

RIP
 MEDICAL
DEBT

**MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

**MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Table of Contents

Independent Auditors' Report	1
Statements of Financial Position as of December 31, 2020 and 2019	2
Statements of Activities for the Years Ended December 31, 2020 and 2019	3
Statement of Expenses for the Year Ended December 31, 2020	4
Statement of Expenses for the Year Ended December 31, 2019	5
Statements of Cash Flows for the Years Ended December 31, 2020 and 2019	6
Notes to Financial Statements	7 - 16



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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Medical Debt Resolution, Inc.
(d/b/a RIP Medical Debt)

We have audited the accompanying financial statements of Medical Debt Resolution, Inc. (d/b/a RIP Medical Debt), a nonprofit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, expenses and cash flows 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Debt Resolution, Inc. (d/b/a RIP Medical Debt) 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.

New York, NY
July 1, 2021

Skody Scot & Company, CPAs, P.C.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash	\$ 56,801,632	\$ 3,475,646
Contributions receivable, net	163,100	167,001
Program service fees receivable	14,505	174,791
Other receivables	4,146	4,350
Prepaid expenses	158,932	141,800
Deferred debt abolishment costs	363,955	541,001
Property and equipment, net	10,256	9,975
Capitalized software and website costs, net	247,655	45,911
Security deposits and other assets	1,669	11,864
Total assets	\$ 57,765,850	\$ 4,572,339
 LIABILITIES & NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 361,090	\$ 306,006
Total liabilities	361,090	306,006
 Commitments and contingencies (see notes)		
 Net Assets:		
Without donor restrictions	\$ 52,275,653	\$ 1,014,787
With donor restrictions	5,129,107	3,251,546
Total net assets	57,404,760	4,266,333
Total liabilities and net assets	\$ 57,765,850	\$ 4,572,339

See accompanying notes to the financial statements.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions & grants	\$ 61,981,772	\$ 4,170,241	\$ 66,152,013	\$ 6,229,470	\$ 3,022,154	\$ 9,251,624
Donated services	120,000	-	120,000	192,513	-	192,513
Donated debt portfolios	-	-	-	639,457	-	639,457
Program service revenue	14,505	-	14,505	174,790	-	174,790
Investment revenue	6,433	-	6,433	1,153	-	1,153
Net assets released from restriction:						
Satisfaction of purpose restrictions	2,292,680	(2,292,680)	-	755,821	(755,821)	-
Total support and revenues	<u>64,415,390</u>	<u>1,877,561</u>	<u>66,292,951</u>	<u>7,993,204</u>	<u>2,266,333</u>	<u>10,259,537</u>
Expenses:						
Program Expenses:						
Medical debt relief	9,842,520	-	9,842,520	4,668,837	-	4,668,837
Technology infrastructure development	33,656	-	33,656	24,000	-	24,000
Education & outreach	285,864	-	285,864	183,780	-	183,780
Medical debt research	801,126	-	801,126	386,723	-	386,723
Total program expenses	<u>10,963,166</u>	<u>-</u>	<u>10,963,166</u>	<u>5,263,340</u>	<u>-</u>	<u>5,263,340</u>
Supporting Services:						
Management & general	1,275,191	-	1,275,191	1,314,473	-	1,314,473
Fundraising & development	916,167	-	916,167	699,494	-	699,494
Total expenses	<u>13,154,524</u>	<u>-</u>	<u>13,154,524</u>	<u>7,277,307</u>	<u>-</u>	<u>7,277,307</u>
Increase/(decrease) in net assets	51,260,866	1,877,561	53,138,427	715,897	2,266,333	2,982,230
Net assets, beginning of year	1,014,787	3,251,546	4,266,333	298,890	985,213	1,284,103
Net assets, end of year	<u>\$ 52,275,653</u>	<u>\$ 5,129,107</u>	<u>\$ 57,404,760</u>	<u>\$ 1,014,787</u>	<u>\$ 3,251,546</u>	<u>\$ 4,266,333</u>

