

**HEALING HANDS INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2018 and 2017*

*And Report of Independent Auditor*

**HEALING HANDS INTERNATIONAL, INC.**

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## Report of Independent Auditor

To the Board of Directors  
Healing Hands International, Inc.  
Nashville, Tennessee

We have audited the accompanying financial statements of Healing Hands International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional 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 from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healing Hands International, Inc. as of December 31, 2018 and 2017, 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.

**Changes in Financial Statement Presentation**

As discussed in Note 1, Healing Hands International, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosures of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
May 8, 2019

**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,581,970	\$ 1,888,997
Prepaid expense	16,245	20,278
Employee advances	22,058	10,977
Inventory	240,240	372,202
Total Current Assets	<u>2,860,513</u>	<u>2,292,454</u>
Property and Equipment:		
Land	180,896	180,896
Building	599,995	599,995
Building improvements	341,098	341,098
Software	20,676	20,676
Vehicles	23,561	23,561
	<u>1,166,226</u>	<u>1,166,226</u>
Less accumulated depreciation	<u>(443,878)</u>	<u>(409,585)</u>
Net Property and Equipment	<u>722,348</u>	<u>756,641</u>
<b>Total Assets</b>	<u><u>\$ 3,582,861</u></u>	<u><u>\$ 3,049,095</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 46,950	\$ 12,473
Accrued expenses	21,045	2,426
Funds held for others	86,239	40,272
Total Current Liabilities	<u>154,234</u>	<u>55,171</u>
Net Assets:		
Without donor restrictions	3,052,703	2,375,441
With donor restrictions	375,924	618,483
Total Net Assets	<u>3,428,627</u>	<u>2,993,924</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,582,861</u></u>	<u><u>\$ 3,049,095</u></u>

**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2018*

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues and Support:</b>			
Contributions	\$ 1,834,713	\$ 1,599,043	\$ 3,433,756
In-kind donations	963,930	-	963,930
Interest income	33,364	-	33,364
Net assets released from restrictions	1,841,602	(1,841,602)	-
Total Revenues and Support	<u>4,673,609</u>	<u>(242,559)</u>	<u>4,431,050</u>
<b>Expenses:</b>			
Program services	3,530,325	-	3,530,325
Management and general	319,933	-	319,933
Fundraising	146,089	-	146,089
Total Expenses	<u>3,996,347</u>	<u>-</u>	<u>3,996,347</u>
Change in net assets	677,262	(242,559)	434,703
Net assets, beginning of year	<u>2,375,441</u>	<u>618,483</u>	<u>2,993,924</u>
Net assets, end of year	<u><u>\$ 3,052,703</u></u>	<u><u>\$ 375,924</u></u>	<u><u>\$ 3,428,627</u></u>

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

**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2017*

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Contributions	\$ 1,055,911	\$ 1,803,074	\$ 2,858,985
In-kind donations	1,161,006	-	1,161,006
Other income	7,766	-	7,766
Interest income	10,583	-	10,583
Net assets released from restrictions	1,581,343	(1,581,343)	-
Total Revenues and Support	<u>3,816,609</u>	<u>221,731</u>	<u>4,038,340</u>
<b>Expenses:</b>			
Program services	3,222,713	-	3,222,713
Management and general	341,261	-	341,261
Fundraising	138,766	-	138,766
Total Expenses	<u>3,702,740</u>	<u>-</u>	<u>3,702,740</u>
Change in net assets	113,869	221,731	335,600
Net assets, beginning of year	<u>2,261,572</u>	<u>396,752</u>	<u>2,658,324</u>
Net assets, end of year	<u>\$ 2,375,441</u>	<u>\$ 618,483</u>	<u>\$ 2,993,924</u>

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

**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2018*

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Medical, food, and other relief (including in-kind amounts of \$1,095,892)	\$ 2,060,996	\$ -	\$ -	\$ 2,060,996
Salaries and benefits	807,084	247,180	113,854	1,168,118
Packaging and freight	266,157	-	-	266,157
Other travel	196,886	-	9,712	206,598
Postage and printing	36,000	6,983	22,523	65,506
Travel - missions	45,893	-	-	45,893
Depreciation	26,143	8,150	-	34,293
Rent	30,250	-	-	30,250
Insurance	20,769	6,475	-	27,244
Office equipment and supplies	-	24,691	-	24,691
Utilities	-	21,539	-	21,539
Telephone	13,061	-	-	13,061
Bank / credit card fees	8,905	2,776	-	11,681
Warehouse equipment and supplies	11,320	-	-	11,320
Professional fees	6,861	2,139	-	9,000
<b>Total Expenses</b>	<b>\$ 3,530,325</b>	<b>\$ 319,933</b>	<b>\$ 146,089</b>	<b>\$ 3,996,347</b>

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



**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2017*

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Medical, food, and other relief (including in-kind amounts of \$1,017,293)	\$ 1,838,871	\$ -	\$ -	\$ 1,838,871
Salaries and benefits	804,140	261,857	111,077	1,177,074
Packaging and freight	194,445	-	-	194,445
Other travel	158,221	11,107	3,066	172,394
Postage and printing	43,224	5,345	24,623	73,192
Travel - missions	58,683	-	-	58,683
Rent	45,081	-	-	45,081
Depreciation	29,514	9,900	-	39,414
Utilities	-	24,208	-	24,208
Office equipment and supplies	-	20,152	-	20,152
Insurance	14,979	5,025	-	20,004
Telephone	17,348	-	-	17,348
Professional fees	6,739	2,261	-	9,000
Warehouse equipment and supplies	7,277	-	-	7,277
Bank / credit card fees	4,191	1,406	-	5,597
<b>Total Expenses</b>	<b>\$ 3,222,713</b>	<b>\$ 341,261</b>	<b>\$ 138,766</b>	<b>\$ 3,702,740</b>

