

Health Talents International, Inc.

Financial Statements
For the Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Health Talents International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements

Our objectives are 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 our 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 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, we:

- 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 Health Talents International'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 Health Talents International's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
July 21, 2022

Health Talents International, Inc.
Statement of Assets, Liabilities and Net Assets--Modified Cash Basis
December 31, 2021

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 | 909,509 | \$ 93,024 | \$ - | \$ - | \$ 1,002,533 |
| Investments | <u>-</u> | <u>517,077</u> | <u>-</u> | <u>-</u> | <u>517,077</u> |
| Total Current Assets | <u>909,509</u> | <u>610,101</u> | <u>-</u> | <u>-</u> | <u>1,519,610</u> |
| Restricted cash and cash equivalents | 207,914 | - | 20,980 | 151,241 | 380,135 |
| Restricted investments | - | - | - | 213,282 | 213,282 |
| Property and equipment, net | - | - | 278,904 | - | 278,904 |
| Other assets | <u>135</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135</u> |
| Total Assets | <u>\$ 1,117,558</u> | <u>\$ 610,101</u> | <u>\$ 299,884</u> | <u>\$ 364,523</u> | <u>\$ 2,392,066</u> |

LIABILITIES and NET ASSETS

| | | | | | |
|------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| Current Liabilities: | | | | | |
| Payroll taxes withheld and accrued | \$ 3,378 | \$ - | \$ - | \$ - | \$ 3,378 |
| Total current liabilities | <u>3,378</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,378</u> |
| Net Assets: | | | | | |
| Without donor restrictions | | | | | |
| Undesignated | 906,266 | - | 278,904 | - | 1,185,170 |
| Designated | <u>-</u> | <u>610,101</u> | <u>-</u> | <u>-</u> | <u>610,101</u> |
| Total without donor restrictions | <u>906,266</u> | <u>610,101</u> | <u>278,904</u> | <u>-</u> | <u>1,795,271</u> |
| With donor restrictions | <u>207,914</u> | <u>-</u> | <u>20,980</u> | <u>364,523</u> | <u>593,417</u> |
| Total net assets | <u>1,114,180</u> | <u>610,101</u> | <u>299,884</u> | <u>364,523</u> | <u>2,388,688</u> |
| Total Liabilities and Net Assets | <u>\$ 1,117,558</u> | <u>\$ 610,101</u> | <u>\$ 299,884</u> | <u>\$ 364,523</u> | <u>\$ 2,392,066</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, 2020

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 | \$ 313,219 | \$ 53,100 | \$ - | \$ - | \$ 366,319 |
| Investments | <u>-</u> | <u>486,010</u> | <u>-</u> | <u>-</u> | <u>486,010</u> |
| Total Current Assets | <u>313,219</u> | <u>539,110</u> | <u>-</u> | <u>-</u> | <u>852,329</u> |
| Restricted cash and cash equivalents | 62,148 | - | 8,799 | 143,034 | 213,981 |
| Restricted investments | - | - | - | 187,700 | 187,700 |
| Property and equipment, net | - | - | 209,145 | - | 209,145 |
| Other assets | <u>135</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135</u> |
| Total Assets | <u>\$ 375,502</u> | <u>\$ 539,110</u> | <u>\$ 217,944</u> | <u>\$ 330,734</u> | <u>\$ 1,463,290</u> |

LIABILITIES and NET ASSETS

| | | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Current Liabilities: | | | | | |
| Payroll taxes withheld and accrued | <u>\$ 3,969</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,969</u> |
| Total current liabilities | <u>3,969</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,969</u> |
| Net Assets: | | | | | |
| Without donor restrictions | | | | | |
| Undesignated | 309,385 | - | 209,145 | - | 518,530 |
| Designated | <u>-</u> | <u>539,110</u> | <u>-</u> | <u>-</u> | <u>539,110</u> |
| Total without donor restrictions | <u>309,385</u> | <u>539,110</u> | <u>209,145</u> | <u>-</u> | <u>1,057,640</u> |
| With donor restrictions | <u>62,148</u> | <u>-</u> | <u>8,799</u> | <u>330,734</u> | <u>401,681</u> |
| Total net assets | <u>371,533</u> | <u>539,110</u> | <u>217,944</u> | <u>330,734</u> | <u>1,459,321</u> |
| Total Liabilities and Net Assets | <u>\$ 375,502</u> | <u>\$ 539,110</u> | <u>\$ 217,944</u> | <u>\$ 330,734</u> | <u>\$ 1,463,290</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, 2021

