

LIMBS FOR LIFE FOUNDATION

Audited Financial Statements

December 31, 2020

BELL & RHODES, P.C.

Certified Public Accountants

14220 Barbour Avenue

Oklahoma City, OK 73134

INDEPENDENT AUDITOR'S REPORT

Ms. Lucy Fraser and the Board of Directors
Limbs for Life Foundation
9604 North May Avenue
Oklahoma City, Oklahoma 73120

We have audited the accompanying financial statements of Limbs for Life Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Limbs for Life Foundation as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bell & Howie, P.C.

August 30, 2021

Limbs for Life Foundation
Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 546,133	\$ 8,642,338
Restricted cash	38,527	58,428
Accounts receivable	19,022	-
Marketable securities	12,940,756	2,599,103
Prosthetics inventory	180,450	213,636
Prepaid expenses	11,098	7,055
Deposits	7,050	7,400
Total Current Assets	13,743,036	11,527,960
Other Assets		
Beneficial interest in assets held by others	57,215	53,441
Beneficial interest in trust	1,900,000	3,633,080
Restricted assets	1,957,215	3,686,521
Property and equipment		
Computers and software	7,251	6,195
Furniture and fixtures	10,663	10,663
Leasehold improvements	5,000	5,000
	22,914	21,858
Accumulated depreciation	(17,196)	(15,229)
Net property and equipment	5,718	6,629
Total Assets	\$ 15,705,969	\$ 15,221,110
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 17,488	\$ 1,075
Net Assets		
Without donor restrictions	15,591,630	15,108,166
With donor restrictions		
Purpose	39,637	58,428
Time	57,214	53,441
Total donor restricted	96,851	111,869
Total Net Assets	15,688,481	15,220,035
Total Liabilities and Net Assets	\$ 15,705,969	\$ 15,221,110

Limbs for Life Foundation
Statement of Activities and Net Assets
For the Years Ended December 31, 2020 and 2019

	2020			
	Without Donor	With Donor Restriction		Total
	Restriction	Purpose	Time	
Revenue and Other Support				
Contributions	\$ 435,866	\$ -	\$ -	\$ 435,866
Grants and sponsorships	75,351	39,500	-	114,851
Paycheck Protection Program grant	45,700	-	-	45,700
Investment income - net	491,585	91	-	491,676
Gifts in kind	100,762	-	-	100,762
Net assets released from restrictions	58,382	(58,382)	-	-
Total Revenue and other Support	1,207,646	(18,791)	-	1,188,855
Expenses				
Program services:				
Patient assistance	1,172,084	-	-	1,172,084
Community education and volunteer recruitment	11,184	-	-	11,184
	1,183,268	-	-	1,183,268
Supporting services:				
Management & general	81,915	-	-	81,915
Fundraising	125,130	-	-	125,130
	207,045	-	-	207,045
Total Expenses	1,390,313	-	-	1,390,313
Change in net assets from operations	(182,667)	(18,791)	-	(201,458)
Unrealized change in market value	666,131	-	3,773	669,904
Change in net assets	483,464	(18,791)	3,773	468,446
Net assets at beginning of year	15,108,166	58,428	53,441	15,220,035
Net assets at end of year	\$ 15,591,630	\$ 39,637	\$ 57,214	\$ 15,688,481

Limbs for Life Foundation
Statement of Activity and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	2019			
	Without Donor	With Donor Restriction		Total
	Restriction	Purpose	Time	
Revenue and Other Support				
Contributions	\$ 459,723	\$ 400	\$ -	\$ 460,123
Earnings from trust	530,678	-	-	530,678
Grants and sponsorships	88,541	25,000	-	113,541
Donated goods and services	79,748	-	-	79,748
Fundraising special event revenue	69,499	-	-	69,499
Cost of direct benefit to donors-fundraising	(21,374)	-	-	(21,374)
Interest and dividend income	198,474	332	-	198,806
Distribution income	4,285	-	-	4,285
Loss on disposition of assets	(581)	-	-	(581)
Net assets released from restrictions	32,200	(32,200)	-	-
Total Revenue and other Support	1,441,193	(6,468)	-	1,434,725
Expenses				
Program services:				
Patient Assistance	873,891	-	-	873,891
Community Education and Volunteer Recruitment	10,888	-	-	10,888
	884,779	-	-	884,779
Management & general	57,618	-	-	57,618
Fundraising	123,992	-	-	123,992
Total expenses	1,066,389	-	-	1,066,389
Change in net assets from operations	374,804	(6,468)	-	368,336
Unrealized change in market value	(51,122)	-	7,085	(44,037)
Change in net assets	323,682	(6,468)	7,085	324,299
Net assets at beginning of year	14,784,484	64,896	46,356	14,895,736
Net assets at end of year	<u>\$ 15,108,166</u>	<u>\$ 58,428</u>	<u>\$ 53,441</u>	<u>\$ 15,220,035</u>