See accompanying notes to the financial statements.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Expenses					Supporting Services		
	Technology	Infra- structure	Education & Outreach	Medical Debt Research	Total Program Expenses	Manage- ment & General	Fundraising & Develop- ment	Total Expenses
	Medical Debt Relief	Develop- ment						
Cost of debt abolished:								
Debt portfolios acquired:								
Purchased debt portfolios	\$ 8,059,681	\$ -	\$ -	\$ 761,771	\$ 8,821,452	\$ -	\$ -	\$ 8,821,452
Direct labor	597,699	-	-	-	597,699	-	-	597,699
Other debt abolishment costs	342,400	-	-	-	342,400	-	-	342,400
Decrease/(increase) in deferred debt abolishment costs:								
Deferred debt abolishment costs	110,744	-	-	-	110,744	-	-	110,744
Noncash deferred debt abolishment costs	66,302	-	-	-	66,302	-	-	66,302
Total cost of debt abolished	9,176,826	-	-	761,771	9,938,597	-	-	9,938,597
Compensation expenses	1,136	1,851	171,963	27,310	202,260	328,023	90,843	621,126
Contract service expenses	198,584	27,025	111,920	-	337,529	526,096	780,025	1,643,650
Contract service expenses, in-kind	-	-	-	-	-	120,000	-	120,000
Mailing services	404,971	-	-	7,839	412,810	-	-	412,810
Merchant account fees	-	-	-	-	-	155,298	-	155,298
Office & admin expenses	416	-	861	-	1,277	29,468	31,760	62,505
Facility expenses	-	-	-	-	-	40,350	-	40,350
Travel & meeting expenses	19,316	-	427	-	19,743	2,106	3,767	25,616
Technology expenses	12,553	4,780	693	4,206	22,232	59,017	9,772	91,021
Depreciation & amortization	28,718	-	-	-	28,718	14,833	-	43,551
Total expenses	\$ 9,842,520	\$ 33,656	\$ 285,864	\$ 801,126	\$ 10,963,166	\$ 1,275,191	\$ 916,167	\$ 13,154,524

See accompanying notes to the financial statements.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Expenses				Supporting Services			Total Expenses
	Medical Debt Relief	Technology Infra-structure Development	Education & Outreach	Medical Debt Research	Total Program Expenses	Management & General	Fundraising & Development	
Cost of debt abolished:								
Debt portfolios acquired:								
Purchased debt portfolios	\$ 3,501,882	\$ -	\$ -	\$ 343,751	\$ 3,845,633	\$ -	\$ -	\$ 3,845,633
Donated debt portfolios	639,457	-	-	-	639,457	-	-	639,457
Direct labor	525,520	-	-	-	525,520	-	-	525,520
Other debt abolishment costs	290,414	-	-	-	290,414	-	-	290,414
Decrease/(increase) in deferred debt abolishment costs:								
Deferred debt abolishment costs	(398,592)	-	-	-	(398,592)	-	-	(398,592)
Noncash deferred debt abolishment costs	(142,409)	-	-	-	(142,409)	-	-	(142,409)
Total cost of debt abolished	4,416,272	-	-	343,751	4,760,023	-	-	4,760,023
Compensation expenses	-	-	79,052	12,683	91,735	125,058	115,836	332,629
Contract service expenses	21,649	20,897	74,433	25,624	142,603	665,482	541,947	1,350,032
Contract service expenses, in-kind	-	-	-	-	-	192,513	-	192,513
Mailing services	206,193	-	-	4,665	210,858	-	-	210,858
Merchant account fees	-	-	-	-	-	89,725	-	89,725
Office & admin expenses	12,145	-	10,820	-	22,965	29,585	13,501	66,051
Facility expenses	-	-	-	-	-	112,040	-	112,040
Travel & meeting expenses	12,545	-	18,797	-	31,342	33,860	24,122	89,324
Technology expenses	33	3,103	678	-	3,814	57,685	4,088	65,587
Depreciation & amortization	-	-	-	-	-	8,525	-	8,525
Total expenses	<u>\$ 4,668,837</u>	<u>\$ 24,000</u>	<u>\$ 183,780</u>	<u>\$ 386,723</u>	<u>\$ 5,263,340</u>	<u>\$ 1,314,473</u>	<u>\$ 699,494</u>	<u>\$ 7,277,307</u>