| | <u>Operating Fund</u> | <u>Endowment Fund</u> | <u>Capital Fund</u> | <u>Scholarship Funds</u> | <u>Total</u> |
|---|---------------------------|---------------------------|-------------------------|------------------------------|---------------------|
| Changes in net assets without donor restrictions: | | | | | |
| Support and Revenue: | | | | | |
| Contributions | \$ 1,601,395 | \$ - | \$ - | \$ - | \$ 1,601,395 |
| ABC Program | 330,843 | - | - | - | 330,843 |
| Medical mission trips | 44,988 | - | - | - | 44,988 |
| PPP Proceeds | 64,263 | - | - | - | 64,263 |
| Gain/(loss) on disposal of assets | - | - | (303) | - | (303) |
| Investment income | 958 | 62,295 | - | - | 63,253 |
| | <u>2,042,447</u> | <u>62,295</u> | <u>(303)</u> | <u>-</u> | <u>2,104,439</u> |
| Total support and revenue without donor restrictions | | | | | |
| Net assets released from restrictions: | | | | | |
| Restricted satisfied by specific purpose | <u>177,157</u> | <u>-</u> | <u>2,933</u> | <u>54,775</u> | <u>234,865</u> |
| Total net assets released from restrictions | <u>177,157</u> | <u>-</u> | <u>2,933</u> | <u>54,775</u> | <u>234,865</u> |
| Expenses | | | | | |
| Program services | 1,296,627 | - | 34,230 | - | 1,330,857 |
| Support services: | | | | | |
| Management and general | 131,363 | - | 529 | - | 131,892 |
| Fundraising | <u>138,394</u> | <u>-</u> | <u>530</u> | <u>-</u> | <u>138,924</u> |
| Total expenses | <u>1,566,384</u> | <u>-</u> | <u>35,289</u> | <u>-</u> | <u>1,601,673</u> |
| Increase in net assets without donor restrictions | <u>653,220</u> | <u>62,295</u> | <u>(32,659)</u> | <u>54,775</u> | <u>737,631</u> |
| Changes in net assets with donor restrictions: | | | | | |
| Contributions | \$ 322,923 | \$ - | \$ 15,740 | \$ 62,750 | \$ 401,413 |
| Investment income/(loss) | - | - | (626) | 25,814 | 25,188 |
| Net assets released from restrictions | <u>(177,157)</u> | <u>-</u> | <u>(2,933)</u> | <u>(54,775)</u> | <u>(234,865)</u> |
| Increase (decrease) in net assets with donor restrictions | <u>145,766</u> | <u>-</u> | <u>12,181</u> | <u>33,789</u> | <u>191,736</u> |
| Increase (decrease) in net assets | 798,986 | 62,295 | (20,478) | 88,564 | 929,367 |
| Transfers between funds | (56,339) | 8,696 | 102,418 | (54,775) | - |
| Net assets at beginning of year | <u>369,109</u> | <u>539,110</u> | <u>217,944</u> | <u>330,734</u> | <u>1,456,897</u> |
| Prior period adjustment (Note 6) | <u>2,424</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,424</u> |
| Net assets at beginning of year, restated | <u>371,533</u> | <u>539,110</u> | <u>217,944</u> | <u>330,734</u> | <u>1,459,321</u> |
| Net assets at end of year | <u>\$ 1,114,180</u> | <u>\$ 610,101</u> | <u>\$ 299,884</u> | <u>\$ 364,523</u> | <u>\$ 2,388,688</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, 2020