Limbs for Life Foundation
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets from operations	\$ (201,458)	\$ 368,336
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	1,966	2,444
Loss on disposition of assets	-	581
Decrease (Increase) in accounts receivable	(19,022)	-
Decrease (increase) in inventory	33,186	(23,851)
Decrease (increase) in prepaid expenses	(4,043)	557
Decrease (Increase) in deposits	350	(3,000)
Increase (decrease) in accounts payable	16,413	(396)
Net cash provided by (applied to) operating activities	(172,608)	344,671
Cash Flows from Investing Activities		
Cash distribution from trust	100,000	6,335,832
Transfer to investments	(7,684,106)	-
Reinvested earnings	(358,336)	(530,678)
Purchase of equipment	(1,056)	(638)
Net cash provided by (applied to) investing activities	(7,943,498)	5,804,516
Net change in cash, restricted cash and cash equivalents	(8,116,106)	6,149,187
Cash, restricted cash and cash equivalents-beginning of year	8,700,766	2,551,579
Cash, restricted cash and cash equivalents-end of year	\$ 584,660	\$ 8,700,766
Cash and cash equivalents-Current Assets	\$ 546,133	\$ 8,642,338
Cash and cash equivalents-Restricted Assets	38,527	58,428
	\$ 584,660	\$ 8,700,766

Supplemental Information:

Interest expense paid	\$ -
Income taxes paid	\$ -

Limbs for Life Foundation
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

	Program			Support Activities		
	Patient Assistance	Community Education and Volunteer Recruitment	Total Program	Management and General	Fundraising	Total Expenses
For the year ended December 31, 2020						
Health and welfare	\$ 999,612	\$ -	\$ 999,612	\$ -	\$ -	\$ 999,612
Salaries, benefits and taxes	127,928	-	127,928	55,971	81,623	265,522
Education & public awareness	-	11,184	11,184	-	2,566	13,750
Occupancy	21,498	-	21,498	4,283	10,321	36,102
Services	14,648	-	14,648	17,231	25,473	57,352
Office	4,302	-	4,302	2,181	1,968	8,451
Other	4,096	-	4,096	283	3,179	7,558
Depreciation	-	-	-	1,966	-	1,966
	<u>\$ 1,172,084</u>	<u>\$ 11,184</u>	<u>\$ 1,183,268</u>	<u>\$ 81,915</u>	<u>\$ 125,130</u>	<u>\$ 1,390,313</u>
Percentage of total expenses			85.11%	5.89%	9.00%	100%
For the year ended December 31, 2019						
Health and welfare	\$ 698,622	\$ -	\$ 698,622	\$ -	\$ -	\$ 698,622
Salaries, benefits and taxes	129,853	-	129,853	31,549	76,532	237,934
Education & public awareness	-	10,888	\$ 10,888	-	-	10,888
Occupancy	19,270	-	19,270	4,895	11,932	36,097
Services	19,194	-	19,194	12,073	31,073	62,340
Office	6,014	-	6,014	1,398	3,574	10,986
Other	938	-	938	5,259	881	7,078
Depreciation	-	-	-	2,444	-	2,444
	<u>\$ 873,891</u>	<u>\$ 10,888</u>	<u>\$ 884,779</u>	<u>\$ 57,618</u>	<u>\$ 123,992</u>	<u>\$ 1,066,389</u>
Percentage of total expenses			82.97%	5.40%	11.63%	100%

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Nature of Activities

Limbs for Life Foundation (LFL), a 501(c)(3) nonprofit organization, operates as a voluntary not-for-profit organization providing fully functional prosthetic care for individuals who cannot otherwise afford it, and raising awareness in the community of the challenges facing amputees. LFL was incorporated in the State of Oklahoma in 1995. LFL funding sources are from the private sector and include individuals, corporations, foundations, religious and other organizations. In 2020, LFL provided new prosthetic limbs for 279 amputees in the USA; 2,300 people received information and referral services; 4,300 donated parts were distributed to 24 states and 10 countries, aiding an additional 536 amputees.

2. Significant Accounting Policies

- a. Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other assets and liabilities. Revenue is recognized when earned and expenses are recognized when incurred, unless related to specific fundraising events. In that case, such expenses are recognized at the time of the fundraising event.
- b. Basis of presentation – The financial statements report information regarding LFL'S financial position and activities according to two classes – net assets without donor restriction and net assets with donor restriction.
- c. Cash equivalents – LFL considers all highly liquid investments with a maturity, when purchased, of 90 days or less to be cash equivalents.
- d. Donated assets and services – Non-cash donations with readily determinable fair values are recorded as contributions at their estimated fair values at the date of the donation.