See accompanying notes to the financial statements.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 53,138,427	\$ 2,982,230
Adjustments for noncash items included in operating activities:		
Depreciation and amortization	43,550	8,525
Bad pledge expense	-	8,381
Discounts on long-term receivables	-	863
Amortization of discounts on long-term receivables	(635)	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	55,084	12,212
Contributions receivable	4,536	17,136
Program service fees receivable	160,286	(54,036)
Other receivables	204	4,562
Prepaid expenses	(17,132)	(115,054)
Deferred debt abolishment costs	177,046	(541,001)
Security deposits and other assets	10,195	-
Net cash provided/(used) by operating activities	<u>53,571,561</u>	<u>2,323,818</u>
Cash flows from investing activities:		
Purchase of property and equipment	(8,338)	(3,289)
Capitalized software costs	(237,237)	(46,476)
Net cash provided/(used) by investing activities	<u>(245,575)</u>	<u>(49,765)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	53,325,986	2,274,053
Cash, at beginning of year	3,475,646	1,201,593
Cash, at end of year	<u>\$ 56,801,632</u>	<u>\$ 3,475,646</u>
Supplemental information:		
Noncash operating transactions:		
Donated debt portfolios	\$ -	\$ 639,457

See accompanying notes to the financial statements.

**MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note 1 – Summary of Significant Accounting Policies

The Organization

Medical Debt Resolution, Inc. (the “Organization”) was formed as a not-for-profit corporation on July 25, 2014, in the State of New York. Since filing a certificate of assumed name with the State of New York on April 28, 2015, the Organization has been doing business as (d/b/a) RIP Medical Debt. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded in its financial statements. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from donor contributions.

The Organization’s mission is to acquire and forgive the medical debt of persons experiencing poverty, generally defined as those earning 200 percent or less than the federal poverty line, or who are experiencing other hardships that make paying the debt difficult or impossible.

In support of this mission, the Organization carries out programs in the following areas:

- *Medical Debt Relief:* Acquiring and forgiving the medical debt of persons experiencing poverty or other hardship;
- *Technology Infrastructure Development:* Developing systems to more efficiently acquire and forgive medical debt;
- *Education & Outreach:* Promoting public understanding of the medical debt issue by hosting conferences and publishing information through traditional and web media platforms;
- *Medical Debt Research:* Purchasing and forgiving medical debt in connection with research conducted by major universities into the economic and social impact of medical debt.

Basis of Accounting

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

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Investments

The policy of the Organization is to sell donated investments soon after receipt and consider them cash donations valued at the sale price.

Deferred Debt Abolishment Costs

Deferred debt abolishment costs are valued at the lower of cost or market, using a specific identification method. Deferred debt abolishment costs include the purchase cost of debt portfolios acquired, plus broker fees, if applicable, and related costs of direct labor, contract labor, and analytic data used in the debt acquisition process. Donated debt portfolios are recorded at fair market value as determined by an independent appraisal firm.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging from three to five years. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Internal-Use Software

In accordance with FASB ASC 350-40, *Intangibles — Goodwill and Other — Internal-Use Software*, the Organization capitalizes certain costs of developing software used to acquire and abolish medical debt and for the Organization’s public website.

Capitalized costs include contractor fees, payroll related costs of development personnel, and development related hosting costs. Expenditures prior to the development stage, such as those for prototyping and vendor selection, are expensed as incurred. Expenditures after the development stage, such as those for routine maintenance, support, and minor enhancements are also expensed as incurred. Capitalized software is stated at cost, less accumulated amortization. Amortization of software development costs is computed by the straight-line method over an estimated useful life of five years.

