

**Medic Mobile, Inc. and Subsidiary**

Consolidated Financial Statements

December 31, 2018  
(With Comparative Totals for 2017)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 16



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Medic Mobile, Inc. and Subsidiary  
San Francisco, California

We have audited the accompanying consolidated financial statements of Medic Mobile, Inc. and Subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Medic Mobile Nepal Inc. Private Limited, a wholly owned subsidiary, which statements reflect total assets of \$171,406 as of December 31, 2018 and total revenues of \$464,704 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Medic Mobile Nepal Inc. Private Limited, is based solely on the report of the other auditors. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medic Mobile, Inc. and Subsidiary as of December 31, 2018, and the changes in their net assets and their 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 3 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited Medic Mobile, Inc. and Subsidiary's 2017 consolidated financial statements, and our report dated June 7, 2018 and the report of other auditors, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Jose, California

July 31, 2019

Medic Mobile, Inc. and Subsidiary  
Consolidated Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,380,315	\$ 1,907,964
Contracts receivable	184,785	168,572
Grants receivable	14,790	63,246
Prepaid expenses and other current assets	134,248	105,505
Inventory for use	2,594	27,855
Total current assets	1,716,732	2,273,142
Noncurrent assets		
Property and equipment, net	50,185	40,168
Deferred tax asset	40,828	8,836
Total noncurrent assets	91,013	49,004
Total assets	\$ 1,807,745	\$ 2,322,146
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 169,459	\$ 151,450
Accrued vacation	78,022	52,987
Deferred revenue	122,679	427,315
Grant advances	164,619	148,000
Total current liabilities	534,779	779,752
Net assets		
Without donor restrictions	776,010	1,292,394
With donor restrictions	496,956	250,000
Total net assets	1,272,966	1,542,394
Total liabilities and net assets	\$ 1,807,745	\$ 2,322,146

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

Medic Mobile, Inc. and Subsidiary  
Consolidated Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and revenue				
Grants and contributions	\$ 2,676,500	\$ 1,363,860	\$ 4,040,360	\$ 3,656,135
Contract revenue	1,501,870	-	1,501,870	737,435
Other income	29,076	-	29,076	38,424
Interest	811	-	811	857
Net assets released from restriction	<u>1,116,904</u>	<u>(1,116,904)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restriction	<u>5,325,161</u>	<u>246,956</u>	<u>5,572,117</u>	<u>4,432,851</u>
Functional expenses				
Program services	5,294,465	-	5,294,465	3,676,074
Management and general	453,009	-	453,009	536,638
Fundraising	<u>126,063</u>	<u>-</u>	<u>126,063</u>	<u>39,403</u>
Total functional expenses	<u>5,873,537</u>	<u>-</u>	<u>5,873,537</u>	<u>4,252,115</u>
Change in net assets from operations	(548,376)	246,956	(301,420)	180,736
Deferred tax benefit (Nepal)	<u>31,992</u>	<u>-</u>	<u>31,992</u>	<u>8,849</u>
Change in net assets	(516,384)	246,956	(269,428)	189,585
Net assets, beginning of year	<u>1,292,394</u>	<u>250,000</u>	<u>1,542,394</u>	<u>1,352,809</u>
Net assets, end of year	<u>\$ 776,010</u>	<u>\$ 496,956</u>	<u>\$ 1,272,966</u>	<u>\$ 1,542,394</u>

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

Medic Mobile, Inc. and Subsidiary  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Program Services	Support Services		Total Support Services	2018 Total	2017 Total
		Management and General	Fundraising			
Salaries, wages and related						
Salaries and wages	\$ 3,066,526	\$ 219,005	\$ 99,980	\$ 318,985	\$ 3,385,511	\$ 2,111,403
Employee benefits	157,730	11,265	5,142	16,407	174,137	98,484
Payroll taxes	112,239	8,016	3,659	11,675	123,914	90,131
Total salaries, wages and related	<u>3,336,495</u>	<u>238,286</u>	<u>108,781</u>	<u>347,067</u>	<u>3,683,562</u>	<u>2,300,018</u>
Contract services (including Kenya)	1,003,231	64,036	-	64,036	1,067,267	1,106,383
Travel	328,043	78,896	8,305	87,201	415,244	312,823
Training	178,659	-	-	-	178,659	98,360
Equipment	120,496	1,217	-	1,217	121,713	77,294
Occupancy	82,418	5,886	2,687	8,573	90,991	74,489
Supplies	70,469	5,032	2,298	7,330	77,799	58,105
Professional services	12,962	36,892	-	36,892	49,854	50,533
Dues and subscriptions	37,225	2,658	1,214	3,872	41,097	31,525
Telephone	30,275	2,162	987	3,149	33,424	21,803
Other operating expenses	31,077	1,636	-	1,636	32,713	21,743
Conferences, conventions and meetings	17,735	13,068	311	13,379	31,114	52,456
Insurance	22,015	1,572	718	2,290	24,305	23,728
Depreciation	12,656	904	412	1,316	13,972	13,982
Printing and publication	8,756	625	286	911	9,667	5,654
Postage and shipping	1,953	139	64	203	2,156	3,219
	<u>\$ 5,294,465</u>	<u>\$ 453,009</u>	<u>\$ 126,063</u>	<u>\$ 579,072</u>	<u>\$ 5,873,537</u>	<u>\$ 4,252,115</u>
Percentage of total	<u>90 %</u>	<u>8 %</u>	<u>2 %</u>	<u>10 %</u>	<u>100 %</u>	

