

Health Talents International, Inc.  
Financial Statements  
For the Years Ended December 31, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Health Talents International, Inc.

We have audited the accompanying financial statements of Health Talents International, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2019 and 2018, and the related statement of support, revenue, and expenses and changes in net assets—modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### 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 assets, liabilities, and net assets of Health Talents International, Inc. as of December 31, 2019 and 2018, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Turner, Williams and Associates, P.A.*

Searcy, Arkansas  
August 18, 2020

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**Health Talents International, Inc.**  
**Statement of Assets, Liabilities and Net Assets--Modified Cash Basis**  
**December 31, 2019**

**ASSETS**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 224,834	\$ -	\$ 8,797	\$ 97,071	\$ 330,702
Investments	<u>-</u>	<u>567,864</u>	<u>-</u>	<u>214,870</u>	<u>782,734</u>
Total Current Assets	<u>224,834</u>	<u>567,864</u>	<u>8,797</u>	<u>311,941</u>	<u>1,113,436</u>
Property and equipment, net	-	-	244,392	-	244,392
Other assets	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>
<b>Total Assets</b>	<u><b>\$ 224,969</b></u>	<u><b>\$ 567,864</b></u>	<u><b>\$ 253,189</b></u>	<u><b>\$ 311,941</b></u>	<u><b>\$ 1,357,963</b></u>

**LIABILITIES and NET ASSETS**

Current Liabilities:					
Payroll taxes withheld and accrued	\$ 4,929	\$ -	\$ -	\$ -	\$ 4,929
Bank overdraft	<u>-</u>	<u>10,937</u>	<u>-</u>	<u>-</u>	<u>10,937</u>
Total current liabilities	<u>4,929</u>	<u>10,937</u>	<u>-</u>	<u>-</u>	<u>15,866</u>
Net Assets:					
Without donor restrictions					
Undesignated	220,040	-	244,392	-	464,432
Designated	<u>-</u>	<u>556,927</u>	<u>-</u>	<u>-</u>	<u>556,927</u>
Total without donor restrictions	<u>220,040</u>	<u>556,927</u>	<u>244,392</u>	<u>-</u>	<u>1,021,359</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>8,797</u>	<u>311,941</u>	<u>320,738</u>
Total net assets	<u>220,040</u>	<u>556,927</u>	<u>253,189</u>	<u>311,941</u>	<u>1,342,097</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 224,969</b></u>	<u><b>\$ 567,864</b></u>	<u><b>\$ 253,189</b></u>	<u><b>\$ 311,941</b></u>	<u><b>\$ 1,357,963</b></u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Assets, Liabilities and Net Assets--Modified Cash Basis**  
**December 31, 2018**

**ASSETS**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 240,392	\$ 10,335	\$ 3,334	\$ 129,796	\$ 383,857
Investments	<u>-</u>	<u>475,311</u>	<u>4,050</u>	<u>138,161</u>	<u>617,522</u>
Total Current Assets	<u>240,392</u>	<u>485,646</u>	<u>7,384</u>	<u>267,957</u>	<u>1,001,379</u>
Property and equipment, net	-	-	280,233	-	280,233
Other assets	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>
Total Assets	<u>\$ 240,527</u>	<u>\$ 485,646</u>	<u>\$ 287,617</u>	<u>\$ 267,957</u>	<u>\$ 1,281,747</u>