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. This classification represents net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, including net assets designated by the board or management for a specified purpose.

Net Assets with Donor Restrictions. This classification represents net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity. Currently, none of the Organization’s net assets restrictions are perpetual in nature.

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, and unconditional promises to give are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At December 31, 2020 and 2019, the Organization did not have any material conditional pledges that were not recognized.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a purpose are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

During the year ended December 31, 2020, the Organization received \$135,528 of Paycheck Protection Program funds from the U.S. Small Business Administration. Management has determined that the correct model to follow is the grant model and that the purpose-related conditions imposed on the grant were met by year-end. Therefore, the full amount has been recognized as revenue. The amount is included with contributions & grants in the statement of activities for the year ended December 31, 2020.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred revenue.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries and related expenses based on estimated time and effort and other expenses including technology expenses, office and administrative expenses, postage and mailing services, telephone and communications, and travel expenses based on usage. The Organization classifies expenses, which are not directly related to a specific program, as management and general expenses.

Note 2 – Contributions Receivable

All contributions receivable at December 31, 2020 are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables. As of December 31, 2019, long term contributions have been discounted at a 1.5 percent annual rate of interest, resulting in a discount of \$863.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 3 – Program Service Fees Receivable

Program service fees receivable at December 31, 2020 and 2019 represent amounts due from universities in connection with research programs on the economic and social cost of medical debt. Amounts billed under these programs are accounted for as exchange transactions, with the universities compensating the Organization for costs incurred to purchase and abolish medical debt. All program service fees receivable are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Note 4 – Deferred Debt Abolishment Costs

Changes in the value of deferred debt abolishment costs in the years ended December 31, 2020 and 2019 are presented below, along with supplemental details on the face value of debt abolished and the number of debtors helped.

	2020	2019
Deferred debt abolishment costs, beginning of year	\$ 541,001	\$ -
Cost of medical debt acquired:		
Debt portfolios, donated	-	639,457
Debt portfolios, purchased	8,821,452	3,845,633
Debt Broker Fees	74,000	-
Data analysis fees	38,044	48,700
Data purchases	179,468	199,567
Data platform fees	50,888	42,147
Direct labor	<u>597,699</u>	<u>525,520</u>
Total cost of medical debt acquired	9,761,550	5,301,024
Less: cost of medical debt abolished	<u>(9,938,596)</u>	<u>(4,760,023)</u>
Deferred debt abolishment costs, end of year	<u>\$ 363,955</u>	<u>\$ 541,001</u>
Face value of debt abolished	\$1,736,659,044	\$1,673,250,259
Number of debtors helped	838,634	1,260,529

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 5 – Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2020 and 2019:

	2020	2019
Computer & office equipment	\$ 36,042	\$ 27,704
Furniture & fixtures	1,269	1,269
Less: Accumulated depreciation	<u>(27,055)</u>	<u>(18,998)</u>
Property & equipment, net	\$ <u>10,256</u>	\$ <u>9,975</u>

Note 6 – Internal-Use Software

In 2019, the Organization began formal development of proprietary software (the “Debt Abolishment Platform”) to automate the process of identifying, analyzing, purchasing, and abolishing medical debt. The first phase of the Debt Abolishment Platform was placed into service in March 2020. The Organization continued development of new features and functionality of the software in 2020 and 2021, for which related expenditures were capitalized. Expenditures in connection with general maintenance and user training were expensed in the period incurred. Website and Internal use software consisted of the following at December 31, 2020 and 2019:

	2020	2019
Website and software development costs capitalized:		
Payroll costs, software development	\$ 191,746	\$ 14,210
Contractor costs, software development	64,121	14,859
Contractor costs, public website	13,550	13,550
Hosting costs, software development	<u>14,296</u>	<u>3,857</u>
Total website and software development costs capitalized	283,713	46,476
Less: Accumulated amortization	<u>(36,058)</u>	<u>(565)</u>
Capitalized website and software development costs, end of year	\$ <u>247,655</u>	\$ <u>45,911</u>