| | <u>Operating Fund</u> | <u>Endowment Fund</u> | <u>Capital Fund</u> | <u>Scholarship Funds</u> | <u>Total</u> |
|---|---------------------------|---------------------------|-------------------------|------------------------------|---------------------|
| Changes in net assets without donor restrictions: | | | | | |
| Support and Revenue: | | | | | |
| Contributions | \$ 1,229,141 | \$ - | \$ - | \$ - | \$ 1,229,141 |
| ABC Program | 300,275 | - | - | - | 300,275 |
| Medical mission trips | 257,597 | - | - | - | 257,597 |
| PPP Proceeds | 54,500 | - | - | - | 54,500 |
| Investment income | 18 | 27,931 | - | - | 27,949 |
| | <u>1,841,531</u> | <u>27,931</u> | <u>-</u> | <u>-</u> | <u>1,869,462</u> |
| Total support and revenue without donor restrictions | | | | | |
| Net assets released from restrictions: | | | | | |
| Restricted satisfied by specific purpose | - | - | - | 76,028 | 76,028 |
| Total net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> | <u>76,028</u> | <u>76,028</u> |
| Expenses | | | | | |
| Program services | 1,579,009 | - | 34,191 | - | 1,613,200 |
| Support services: | | | | | |
| Management and general | 145,935 | - | 529 | - | 146,464 |
| Fundraising | 149,017 | - | 529 | - | 149,546 |
| | <u>1,873,961</u> | <u>-</u> | <u>35,249</u> | <u>-</u> | <u>1,909,210</u> |
| Total expenses | | | | | |
| Increase in net assets without donor restrictions | <u>(32,430)</u> | <u>27,931</u> | <u>(35,249)</u> | <u>76,028</u> | <u>36,280</u> |
| Changes in net assets with donor restrictions: | | | | | |
| Contributions | \$ 62,148 | \$ - | \$ - | \$ 70,742 | \$ 132,890 |
| Investment income/(loss) | - | - | 2 | 24,080 | 24,082 |
| Net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> | <u>(76,028)</u> | <u>(76,028)</u> |
| Increase (decrease) in net assets with donor restrictions | <u>62,148</u> | <u>-</u> | <u>2</u> | <u>18,794</u> | <u>80,944</u> |
| Increase (decrease) in net assets | 29,718 | 27,931 | (35,247) | 94,822 | 117,224 |
| Transfers between funds | 121,775 | (45,748) | 2 | (76,029) | - |
| Net assets at beginning of year | <u>220,040</u> | <u>556,927</u> | <u>253,189</u> | <u>311,941</u> | <u>1,342,097</u> |
| Net assets at end of year | <u>\$ 371,533</u> | <u>\$ 539,110</u> | <u>\$ 217,944</u> | <u>\$ 330,734</u> | <u>\$ 1,459,321</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, 2021

| | <u>Support Services</u> | | | <u>Program Services</u> | <u>Total Expenses</u> |
|------------------------------------|---------------------------------|--------------------|-------------------|-------------------------|-----------------------|
| | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> | | |
| Medical Mission Trip | \$ - | \$ - | \$ - | \$ 82,056 | \$ 82,056 |
| Financial Assistance | | | | | |
| Operations Grants | - | - | - | 425,400 | 425,400 |
| Scholarship Grants | - | - | - | 57,525 | 57,525 |
| ABC Program Grants | - | - | - | 296,500 | 296,500 |
| Mission Team Grants | - | - | - | 139,985 | 139,985 |
| Special Campaign | - | - | - | 68,082 | 68,082 |
| Other Support | - | - | - | 8,537 | 8,537 |
| ABC Program | 19,312 | - | 19,312 | - | 19,312 |
| Salaries & Employee Benefits | 93,522 | 112,226 | 205,748 | 168,339 | 374,087 |
| Evangelism Training | - | - | - | 217 | 217 |
| Printing | - | 6,023 | 6,023 | 12,230 | 18,253 |
| Postage | 335 | 1,006 | 1,341 | 2,012 | 3,353 |
| Advertising/Publicity | - | 1,355 | 1,355 | 1,355 | 2,710 |
| Professional Services | 5,556 | 5,556 | 11,112 | 5,723 | 16,835 |
| Meetings | 1,337 | 1,783 | 3,120 | 5,795 | 8,915 |
| Rent | 5,100 | - | 5,100 | 1,700 | 6,800 |
| Supplies | 510 | - | 510 | 509 | 1,019 |
| Telephone | 209 | 52 | 261 | 262 | 523 |
| Misc | 1,362 | 4,085 | 5,447 | 8,169 | 13,616 |
| Travel | 1,802 | 6,308 | 8,110 | 9,913 | 18,023 |
| Insurance | 2,318 | - | 2,318 | 2,318 | 4,636 |
| | <u>131,363</u> | <u>138,394</u> | <u>269,757</u> | <u>1,296,627</u> | <u>1,566,384</u> |
| Total Expenses before Depreciation | \$ | \$ | \$ | \$ | \$ |
| Depreciation | 529 | 530 | 1,059 | 34,230 | 35,289 |
| Total Expenses | <u>\$ 131,892</u> | <u>\$ 138,924</u> | <u>\$ 270,816</u> | <u>\$ 1,330,857</u> | <u>\$ 1,601,673</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, 2020