**LIABILITIES and NET ASSETS**

Current Liabilities:					
Payroll taxes withheld and accrued	\$ 3,209	\$ -	\$ -	\$ -	\$ 3,209
Net Assets:					
Without donor restrictions					
Undesignated	237,318	-	280,233	-	517,551
Designated	<u>-</u>	<u>485,646</u>	<u>-</u>	<u>-</u>	<u>485,646</u>
Total without donor restrictions	<u>237,318</u>	<u>485,646</u>	<u>280,233</u>	<u>-</u>	<u>1,003,197</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>7,384</u>	<u>267,957</u>	<u>275,341</u>
Total net assets	<u>237,318</u>	<u>485,646</u>	<u>287,617</u>	<u>267,957</u>	<u>1,278,538</u>
Total Liabilities and Net Assets	<u>\$ 240,527</u>	<u>\$ 485,646</u>	<u>\$ 287,617</u>	<u>\$ 267,957</u>	<u>\$ 1,281,747</u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Support, Revenue, and Expenses and Changes in Net Assets--Modified Cash Basis**  
**For the Year Ended December 31, 2019**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Changes in unrestricted net assets					
Support and Revenue:					
Contributions	\$ 941,459	\$ -	\$ -	\$ -	\$ 941,459
ABC Program	302,213	-	-	-	302,213
Medical mission trips	903,776	-	-	-	903,776
Investment income	216	93,032	-	-	93,248
Total unrestricted support and revenue	<u>2,147,664</u>	<u>93,032</u>	<u>-</u>	<u>-</u>	<u>2,240,696</u>
Expenses					
Program services	2,065,420	-	34,765	-	2,100,185
Support services:					
Management and general	119,831	-	-	-	119,831
Fundraising	118,758	-	-	-	118,758
Total Expenses	<u>2,304,009</u>	<u>-</u>	<u>34,765</u>	<u>-</u>	<u>2,338,774</u>
Excess support and revenue over expenses	<u>(156,345)</u>	<u>93,032</u>	<u>(34,765)</u>	<u>-</u>	<u>(98,078)</u>
Changes in temporarily restricted net assets:					
Contributions	\$ 38,767	\$ -	\$ 1,200	\$ 89,094	\$ 129,061
Gain/(Loss) Disposal of assets	-	-	-	-	-
Investment Income	-	-	782	31,794	32,576
Net assets released from restrictions	100,300	(21,751)	(1,645)	(76,904)	-
Increase in temporarily restricted net assets	<u>139,067</u>	<u>(21,751)</u>	<u>337</u>	<u>43,984</u>	<u>161,637</u>
Excess support and revenue over expenses	<u>(17,278)</u>	<u>71,281</u>	<u>(34,428)</u>	<u>43,984</u>	<u>63,559</u>
Net assets at beginning of year	<u>237,318</u>	<u>485,646</u>	<u>287,617</u>	<u>267,957</u>	<u>1,278,538</u>
Net assets at end of year	<u>\$ 220,040</u>	<u>\$ 556,927</u>	<u>\$ 253,189</u>	<u>\$ 311,941</u>	<u>\$ 1,342,097</u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Support, Revenue, and Expenses and Changes in Net Assets--Modified Cash Basis**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Changes in unrestricted net assets					
Support and Revenue:					
Contributions	\$ 1,016,449	\$ -	\$ -	\$ -	\$ 1,016,449
ABC Program	295,082	-	-	-	295,082
Medical mission trips	886,072	-	-	-	886,072
Investment income	186	(37,765)	-	-	(37,579)
	<u>2,197,789</u>	<u>(37,765)</u>	<u>-</u>	<u>-</u>	<u>2,160,024</u>
Total unrestricted support and revenue					
Expenses					
Program services	2,048,590	-	35,131	-	2,083,721
Support services:					
Management and general	99,478	-	-	-	99,478
Fundraising	81,888	-	-	-	81,888
	<u>2,229,956</u>	<u>-</u>	<u>35,131</u>	<u>-</u>	<u>2,265,087</u>
Total Expenses					
Excess support and revenue over expenses	<u>(32,167)</u>	<u>(37,765)</u>	<u>(35,131)</u>	<u>-</u>	<u>(105,063)</u>
Changes in temporarily restricted net assets:					
Contributions	\$ 22,821	-	1,200	121,960	145,982
Gain/(Loss) Disposal of assets	-	-	-	-	-
Investment Income	-	-	(289)	(9,013)	(9,302)
Net assets released from restrictions	79,382	-	(4,117)	(75,265)	-
	<u>102,203</u>	<u>-</u>	<u>(3,206)</u>	<u>37,682</u>	<u>136,679</u>
Increase in temporarily restricted net assets					
Excess support and revenue over expenses	70,036	(37,765)	(38,337)	37,682	31,616
Net assets at beginning of year	<u>167,282</u>	<u>523,411</u>	<u>325,954</u>	<u>230,275</u>	<u>1,246,922</u>
Net assets at end of year	<u>\$ 237,318</u>	<u>\$ 485,646</u>	<u>\$ 287,617</u>	<u>\$ 267,957</u>	<u>\$ 1,278,538</u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Functional Expenses--Modified Cash Basis**  
**For the Year Ended December 31, 2019**