Individuals, businesses and other organizations donate prosthetic materials, consisting primarily of new and used componentry for prosthetic limbs, toward the fulfillment of care provided by LFL. To the extent that such donations are made under the control of LFL, are objectively measurable, and represent expenditures which would otherwise be incurred by LFL, they are reflected as contributions, inventory and program expense in the accompanying financial statements. These materials have been valued at their estimated fair market value as of December 31, 2020 and 2019.

LFL receives donated services from unpaid volunteers who assist in programs and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under accounting principles generally accepted in the United States of America has not been met.

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Significant Accounting Policies – continued

- e. Revenue recognition – Contributions of cash from donors are recognized as revenue when received. All contributions are available for unrestricted use unless specifically restricted by the donor. If a contribution stipulates its use, it is recorded as “with donor restrictions.” When the donor restriction expires, donor restricted net assets are reclassified to net assets “without donor restrictions,” and reported in the statement of activities as net assets released from donor restrictions.
- f. Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Fair values are based on quoted market prices or otherwise determined as provided by financial institutions or fund managers, which approximates fair value. Investments in certificate of deposits are valued at cost plus earned and accrued interest. Investment income and gains and losses are reported as unrestricted unless a specific restriction applies.
- g. Property and equipment and leasehold improvements – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. LFL’S capitalization threshold is \$500 for assets acquired with an economic life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to five years. Leasehold improvements are amortized over the lesser of the life of the asset or the life of the lease. Depreciation expense was \$1,966 and \$2,444 in 2020 and 2019, respectively.
- h. Inventory consists of prosthetic materials comprised of new and used componentry which are used in providing prosthetic care. The value of the inventory is recorded using a percentage of nationwide average costs for componentry of prosthetic limbs, which approximates fair market value.
- i. LFL currently serves persons needing prosthetics throughout the United States. As a result, support of the organization is highly dependent upon the general economic conditions. The risk of near-term severe impact on the operations and mission of the organization as a result of this concentration is limited by the diversity of its supporters and donor base.

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Significant Accounting Policies - Continued

- j. Functional allocation of expenses – The costs of providing various programs and other activities have been summarized in the accompanying Statement of Functional Expenses. Costs, which are not direct, are allocated between Programs, Fundraising, and Management and General based on evaluations of those costs and the related activities benefitted. The joint costs of informational materials and activities that include a fund-raising appeal are allocated between the program expenses, general and administrative, and fundraising expenses based upon the programs and supporting services benefitted. The principal programs of LFL are comprised of Patient Assistance, which provides fully functional prosthetic are for individuals who cannot otherwise afford it, and Community Education and Volunteer Recruitment, which raises awareness of the challenges facing amputees.
 - k. Advertising - Advertising costs are expensed as incurred and totaled \$8,410 and \$9,582 for the years ended December 31, 2020 and 2019, respectively.
 - l. Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
 - m. Recent accounting pronouncements – In 2016, FASB issued ASU 2016-02 (Topic 842), Leases. This authoritative guidance, as amended, requires most leases to be recognized on the balance sheet and requires enhanced disclosures. This standard requires entities to account for leases previously classified as operating leases that were not on its Statement of Assets, Liabilities and Net Assets on such Statement, measuring this lease liability and right-to-use asset at its present value of remaining minimum rental payments. The effective date of the amended standard will begin in periods beginning after December 15, 2021. While this guidance will result in a change to the Statement of on Significant Accounting Policies - Continued Assets, Liabilities and Net Assets, management does not currently expect the adoption of this new standard to have a material impact the Statement of Activities of LFL.
3. Income tax status – LFL has qualified as a not-for-profit organization under Internal Revenue Code Section 501(c)(3) under a final ruling by the Internal Revenue Service dated May 1994 and is classified by the Internal Revenue Code as a publicly supported organization within the meaning of Code Section 509 (a)(1). LFL is not classified as a private foundation within the meaning as described in the Internal Revenue Code Sections 509(a)(1) and 170(b)(1)(A)(vi) and qualifies as a “60% limit” organization for charitable contribution deductions for individual donors.

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 3. Income Tax - continued

LFL evaluates and accounts for its uncertain tax positions in accordance with ASC Top 740, "Income Taxes," including LFL's tax position as a not-for-profit entity. Through its evaluation of their uncertain tax positions, management has determined no uncertain tax positions existed as of December 31, 2020, which would require LFL to record a liability for the uncertain tax positions in its financial statements.

Interest and penalties, if any, resulting from any uncertain tax position required to be recorded by LFL would be presented in the supporting services expense in the statement of activities.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, LFL has no open examinations with either the Internal Revenue Service or the Oklahoma Tax Commission.