| | <u>Support Services</u> | | | <u>Program Services</u> | <u>Total Expenses</u> |
|------------------------------------|-------------------------------------|--------------------|-------------------|-----------------------------|---------------------------|
| | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> | | |
| Medical Mission Trip | \$ - | \$ - | \$ - | \$ 289,865 | \$ 289,865 |
| Financial Assistance | | | | | |
| Operations Grants | - | - | - | 245,700 | 245,700 |
| Scholarship Grants | - | - | - | 51,125 | 51,125 |
| ABC Program Grants | - | - | - | 264,500 | 264,500 |
| Mission Team Grants | - | - | - | 485,541 | 485,541 |
| ABC Program | 25,203 | - | 25,203 | - | 25,203 |
| Salaries & Employee Benefits | 103,538 | 124,246 | 227,784 | 186,369 | 414,153 |
| Evangelism Training | - | - | - | 9,800 | 9,800 |
| Printing | - | 5,311 | 5,311 | 10,784 | 16,095 |
| Postage | 379 | 1,136 | 1,515 | 2,272 | 3,787 |
| Advertising/Publicity | - | 506 | 506 | 506 | 1,012 |
| Professional Services | 5,524 | 5,524 | 11,048 | 5,692 | 16,740 |
| Meetings | 69 | 91 | 160 | 297 | 457 |
| Rent | 4,050 | - | 4,050 | 1,350 | 5,400 |
| Supplies | 1,086 | - | 1,086 | 1,086 | 2,172 |
| Telephone | 495 | 124 | 619 | 618 | 1,237 |
| Misc | 2,084 | 6,251 | 8,335 | 12,503 | 20,838 |
| Travel | 1,665 | 5,828 | 7,493 | 9,159 | 16,652 |
| Insurance | 1,842 | - | 1,842 | 1,842 | 3,684 |
| | <u>145,935</u> | <u>149,017</u> | <u>294,952</u> | <u>1,579,009</u> | <u>1,873,961</u> |
| Total Expenses before Depreciation | \$ | \$ | \$ | \$ | \$ |
| Depreciation | 529 | 529 | 1,058 | 34,191 | 35,249 |
| Total Expenses | <u>\$ 146,464</u> | <u>\$ 149,546</u> | <u>\$ 296,010</u> | <u>\$ 1,613,200</u> | <u>\$ 1,909,210</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, 2021

| | <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 | \$ 742,647 | \$ 70,991 | \$ 81,940 | \$ 33,789 | \$ 929,368 |
| Loss on disposal of assets | - | - | 302 | - | 302 |
| Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | - | 35,289 | - | 35,289 |
| Realized and unrealized (gain) loss investments | - | (44,145) | 629 | (18,020) | (61,536) |
| Changes in operating assets and liabilities: | | | | | |
| Payroll taxes withheld and accrued | (592) | - | - | - | (592) |
| Net cash provided by (used in) operating activities | <u>742,055</u> | <u>26,846</u> | <u>118,160</u> | <u>15,769</u> | <u>902,831</u> |
| Cash flows from investing activities: | | | | | |
| Purchase of property and equipment | - | - | (105,350) | - | (105,350) |
| Proceeds from sales of investments | - | 66,458 | 15,110 | 19,747 | 101,315 |
| Purchase of investments | - | (53,380) | (15,739) | (27,309) | (96,428) |
| Net cash used in investing activities | <u>-</u> | <u>13,078</u> | <u>(105,979)</u> | <u>(7,562)</u> | <u>(100,463)</u> |
| Net increase (decrease) in cash and cash equivalents | 742,055 | 39,924 | 12,181 | 8,207 | 802,368 |
| Cash and cash equivalents, beginning of year | <u>375,367</u> | <u>53,100</u> | <u>8,799</u> | <u>143,034</u> | <u>580,300</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,117,422</u> | <u>\$ 93,024</u> | <u>\$ 20,980</u> | <u>\$ 151,241</u> | <u>\$ 1,382,668</u> |
| Unrestricted cash and cash equivalents | \$ 909,509 | \$ 93,024 | \$ - | \$ - | \$ 1,002,533 |
| Restricted cash and cash equivalents | <u>207,914</u> | <u>-</u> | <u>20,980</u> | <u>151,241</u> | <u>380,135</u> |
| Total cash and cash equivalents | <u>\$ 1,117,423</u> | <u>\$ 93,024</u> | <u>\$ 20,980</u> | <u>\$ 151,241</u> | <u>\$ 1,382,668</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, 2020