	<u>Support Services</u>			<u>Program Services</u>	<u>Total Expenses</u>
	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>		
Medical Mission Trip	\$ -	\$ -	\$ -	\$ 764,379	\$ 764,379
Financial Assistance					
Operations Grants	-	-	-	403,200	403,200
Scholarship Grants	-	-	-	63,000	63,000
ABC Program Grants	-	-	-	264,000	264,000
Mission Team Grants	-	-	-	328,183	328,183
ABC Program	27,060	-	27,060	-	27,060
Salaries & Employee Benefits	69,826	83,791	153,617	125,687	279,304
Project Development	-	-	-	5,300	5,300
Evangelism Training	-	-	-	42,341	42,341
Printing	-	5,561	5,561	11,290	16,851
Postage	486	1,459	1,945	2,917	4,862
Advertising/Publicity	-	1,360	1,360	1,360	2,720
Professional Services	5,901	5,901	11,802	6,080	17,882
Meetings	3,600	4,800	8,400	15,599	23,999
Rent	4,050	-	4,050	1,350	5,400
Supplies	1,346	-	1,346	1,346	2,692
Telephone	745	186	931	932	1,864
Recruiting	-	137	137	1,236	1,374
Misc	1,421	4,264	5,685	8,528	14,213
Travel	3,075	10,761	13,836	16,911	30,747
Insurance	1,782	-	1,782	1,782	3,564
<b>Total Expenses before Depreciation</b>	<b>\$ 119,292</b>	<b>\$ 118,220</b>	<b>\$ 237,512</b>	<b>\$ 2,065,421</b>	<b>\$ 2,302,933</b>
Depreciation	538	538	1,076	34,765	35,841
<b>Total Expenses</b>	<b>\$ 119,831</b>	<b>\$ 118,757</b>	<b>\$ 238,588</b>	<b>\$ 2,100,186</b>	<b>\$ 2,338,774</b>

The accompanying notes are an integral part of this financial statement.



**Health Talents International, Inc.**  
**Statement of Functional Expenses--Modified Cash Basis**  
**For the Year Ended December 31, 2018**

	<u>Support Services</u>			<u>Program Services</u>	<u>Total Expenses</u>
	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>		
Medical Mission Trip	\$ -	\$ -	\$ -	\$ 805,023	\$ 805,023
Financial Assistance					
Operations Grants	-	-	-	381,000	381,000
Scholarship Grants	-	-	-	53,775	53,775
ABC Program Grants	-	-	-	257,000	257,000
Mission Team Grants	-	-	-	354,184	354,184
ABC Program	25,601	-	25,601	-	25,601
Salaries & Employee Benefits	56,764	56,764	113,528	113,529	227,057
Project Development	-	-	-	1,817	1,817
Evangelism Training	-	-	-	32,807	32,807
Printing	-	6,980	6,980	14,172	21,152
Postage	459	1,374	1,833	2,748	4,581
Advertising/Publicity	-	1,637	1,637	1,638	3,275
Professional Services	5,070	5,070	10,141	5,224	15,365
Meetings	1,404	1,872	3,276	6,084	9,360
Rent	4,050	-	4,050	1,350	5,400
Supplies	808	-	808	808	1,616
Telephone	559	140	699	699	1,398
Recruiting	-	-	-	-	-
Misc	1,258	3,773	5,031	7,547	12,578
Travel	1,244	3,734	4,978	7,467	12,445
Insurance	1,718	-	1,718	1,718	3,436
<b>Total Expenses before Depreciation</b>	<u>\$ 98,935</u>	<u>\$ 81,344</u>	<u>\$ 180,280</u>	<u>\$ 2,048,590</u>	<u>\$ 2,228,870</u>
Depreciation	543	543	1,086	35,131	36,217
<b>Total Expenses</b>	<u>\$ 99,478</u>	<u>\$ 81,888</u>	<u>\$ 181,366</u>	<u>\$ 2,083,720</u>	<u>\$ 2,265,087</u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Cash Flows--Modified Cash Basis**  
**For the Year Ended December 31, 2019**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Cash Flows from operating activities:					
Excess (deficiency) of revenue over expenses	\$ (17,278)	\$ 71,281	\$ (34,428)	\$ 43,984	\$ 63,559
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:					
Depreciation	-	-	35,841	-	35,841
Realized and unrealized (gain) loss investments	-	(73,803)	4,073	(44,485)	(114,215)
Changes in operating assets and liabilities:					
Payroll taxes withheld and accrued	<u>1,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720</u>
Net cash provided by (used in) operating activities	<u>(15,558)</u>	<u>(2,522)</u>	<u>5,486</u>	<u>(501)</u>	<u>(13,095)</u>
Cash flows from investing activities:					
Purchase of investments	<u>-</u>	<u>(18,750)</u>	<u>(23)</u>	<u>(32,224)</u>	<u>(50,997)</u>
Net cash used in investing activities	<u>-</u>	<u>(18,750)</u>	<u>(23)</u>	<u>(32,224)</u>	<u>(50,997)</u>
Net increase (decrease) in cash and cash equivalents	(15,558)	(21,272)	5,463	(32,725)	(64,092)
Cash and cash equivalents, beginning of year	<u>240,392</u>	<u>10,335</u>	<u>3,334</u>	<u>129,796</u>	<u>383,857</u>
Cash and cash equivalents, end of year	<u>\$ 224,834</u>	<u>\$ (10,937)</u>	<u>\$ 8,797</u>	<u>\$ 97,071</u>	<u>\$ 319,765</u>