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

Medic Mobile, Inc. and Subsidiary  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (269,428)	\$ 189,585
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	13,972	13,982
Deferred tax benefit (Nepal)	(31,992)	(8,849)
Changes in operating assets and liabilities		
Contracts receivable	(16,213)	(29,644)
Grants receivable	48,456	186,754
Prepaid expenses and other current assets	(28,743)	(70,690)
Inventory for use	25,261	(4,961)
Accounts payable and accrued expenses	18,009	60,549
Accrued vacation	25,035	37,435
Deferred revenue	(304,636)	427,315
Grant advances	16,619	(98,134)
Net cash provided by (used in) operating activities	(503,660)	703,342
Cash flows from investing activities		
Purchase of furniture and equipment	(23,989)	(27,036)
Net cash used in investing activities	(23,989)	(27,036)
Net increase (decrease) in cash and cash equivalents	(527,649)	676,306
Cash and cash equivalents, beginning of year	1,907,964	1,231,658
Cash and cash equivalents, end of year	\$ 1,380,315	\$ 1,907,964

Supplemental disclosure of cash flow information

Cash paid during the year for taxes	\$ 47	\$ 390
-------------------------------------	-------	--------

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

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

1. NATURE OF OPERATIONS

Medic Mobile, Inc.

Medic Mobile, Inc. (a New York nonprofit public benefit corporation) was founded in 2010 with a mission to improve health in the hardest-to-reach communities and advance global health equity. Medic Mobile, Inc. was incorporated as a nonprofit public benefit corporation in the state of New York on February 11, 2011.

Medic Mobile Nepal Inc. Private Limited

In 2015, Medic Mobile Nepal Inc. Private Limited was incorporated in Nepal with a single shareholder, Medic Mobile, Inc., to help fulfill the mission of Medic Mobile, Inc. As of and for the year ended December 31, 2015 Medic Mobile Nepal Inc. Private Limited had no material financial activity (no material assets, liabilities, income or expenditures). As of and for the year ended December 31, 2016 and beyond, Medic Mobile Nepal Inc. Private Limited has been consolidated with Medic Mobile, Inc.

Consolidated Entities (the "Organization")

The Organization consists of Medic Mobile, Inc. and Medic Mobile Nepal Inc. Private Limited as described above.

2. PROGRAM SERVICES

The Organization designs, delivers, and supports world-class software that helps community health workers, managers, and clinical teams work together to provide excellent care. The Organization's tools support health workers across the globe. The Organization works with more than 100 partners to deliver its technology toolkit to health workers, and also distributes a free, self-service version of its software and training resources. In 2018, Medic Mobile, Inc. and collaborating partners launched the Community Health Toolkit as a global public good. Medic Mobile, Inc. serves as the technical steward for this open-source project.

The Organization's work is inspired by community health workers. The Organization believes there is immense potential in their compassion for their neighbors, understanding of their community, eagerness to learn, and willingness to try new things to improve health. The status quo is that these health workers are often isolated and left without real support systems, but the Organization has seen this change. Every health worker should know and feel that the world and its resources are with them.

The Organization's approach is based on solidarity, rather than charity alone. The Organization acknowledges that the poorest and most marginalized people are systematically more likely to be exposed to disease and harm and less likely to access working health systems or robust software tools. Far too often, communities are not afforded opportunities to redesign these systems and tools in a participatory, human-centered manner.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

2. PROGRAM SERVICES (continued)

Working alongside many local partners, the Organization asserts humanity in the struggle for a more just and caring society, in which people can flourish and live with dignity. The approach finds practical expression when the Organization prioritizes partnerships, health workers, services, and tools for the most challenging settings rather than the most common or convenient.

The tools the Organization builds are free, open-source, and deployed at scale in the last mile of healthcare. Evidence-based workflows come together in the software to support health workers and families - helping to ensure safe deliveries, track outbreaks, treat illnesses door-to-door, communicate about emergencies, and more. The software supports key shifts in community health - supporting people-centered care, task-shifting of care and services, proactive systems, data-driven performance management, and a team-based approach to care.

The Organization envisions a more just world in which health workers are supported as they provide care for their neighbors, universal health coverage is a reality, and health is secured as a human right. The Organization aims to support health workers serving 100 million people between 2017 and 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Medic Mobile, Inc. and its wholly-owned subsidiary, Medic Mobile Nepal Inc. Private Limited. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
  - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
  - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
  - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
  - d. Methods used to allocate costs among program and support functions.

The Organization adopted the provisions of ASU 2016-14 in 2018, and have applied the amendments on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior-year comparative period.