| | <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 | \$ 151,493 | \$ (17,817) | \$ (35,245) | \$ 18,793 | \$ 117,224 |
| Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | - | 35,249 | - | 35,249 |
| Realized and unrealized (gain) loss investments | - | 87,489 | (2) | (30,116) | 57,371 |
| Changes in operating assets and liabilities: | | | | | |
| Payroll taxes withheld and accrued | <u>(960)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(960)</u> |
| Net cash provided by (used in) operating activities | <u>150,533</u> | <u>69,672</u> | <u>2</u> | <u>(11,323)</u> | <u>208,884</u> |
| Cash flows from investing activities: | | | | | |
| Proceeds from sales of investments | - | - | - | 128,028 | 128,028 |
| Purchase of investments | <u>-</u> | <u>(5,635)</u> | <u>-</u> | <u>(70,742)</u> | <u>(76,377)</u> |
| Net cash used in investing activities | <u>-</u> | <u>(5,635)</u> | <u>-</u> | <u>57,286</u> | <u>51,651</u> |
| Net increase (decrease) in cash and cash equivalents | 150,533 | 64,037 | 2 | 45,963 | 260,535 |
| Cash and cash equivalents, beginning of year | <u>224,834</u> | <u>(10,937)</u> | <u>8,797</u> | <u>97,071</u> | <u>319,765</u> |
| Cash and cash equivalents, end of year | <u>\$ 375,367</u> | <u>\$ 53,100</u> | <u>\$ 8,799</u> | <u>\$ 143,034</u> | <u>\$ 580,300</u> |
| Unrestricted cash and cash equivalents | \$ 313,219 | \$ 53,100 | \$ - | \$ - | \$ 366,319 |
| Restricted cash and cash equivalents | <u>62,148</u> | <u>-</u> | <u>8,799</u> | <u>143,034</u> | <u>213,981</u> |
| Total cash and cash equivalents | <u>\$ 375,367</u> | <u>\$ 53,100</u> | <u>\$ 8,799</u> | <u>\$ 143,034</u> | <u>\$ 580,300</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 Crosswalk 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 \$35,289 and \$35,249 for 2021 and 2020, 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. 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 2019.

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 \$2,710 and \$1,012 for the years ended December 31, 2021 and 2020, respectively.

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, 2021 total \$2,113,027 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 | \$ 2,113,027 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor-imposed restrictions: | |
| Restricted by donor with time or purpose restrictions | (593,417) |
| Board designations: | |
| Amounts set aside for capital improvements and other expenditures | (610,101) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 909,509 |

NOTE 2) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | <u>2020</u> | <u>Additions</u> | <u>Disposals</u> | <u>2021</u> |
|----------------------------------|-------------------|------------------|------------------|-------------------|
| Buildings | \$ 823,987 | \$ 105,350 | \$ - | \$ 929,337 |
| Land | 7,939 | - | - | 7,939 |
| Office furnishings and equipment | 9,923 | - | (5,429) | 4,494 |
| Clinic furnishings and equipment | <u>177,890</u> | <u>-</u> | <u>(13,500)</u> | <u>164,390</u> |
| | 1,019,739 | \$ 105,350 | \$ (18,929) | 1,106,160 |
| Less accumulated depreciation | <u>(810,594)</u> | <u>(35,290)</u> | <u>18,628</u> | <u>(827,256)</u> |
| | <u>\$ 209,145</u> | <u>\$ 70,060</u> | <u>\$ (301)</u> | <u>\$ 278,904</u> |