The accompanying notes are an integral part of this financial statement.

**Health Talents International, Inc.**  
**Statement of Cash Flows--Modified Cash Basis**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Capital Fund</u>	<u>Scholarship Funds</u>	<u>Total</u>
Cash Flows from operating activities:					
Excess (deficiency) of revenue over expenses	\$ 70,036	\$ (37,765)	\$ (38,337)	\$ 37,682	\$ 31,616
Loss on disposal of assets	-	-	-	-	-
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:					
Depreciation	-	-	36,217	-	36,217
Realized and unrealized (gain) loss investment <sup>1</sup>	-	58,741	338	15,597	74,676
Accounts receivable	-	-	-	-	-
Changes in operating assets and liabilities:					
Payroll taxes withheld and accrued	<u>318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318</u>
Net cash provided by (used in) operating activities	<u>70,354</u>	<u>20,976</u>	<u>(1,782)</u>	<u>53,279</u>	<u>142,828</u>
Cash flows from investing activities:					
Purchase of property and equipment	-	-	-	-	-
Proceeds from sales of investments	-	-	19,700	67,867	87,567
Purchase of investments	<u>-</u>	<u>(10,641)</u>	<u>(19,604)</u>	<u>(127,204)</u>	<u>(157,449)</u>
Net cash used in investing activities	<u>-</u>	<u>(10,641)</u>	<u>96</u>	<u>(59,337)</u>	<u>(69,882)</u>
Net increase (decrease) in cash and cash equivalents:	70,354	10,335	(1,686)	(6,058)	72,945
Cash and cash equivalents, beginning of year	<u>170,038</u>	<u>-</u>	<u>5,020</u>	<u>135,854</u>	<u>310,912</u>
Cash and cash equivalents, end of year	<u>\$ 240,392</u>	<u>\$ 10,335</u>	<u>\$ 3,334</u>	<u>\$ 129,796</u>	<u>\$ 383,857</u>

The accompanying notes are an integral part of this financial statement.

NOTE 1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Health Talents International, Inc. ("HTI") is an Alabama not-for profit corporation organized in 1973 to provide assistance in the establishment, development, and operation of medical missions in the United States and foreign countries. Principal operations consist of providing primary care and surgical clinics in Central America. HTI is Christian based with the goal of spreading Christianity through medical evangelism.

Basis of Accounting

HTI prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. HTI has elected to capitalize fixed asset purchases and provide for depreciation over their estimated useful lives. In addition, donations of supplies and materials are not included in accompanying modified cash basis financial statements.

Basis of Presentation

HTI reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Undesignated - Net assets that are not subject to donor-imposed stipulations

Designated - Net assets designated by HTI for operating reserves

Net Assets With Donor Restrictions

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of HTI and/or the passage of time. Temporarily restricted net assets include funds for the ABC Program, scholarships, and the Improving Our Serve Campaign.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by HTI. Generally donors of these assets may permit HTI to use all or part of the income earned for general or specific purposes. HTI currently has no permanently restricted net assets.

Contributions

All contributions are available for unrestricted use unless specifically restricted for use by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as net assets with donor restrictions, that increases that net position class. When a restriction expires, net assets with donor restrictions is reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchased or acquired, with an original cost of \$1,000 or more, are stated at historical cost and depreciated over their estimated useful lives. Depreciable lives of major classes of property and equipment are as follows:

Buildings	25 years
Building Improvements	15 - 25 years
Furnishings and equipment	3 - 7 years

Depreciation expense is \$35,841 and \$36,217 for 2019 and 2018, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, HTI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at quoted market values, except for privately held partnership interests that are valued at estimates made by management. Unrealized gains or losses in the value of investments are reported in the period they occur.