Summarized comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. 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 the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Contracts and grants receivable

The Organization considers all contracts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Promises to give

Unconditional promises to give (pledges) are recognized as support in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory for use

Inventory for use consists of phone SIM cards. The Organization wrote off \$25,261 and \$0 of inventory during the years ended December 31, 2018, and 2017, respectively. Inventory values have been recorded at the lower of cost or market value.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 8 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. Deferred revenue represents advances of resources or revenue received in advance of the earnings process being completed.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions. Contributions with donor restrictions are reported as such. When the restriction is met the amount is shown as a reclassification of with donor restrictions to without donor restrictions.

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Indirect expense allocations are based on salary dollars of staff members for each activity/program.

Medic Mobile, Inc. - Income taxes

Medic Mobile, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 402 of the Not-for-Profit Corporation Law of the State of New York and exempt from state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, Medic Mobile, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Medic Mobile Nepal Inc. Private Limited - Income taxes

*Current Income Tax*

The provision for current income tax is made with reference to the profit in Medic Mobile Nepal Inc. Private Limited for the year ended December 31, 2018 based on the provisions of the Nepal Income Tax Act, 2058.

*Deferred Income Tax*

Deferred income tax is provided on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined in consideration to applicable tax rates and regulations at the statement of financial position date and or the rates that are expected to apply when the related deferred income tax assets are realized or the deferred income tax liability is settled. Deferred tax assets are not recognized unless there is virtual / reasonable certainty that there will be sufficient future taxable income available to realize such assets.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal, state and foreign tax returns are more likely than not to be sustained upon examination.

Medic Mobile, Inc. files information returns in the U.S. federal jurisdiction and states of New York and California. Medic Mobile Inc.'s federal returns for the years ended December 31, 2015 and beyond remain subject to possible examination by the Internal Revenue Service. Medic Mobile, Inc.'s New York and California returns for the years ended December 31, 2014 and beyond remain subject to possible examination by the states of New York and California.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to December 31, 2018 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended December 31, 2018. Subsequent events have been evaluated through the date the financial statements became available to be issued, July 31, 2019.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 100,353	\$ 76,602
Accumulated depreciation	<u>(50,168)</u>	<u>(36,434)</u>
	<u>\$ 50,185</u>	<u>\$ 40,168</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$13,972 and \$13,982, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Improving Community Health Toolkit	\$ 279,216	\$ -
Add human capacity to speed up software development, enhance Medic Mobile, Inc.'s development platform and dashboard system, and provide training	200,000	250,000
Holistic Digital Toolkit for Global Health	10,240	-
Software improvement patch	<u>7,500</u>	<u>-</u>
	<u>\$ 496,956</u>	<u>\$ 250,000</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2018</u>	<u>2017</u>
Ministry of Health (MoH) work in Kenya and Nepal	\$ 400,000	\$ 1,000,000
Add human capacity to speed up software development, enhance Medic Mobile, Inc.'s development platform and dashboard system, and provide training	350,000	50,000
Holistic Digital Toolkit for Global Health	276,620	-
Improving Community Health Toolkit	82,784	-
Software improvement patch	7,500	-
Outbreak surveillance	-	221,134
DIY work	-	162,000
Child relief	-	86,123
Mobile tools and care coordination in Mali	<u>-</u>	<u>25,000</u>
	<u>\$ 1,116,904</u>	<u>\$ 1,544,257</u>

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

6. RETIREMENT PLAN

The Organization has a 401(k) plan that covers all eligible employees. Each participant may elect to contribute up to the maximum limit allowed by federal law. The Organization made contributions to the plan for the years ended December 31, 2018 and 2017 totaling \$26,479 and \$17,217.

7. CONFLICT OF INTEREST POLICY

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

8. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

On February 22, 2016 the Organization entered into a three-year operating lease agreement for office space in San Francisco, California. The lease commenced on March 1, 2016 and ends February 28, 2019. Base rent is \$1,500 per month with annual 3% increases beginning year 2 of the lease term. Rent expense for the years ended December 31, 2018 and 2017 was \$90,911 and \$74,489, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2019	\$ <u>3,183</u>
	\$ <u><u>3,183</u></u>

Contingencies

Grants and contracts awarded to Medic Mobile, Inc. are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

8. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies (continued)

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

9. CONDITIONAL PROMISES TO GIVE

Conditional promises to give are recognized when the Organization meets the terms of the conditions. Conditional promises to give consist of the following:

	2018	2017
Recognizable in one year or less		
Satisfactory completion of semi-annual check-ins and requested follow up	\$ 500,000	\$ 250,000
Continuance of designated program and assessment of success targets for grant period	61,000	350,000
Approval of progress report	-	400,000
	561,000	1,000,000
Recognizable in one to five years		
Satisfactory completion of semi-annual check-ins and requested follow up	500,000	-
	500,000	-
	\$ 1,061,000	\$ 1,000,000

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Contracts and grants receivable consist of amounts expected to be received within one year from December 31, 2018. These receivables will be available to support general operations of the Organization.

Medic Mobile, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

10. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 1,380,315
Contracts receivable	184,785
Grants receivable	<u>14,790</u>
	<u>1,579,890</u>
Less: amounts unavailable for general expenditure within one year	
Net assets with donor restrictions	<u>(496,956)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,082,934</u></u>