As mentioned in Note 9, LFL is a beneficiary of a trust. In 2019 LFL received notice that in 2018 the trust generated some income that passed through to LFL as Unrelated Business Taxable Income (UBTI) which resulted in a tax liability of \$3,989 with penalties totaling \$1,112. LFL had no Unrelated Business Income in 2020.

4. Financial Assets and Liquidity Resources

As of December 31, 2020, LFL has assets available for general expenditures of \$13,505,911, with total liabilities of \$17,488. This leaves \$13,488,423 available for future operations. As of December 31, 2020, LFL does not have any debt requiring principal or interest payments. Financial commitments as of the December 31, 2020, consist only of facility rentals through December 31, 2022, requiring annual rental payments of \$48,600 in 2021 and \$16,200 in 2022.

5. Lease Commitments

LFL leases its facility under an operating lease. Total rental expense incurred for the year ended December 31, 2020 and 2019, was \$48,880 and \$48,600, respectively. The minimum lease rental commitments for the next five years are as follows:

December 31, 2021	\$ 48,600
December 31, 2022	\$ 16,200

6. Net Assets Restricted by Donors

Net assets restricted by donors represent the following as of December 31:

	2020	2019
Oklahoma City Community Foundation	\$ 57,214	\$ 53,441
Donor restricted for componentry	39,637	58,428
Total	<u>\$ 96,851</u>	<u>\$ 111,869</u>

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

7. Endowed Funds Held by Others

Limbs for Life participates in an endowment fund through the Oklahoma City Community Foundation (OCCF). OCCF is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions to the endowment fund are permitted by not-for-profit entities as well as individual donors in the community who designate the beneficiary of their contributions. Earnings on these endowed funds are paid annually based on OCCF's spending policy which is currently five percent of the average market value over the previous twelve quarters of all assets held for the benefit of LFL. OCCF retains variance power over these assets.

Accounting principles generally accepted in the United States of America provides that the value of reciprocal transfers to organizations raising or holding assets for others, such as community foundations, be recognized as assets in the financial statements of the transferor. The value of assets transferred by others to an organization, such as a community foundation, for a specified beneficiary are not recognized as assets of the beneficiary if the community foundation retains variance power.

The value of the funds contributed by LFL was \$57,214 on December 31, 2020 and \$53,441 on December 31, 2019. The value of funds donated and designated by others at December 31, 2020 and 2019 was \$52,956 and \$48,368 respectively and are not reflected on LFL's financial statements.

8. Beneficial Interest in Trust

Limbs for Life was named as a beneficiary of a certain revocable trust in 2012. The settlor of the trust died in 2016, at which time the trust became irrevocable, and the trustee began to liquidate its assets. The trust contained stocks and bonds, real estate, loans and mortgages payable, and cash. LFL began receiving distributions from the trust in 2017. Distributions received in 2020 were \$100,000.

A final accounting for the year 2020 by the trustee was not available as of the date of this report; however, an estimate of the value of assets was provided by the trustee which resulted in an adjustment to the carrying amount of the beneficial interest in the trust on the book of Limbs For Life Foundation at December 31, 2020.

9. Fair Value Measurements

LFL reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. 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 the organization has access at the measurement date.

Limbs for Life Foundation
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active
- c. Observable inputs other than quoted prices for the assets or liability (for example, interest rates and yield curves); and
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or 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.

	Level 1		Level 2	
	2020	2019	2020	2019
Oklahoma City Community Foundation	\$ -	\$ -	\$ 57,215	\$ 53,441
Beneficial Interest in Trust	-	-	1,900,000	3,633,080
Marketable Securities	<u>12,940,756</u>	<u>2,599,103</u>	-	-
Total	<u>\$ 12,940,756</u>	<u>\$ 2,599,103</u>	<u>\$ 1,957,215</u>	<u>\$ 3,686,521</u>

10. Investment Income

Investment income is comprised of the following at December 31, 2020:

	<u>Without Restriction</u>	<u>Donor Restricted</u>	<u>Total</u>
Interest	\$ 30,034	\$ 91	\$ 30,125
Dividends	169,225	-	169,225
OCCF Distribution	4,551	-	4,551
Realized gains	349,649	-	349,649
Investment fees	(61,874)	-	(61,874)
Change in value	<u>666,131</u>	<u>3,773</u>	<u>669,904</u>
Total	<u>\$ 1,157,716</u>	<u>\$ 3,864</u>	<u>\$ 1,161,580</u>

11. Subsequent Events

The Covid-19 has impacted all businesses, including not-for-profit organizations. LFL availed itself of the Paycheck Protection Plan loan and management and received full forgiveness for the amount borrowed. Although management has adopted Covid-19 safety protocols and its staff has been able to continue work both in office and remotely without significant interruption, the full long-term impact of the pandemic on future donations and grants is not known at this time.

Management has evaluated subsequent events through August 30, 2021, the date the financial statements were available to be issued.