Income Taxes

HTI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. HTI has not been classified as a private foundation.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years before 2017.

Fair Value of Financial Instruments

The estimated fair values of the Organization's short-term financial instruments approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses directly attributable to a specific area of the Organization are reported as expenses of those functional areas. Expenses which benefit more than one area are also reported based upon actual expenditures for each category.

Advertising

Advertising costs are expensed as incurred. Total advertising costs were \$2,720 and \$3,275 for the years ended December 31, 2019 and 2018, respectively.

Subsequent Events

Management has evaluated subsequent events through August 18, 2020, the date which the financial statements were available to be issued.

NOTE 1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Financial Assets

The financial assets as of December 31, 2019 total \$1,113,436 which include cash and cash equivalents and short-term investments. Some of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

Financial assets, at year-end	\$ 1,113,436
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(320,738)
Board designations:	
Amounts set aside for capital improvements and other expenditures	(556,927)
Financial assets available to meet cash needs for general expenditures within one year	\$ 235,771

NOTE 2) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>2019</u>
Buildings	\$ 823,987	\$ -	\$ -	\$ 823,987
Land	7,939	-	-	7,939
Office furnishings and equipment	9,923	-	-	9,923
Clinic furnishings and equipment	177,890	-	-	177,890
	1,019,739	\$ -	\$ -	1,019,739
Less accumulated depreciation	(739,506)	(35,841)	-	(775,347)
	\$ 280,233	\$ (35,841)	\$ -	\$ 244,392

NOTE 3) RELATED PARTY TRANSACTIONS

HTI provides financial assistance to its affiliate in Guatemala, Talentos de Salud Internacional. Total assistance of \$1,058,383 and \$1,045,959 was provided for the years ended December 31, 2019 and 2018, respectively.

NOTE 4) LEASING ARRANGEMENTS

HTI conducts its operations from facilities that are leased under a five-year operating lease expiring on December 31, 2020. The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2019:

2020	<u>5,400</u>
	\$ 5,400

NOTE 5) CONCENTRATIONS OF CREDIT RISK

Health Talents International, Inc. maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, there were no uninsured cash balances.

NOTE 6) FAIR VALUE MEASUREMENTS

Fair Value Measurement

The Organization accounts for financial instruments using the standards included in the *Fair Value Measurements and Disclosures (ASC 820)* topic of the Accounting Standards Codification. This topic provides a framework for measuring fair value under generally accepted accounting principles and applies to all financial instruments that are being measured and reported on this basis.

As defined in the *Fair Value Measurement* topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based upon these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes United States agency securities, municipal bonds, and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets or liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based upon market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets for liabilities.

For the year ended December 31, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Investments as of December 31, 2019 consist of fixed income securities and equity mutual funds (all Level 1 measurements). The carrying value of investments is approximately equal to its fair value.

Health Talents International, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

Investments are stated at fair value and are summarized as follows:

	December 31, 2019			December 31, 2018		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed income securities	\$ 234,358	\$ 230,083	\$ (4,275)	\$ 206,087	\$ 200,332	\$ (5,755)
Equity mutual funds	<u>478,446</u>	<u>552,651</u>	<u>74,205</u>	<u>435,303</u>	<u>417,190</u>	<u>(18,113)</u>
	<u>\$ 712,804</u>	<u>\$ 782,734</u>	<u>\$ 69,930</u>	<u>\$ 641,390</u>	<u>\$ 617,522</u>	<u>\$ (23,868)</u>

Investment income consists of the following for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 28,424	\$ 27,794
Realized and unrealized gains and (losses), net	<u>97,400</u>	<u>(74,675)</u>
Total investment income/(loss)	<u>\$ 125,824</u>	<u>\$ (46,881)</u>

#### NOTE 7) SUBSEQUENT EVENTS

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings and cancellations of events with large gatherings as well as travel restrictions. Border closures and travel restrictions have caused the cancellation of twelve teams during 2020. In spite of this, contributions have remained steady. The Organization's trip fee revenue and any amount it intended to capture, are expected to be down by 75%. However, at this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

#### NOTE 8) CHANGES IN ACCOUNTING PRINCIPLE

##### ASU 2014-09

As of January 1, 2019, the Organization adopt ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of this new standard did not have a significant impact revenue recognized as the majority of the Organization's revenue and support are considered contributions and not exchange transactions.

##### ASU 2018-08

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities

The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. In comparison to the year ended December 31, 2018, there was no effect on contributions and grant revenue from the adoption of the new accounting principle.