



**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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CHARLES POYSTI LLC

Independent Auditor's Report

Board of Directors
Scalpel at the Cross, Inc.
St. Paul, Minnesota

Opinion

I have audited the accompanying financial statements of Scalpel at the Cross, Inc. (a Minnesota nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scalpel at the Cross, Inc. as of December 31, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Scalpel at the Cross, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Scalpel at the Cross, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 auditor's report that includes my 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, I:

- 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 Scalpel at the Cross, Inc.'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 Scalpel at the Cross, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



December 11, 2023
Denver, Colorado

SCALPEL AT THE CROSS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

Assets

Cash and cash equivalents	\$ 844,043
Investments	309,661
Property and equipment, net	<u>493,693</u>
Total Assets	<u>\$ 1,647,397</u>

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 35,319
Note payable	<u>56,932</u>
	<u>92,251</u>

Net assets

Without donor restrictions	619,103
With donor restrictions	<u>936,043</u>
Total net assets	<u>1,555,146</u>

Total Liabilities and Net Assets	<u>\$ 1,647,397</u>
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The accompanying notes are an integral part of these financial statements.

SCALPEL AT THE CROSS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenue, gains and other support</u>			
Contributions	\$ 480,572	\$ 785,403	\$ 1,265,975
Non-cash contributions	86,921	0	86,921
Investment income	6,814	0	6,814
Other income	1,449	0	1,449
Net assets released from restrictions	<u>181,642</u>	<u>(181,642)</u>	<u>0</u>
Total revenue, gains and other support	<u>757,398</u>	<u>603,761</u>	<u>1,361,159</u>
 <u>Expenses</u>			
Program Services	453,252		453,252
General and administrative	67,334		67,334
Fundraising	<u>100,597</u>		<u>100,597</u>
Total program services	<u>621,183</u>		<u>621,183</u>
 Change in net assets	136,215	603,761	739,976
 Net assets at beginning of year	<u>482,888</u>	<u>332,282</u>	<u>815,170</u>
 Net assets at end of year	<u>\$ 619,103</u>	<u>\$ 936,043</u>	<u>\$ 1,555,146</u>

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

SCALPEL AT THE CROSS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 97,787	\$ 42,661	\$ 25,376	\$ 165,824
Contract services	0	21,589	71,293	92,882
Depreciation	68,230	0	0	68,230
Information technology	2,334	67	118	2,519
Insurance	1,606	85	0	1,691
Medical services	101,653	0	0	101,653
Medical supplies	5,563	0	0	5,563
Office expense	30,898	2,932	3,810	37,640
Travel	<u>145,181</u>	<u>0</u>	<u>0</u>	<u>145,181</u>
Total	<u>\$ 453,252</u>	<u>\$ 67,334</u>	<u>\$ 100,597</u>	<u>\$ 621,183</u>

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

SCALPEL AT THE CROSS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Cash flows from operating activities	
Received from grants and contributions	\$ 1,265,975
Other revenue	1,449
Interest received	2,430
Paid to suppliers and employees	(421,006)
Net cash provided by operating activities	<u>848,848</u>
Cash flows from investing activities	
Purchase of fixed assets	(121,723)
Purchase of investments	(578,100)
Sale of investments	272,823
Net cash used for investing activities	<u>(427,000)</u>
Cash flows from financing activities	
Repayments of long term debt	<u>(3,068)</u>
Net change in cash and cash equivalents	418,780
Cash and cash equivalents at beginning of year	<u>425,263</u>
Cash and cash equivalents at end of year	<u><u>\$ 844,043</u></u>

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

SCALPEL AT THE CROSS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Scalpel at the Cross, Inc. (us, we, our), a Minnesota nonprofit corporation with IRS 501(c)(3) designation.

Our mission is to be a lighthouse for Christ through a medical ministry in the Peruvian Amazon region of South America.

Basis of Accounting

Our financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

We record property and equipment additions at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

SCALPEL AT THE CROSS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are determined by management on a rational and systematic basis. Expenses are allocated on a time and effort basis or by direct costs where appropriate.

Income Taxes

We are organized as a Minnesota nonprofit corporation and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. We are required to file an annual Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

SCALPEL AT THE CROSS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred.

Leases

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Subsequent Events

We have evaluated subsequent events through December 11, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 844,043
Investments	<u>309,661</u>
	<u>\$ 1,153,704</u>

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. Management considers donor restricted contributions that will be used within one year as part of ordinary operations, as being available for general expenditures.

NOTE 3 – INVESTMENTS

Investments are carried at fair value, which is based on quoted market prices as of December 31, 2022:

Money market	\$ 153,402
Mutual Funds-Bonds	146,767
Mutual Funds-Equities	<u>9,492</u>
	<u>\$ 309,661</u>

Composition of investment return:

Interest and dividends	\$ 2,430
Realized/unrealized loss on investments	<u>4,384</u>
	<u>\$ 6,814</u>

In accordance with FASB ASC 820 Fair Value Measurements, all of the Center's investments are valued using Level 1, Quoted Prices in Active Markets for Identical Assets inputs. The Society reviews its holdings on a regular basis to determine if any investment has experienced an other-than-temporary decline in fair value.

SCALPEL AT THE CROSS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FURNITURE AND EQUIPMENT

The majority of our assets are located in the country of Peru.

Building and improvements	\$ 454,503
Furniture and equipment	256,407
Land	<u>118,242</u>
	829,152
Accumulated depreciation	<u>(335,459)</u>
	<u>\$ 493,693</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

Miracle Campus, Peru	\$ <u>181,642</u>
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Net assets with donor restrictions are available for the following purposes as of December 31, 2022:

Miracle Campus, Peru	\$ 917,393
Mission travel	<u>18,650</u>
	<u>\$ 936,043</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

Donated materials and services are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated services and materials included in the financial statements and the corresponding expenses for the year are as follows:

Medical services	\$ 86,500
Small equipment and supplies	<u>421</u>
	<u>\$ 86,921</u>