a discounted rate. Inventory is based on physical counts as of December 31, 2022. The valuation of inventory held for program use is determined based on the replacement method using fair market values.

At December 31, 2022, the value of inventory was $149,819.

4. INVESTMENTS

MKI measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires MKI to develop its own assumptions. MKI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MKI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at December 31, 2022, are Level 1 inputs.

	Total	Level 1
Alternative instruments	$ 14,493	$ 14,493
Equities	52,237	52,237
Mutual funds:	123,563	123,563
Equity funds	228,776	228,776
Total investments	$ 419,069	$ 419,069

At December 31, 2022, MKI does not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities is as follows:

	Amount
Interest and investment income, net of expenses	$ 7,357
Realized gain (loss) on investments	(8,550)
Unrealized gain (loss) on investments	(80,801)
Total investments	$ (81,994)

These securities are not held for trading purposes. Market values for the marketable securities are from quoted prices as of December 31, 2022, provided by third party sources, and the fair value measurements of level 1. These estimates are not necessarily indicative of the amounts that MKI could realize in a current market exchange.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2022 consists of the following:

	Amount
Furniture and equipment	$ 14,783
	14,783
Less: accumulated depreciation	(14,783)
Property and equipment, net	$ -

Property and equipment were fully depreciated at December 31, 2022 therefore there was no depreciation expense during the year.

6. IN-KIND CONTRIBUTIONS

Valuation Techniques & Inputs

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by MKI if not provided by donation. Natural classifications of in-kind expenses for the year ended December 31, 2022 are as follows:

	Amount
Donated services - discounted medical facility fee	$ 77,040
Donated services - surgeon and medical team services	675,865
Donated medical supplies and equipment	778,188
Total	$ 1,531,093

In-Kind Supplies - In-kind contributions are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the U.S.

In-Kind Services - During the fiscal year December 31, 2022, MKI benefited from personal services provided by medical volunteers. Those volunteers have donated significant amounts of time and services in MKI's program operations. Such services are valued and reported at the estimated fair value in the financial statements based on rates for similar services.

Donor Restrictions - There were no donor restrictions on any in-kind contributions received during the year ended December 31, 2022.

Monetization of In-Kind Contributions - MKI does not monetize in-kind contributions and only distributes goods or uses the services for program use.

7. SPECIAL EVENTS

MKI conducts various special events and fundraising activities during the year. The revenue and expenses from special events for the year ended December 31, 2022 were as follows:

	Revenue	Expenses	Net Revenue
Hike to Mend	$ 35,928	$ (5,518)	$ 30,410
Imagine Gala	246,792	(70,742)	176,050
Special events, net	$ 282,720	$ (76,260)	$ 206,460

8. BOARD-DESIGNATED FUNDS

After receiving an unrestricted bequest in 2009, the Board voluntarily started the Cris Embleton Fund, named after the Organization's founder. The Cris Embleton fund is currently comprised of board-designated funds which are held in an investment account for the purpose of providing support to MKI's programs. Changes in the board-designated funds for the year ended December 31, 2022 are as follows:

	Amount
Balance at beginning of year	$ 156,882
Contributions	-
Investment earnings/(loss)	(13,317)
Board approved distributions	-
Total	$ 143,565

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended December 31, 2022 are as follows:

	Balance at 12/31/21	Income	Expenditures	Balance at 12/31/22
HANS fund	$ 148	$ 400	$ (-)	$ 548
Individual surgical care – international	149,746	-	(70,000)	79,746
Individual surgical care – United States	3,500	25,000	(3,500)	25,000
Overseas surgical missions	57,214	-	(15,581)	41,633
Total	$ 210,608	$ 25,400	$ (89,081)	$ 146,927

10. CONTINGENCIES

Contracts and Grants

Costs recorded under public grants and contracts are subject to disallowance upon audits directed by funding agencies.

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

11. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held MKI at December 31, 2022 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	December 31, 2022
Financial assets:	
Cash and cash equivalents	$ 246,106
Accounts and other receivables	4,100
Inventory	149,819
Investments	419,069
Total financial assets	819,094
Less donor-imposed restrictions:	
Designated funds with donor restrictions	(146,927)
Net financial assets after donor-imposed restrictions	672,167
Financial assets available to meet cash needs for general expenditures within one year	$ 672,167

In addition to existing financial assets available to meet general expenditures within one year MKI receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. MKI's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately $75,000).

12. CONCENTRATION RISK

The majority of MKI's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles County area and from agencies of the state of California. As such, MKI's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for MKI's services.

MKI's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to MKI's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

MKI maintains bank accounts at two financial institutions. Accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022 MKI had no amounts that exceeded the FDIC limits.

13. SUBSEQUENT EVENTS

MKI has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 17, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.