NOTE 3) RELATED PARTY TRANSACTIONS

HTI provides financial assistance to its affiliate in Guatemala, Talentos de Salud Internacional (TSI), a Guatemala non-profit and has its own governing board. HTI owns the medical and dental clinic buildings in Guatemala and TSI operates them licensed under Guatemala regulations. Total assistance of \$919,410 and \$1,046,866 was provided for the years ended December 31, 2021 and 2020, respectively.

NOTE 4) 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, 2021, uninsured cash balances totaled \$357,675.

NOTE 5) 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, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Investments as of December 31, 2021 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.

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

| | December 31, 2021 | | | December 31, 2020 | | |
|-------------------------|-------------------|-------------------|---|-------------------|-------------------|---|
| | <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 | \$ 293,204 | \$ 289,336 | \$ (3,868) | \$ 250,641 | \$ 249,523 | \$ (1,118) |
| Equity mutual funds | <u>305,335</u> | <u>441,023</u> | <u>135,688</u> | <u>332,739</u> | <u>424,186</u> | <u>91,447</u> |
| | <u>\$ 598,539</u> | <u>\$ 730,359</u> | <u>\$ 131,820</u> | <u>\$ 583,380</u> | <u>\$ 673,709</u> | <u>\$ 90,329</u> |

Health Talents International, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Dividends and interest | \$ 26,165 | \$ 13,550 |
| Realized and unrealized gains and (losses), net | <u>62,276</u> | <u>38,481</u> |
| Total investment income/(loss) | <u>\$ 88,441</u> | <u>\$ 52,031</u> |

NOTE 6) BOARD-DESIGNATED ENDOWMENTS

The Organization's endowment fund consists of investment funds established and maintained by the board of directors to ensure the long-term financial security of the Organization and to provide a stream of revenue to support the Organization's programs.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes bond funds and equity funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The principal of the Endowment Fund will not be spent, but will be allowed to grow through earned income and through additional contributions designated for the Endowment Fund. The Board will draw from the earned income of the Endowment Fund annually an amount not to exceed 5% of the Fund balance to supplement revenue for HTI program mission fulfillment. If the balance of the Fund is less than \$100,000 on September 30, there will be no annual draw that year.

NOTE 7) PRIOR PERIOD ADJUSTMENT

The Organization's unrestricted net assets were understated by \$2,424 in the prior year due to several old and outstanding checks being included on bank reconciliation. An adjustment was posted as an increase to unrestricted net assets of \$2,424 as of December 31, 2021 to void the old and outstanding checks.

NOTE 8) NET ASSETS

Changes in net assets were as follows for the year ended December 31:

| | 2021 | | |
|-----------------------------------|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| | Net assets, beginning of year | \$ 1,057,640 | \$ 401,681 |
| Increase (decrease) in net assets | 737,631 | 191,736 | 929,367 |
| Net assets, end of year | <u>\$ 1,795,271</u> | <u>\$ 593,417</u> | <u>\$ 2,388,688</u> |
| | 2020 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Net assets, beginning of year | \$ 1,021,360 | \$ 320,737 | \$ 1,342,097 |
| Increase (decrease) in net assets | 36,280 | 80,944 | 117,224 |
| Net assets, end of year | <u>\$ 1,057,640</u> | <u>\$ 401,681</u> | <u>\$ 1,459,321</u> |

NOTE 9) SUBSEQUENT EVENTS

Decline in Value of Investments

Subsequent to December 31, 2021, the stock market experienced a significant decline in value. As of June 21, 2022, the Dow Jones industrial average declined 12.4% since December 31, 2021, and the Nasdaq composite index declined 23.8%. During the same period it is estimated that the Organization's investments declined by 9.9% or \$72,500. The Organization will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.

Management has evaluated subsequent events through July 21, 2022, the date which the financial statements were available to be issued.