In 2017 and 2018, the Organization engaged a consulting firm to conduct a feasibility study and develop a proof of concept of the aforementioned Debt Abolishment Platform. Expenditures in connection with this project in 2018 were \$562,422. Because they did not meet the criteria for capitalization under generally accepted accounting principles, they were expensed in the period incurred.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7 – Net Assets with Donor Restrictions

As of December 31, 2020 and 2019, net assets with donor restrictions are available as follows:

	2020	2019
Debt relief programs	\$ 5,129,107	\$ 3,251,546

Note 8 – Contracts with Customers

All program service revenue during the years ended December 31, 2020 and 2019 is derived from contracts with customers and fully earned in the same annual reporting periods, as presented below:

	2020	2019
Medical debt research programs	\$ 14,505	\$ 174,790

Note 9 – Donated Debt Portfolios

There were no donations of medical debt portfolios in the year ended December 31, 2020.

In the year ended December 31, 2019, the Organization received donations of medical debt portfolios containing accounts with a total face value of \$1,008,388,902, owed by 761,455 debtors. These contributions were recorded as donated debt portfolios at the median fair market value of \$639,457, within a range of fair market values as determined by a third-party appraisal firm.

Note 10 – Donated Services

Significant services were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with generally accepted accounting principles. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

For the years ended December 31, 2020 and 2019, contributions in-kind of \$120,000 and \$192,513, respectively, were received and reported on the accompanying statements of activities. These contributions consisted mainly of pro-bono public relations and legal services.

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11 – Retirement Plan

During the year ended December 31, 2020, the Organization adopted a qualified deferred compensation plan (Plan) under 403(b) of the Internal Revenue Code. Under the Plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. Any employee who has completed a year of employment or who works full time is allowed to participate in the Plan. The Organization can make discretionary matching contributions towards the Plan, based on a uniform percentage or dollar amount of the employees' elective deferrals.

Organization contributions to the Plan for the year ended December 31, 2020 amounted to \$31,321.

Note 12 – Concentrations

The Organization maintains its cash accounts with various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded insured limits during the years ended December 31, 2020 and 2019.

In the year ended December 31, 2020, approximately 76 percent of the Organization's total revenue (excluding contributions of in-kind services) was provided by one contributor. In the year ended December 31, 2019, no single contributor accounted for more than 5 percent of the Organization's revenue (excluding contributions of in-kind services).

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 13 – Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization’s financial assets, as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2020	2019
Cash	\$ 56,801,631	\$ 3,475,646
Contributions receivable	163,100	167,001
Program service fees receivable	14,505	174,791
Other receivables	<u>4,146</u>	<u>4,350</u>
Total financial assets	56,983,382	3,821,788
Less those unavailable for general expenditures within one year:		
Receivables expected to be received in more than one year	<u>-</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>56,983,382</u>	\$ <u>3,796,788</u>

MEDICAL DEBT RESOLUTION, INC.
(D/B/A RIP MEDICAL DEBT)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 14 – Related Party Transactions

During the years ended December 31, 2020 and 2019, two members of the Organization's board of directors were also employees of the Organization. During the years ended December 31, 2020 and 2019, the two board members were paid a total of \$389,500 and \$436,511, respectively, for their services as employees to the Organization.

During the years ended December 31, 2020 and 2019, the Organization paid consulting fees totaling \$65,500 and \$52,540, respectively, to a consulting firm, the founder and CEO of which is an immediate family member of an individual on the Organization's board of directors.

Note 15 – Commitments and Contingencies

In 2020, the Organization's two leases for office and program space, originally entered into in 2018, reached the end of their term, and the Organization has no further obligations under them.

Under an agreement between the Organization and its primary consumer financial data supplier, the Organization is committed to aggregate minimum purchases of \$150,000 in the year ended December 31, 2021. A similar minimum purchase requirement of \$150,000 in the year ended December 31, 2020 was fulfilled.

Note 16 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through July 1, 2021, which is the date the financial statements were available to be issued.