**HEALING HANDS INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 434,703	\$ 335,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,293	39,415
Changes in operating assets and liabilities:		
Certificate of deposit	-	363,264
Accounts receivable	-	42,289
Prepaid expense	4,033	(6,316)
Employee advances	(11,081)	1,462
Inventory	131,962	(143,713)
Accounts payable	34,477	10,479
Accrued expenses	18,619	(18,169)
Funds held for others	45,967	(90,000)
Net cash provided by operating activities	<u>692,973</u>	<u>534,311</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(5,710)
Net cash used in investing activities	<u>-</u>	<u>(5,710)</u>
Increase in cash and cash equivalents	692,973	528,601
Cash and cash equivalents, beginning of year	1,888,997	1,360,396
Cash and cash equivalents, end of year	<u>\$ 2,581,970</u>	<u>\$ 1,888,997</u>

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### Note 1—Nature of operations and summary of significant accounting policies

*Organization* – Healing Hands International, Inc. (the “Organization”) is a not-for-profit Christian relief agency incorporated in 1993 to serve missionaries and mission organizations internationally. As part of its humanitarian relief efforts, the Organization has distributed food, medical/agricultural/educational supplies and equipment, and medicine to over 50 countries worldwide. In addition, the Organization drills clean water wells and provides agriculture training in third world countries. In order to accomplish its mission, the Organization campaigns to raise awareness among Christians in the United States. The Organization, headquartered in Nashville, Tennessee, receives contributions from churches, individuals, foundations, and businesses.

Significant accounting policies used in the preparation of the Organization’s financial statements are as follows:

*Basis of Presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization’s net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2018 and 2017.

*Cash Equivalents* – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable* – Accounts receivable are reviewed periodically as to their collectability. Based on collection experience and management’s review, no allowance for doubtful accounts is considered necessary at December 31, 2018 and 2017.

*Property and Equipment* – Property and equipment is recorded at cost and is depreciated over the estimated useful lives of the related assets using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. Estimated useful lives for the various classes of assets are as follows:

Buildings	5-40 years
Building improvements	5-40 years
Software	5 years
Vehicles	5 years

*Inventory* – The Organization’s inventory of purchased or donated medical supplies and equipment used in its program efforts is generally included in the accompanying statements of financial position if the value can be readily determined.

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*In-Kind Donations* – The Organization receives substantial support from volunteers who donate their time to accomplish the Organization’s purpose. The value of such time is not included in the accompanying financial statements unless the criteria for recognition of such volunteer effort under accounting and reporting standards prescribed for not-for-profit organizations has been satisfied. The Organization receives other in-kind donations of equipment and supplies, for which the value is not readily determinable such as the approximately 27,000 and 26,000 Magi boxes, consisting of boxes including toys, hygiene items, school supplies, and clothing, received during 2018 and 2017, respectively, and as a result, are not recorded in the financial statements.

During 2018 and 2017, the Organization received in-kind donations valued at \$963,930 and \$1,161,006, respectively. The Organization chose to record these contributions as the values were readily determinable. In-kind donations are generally utilized in the year received. During 2018 and 2017, the Organization recorded in-kind expense of \$1,095,892 and \$1,017,293, respectively, in the accompanying statements of activities in medical, food, and other relief.

*Functional Allocation of Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

*Income Taxes* – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*New Accounting Pronouncement* – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented other than the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### Note 1—Nature of operations and summary of significant accounting policies (continued)

*Accounting Policies for Future Pronouncements* – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised 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. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

*Subsequent Events* – The Organization evaluated subsequent events through May 8, 2019, when these financial statements were available to be issued.

### Note 2—Liquidity and availability

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table represents the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

Financial assets at year end:

Cash and cash equivalents	\$ 2,581,970
Total financial assets	<u>2,581,970</u>

Less amounts not available to be used for general expenditures within one year:

Net assets restricted for specific programs	<u>(375,924)</u>
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Financial assets available to meet cash needs for  
general expenditures within one year

<u>\$ 2,206,046</u>
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**HEALING HANDS INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

**Note 3—Cash and cash equivalents**

Cash and cash equivalents consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Christian Financial - ready cash	\$ 1,816,886	\$ 1,009,067
Suntrust Bank - Nashville, Tennessee:		
Interest bearing checking	658,451	632,986
Money market	-	148,686
Business checking	101,976	91,214
Ecobank - Kenya	3,432	5,384
Petty cash	1,225	1,660
	<u>\$ 2,581,970</u>	<u>\$ 1,888,997</u>

**Note 4—Concentrations**

The Organization receives a substantial amount of its support from individuals, churches, and foundations. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization's programs and services.

The Organization maintains cash and cash equivalents in excess of federally insured limits. The Organization has not experienced any losses in such accounts. As of December 31, 2018, the Organization's depository accounts exceeded such insurance limits by approximately \$2,180,000. In management's opinion, risk related to such concentrations is minimal.

During 2018, the Organization received a cash contribution that totaled \$500,000. This donation accounts for 11% of total revenue and support in 2018. During 2017, the Organization received an in-kind donation that totaled approximately \$404,000. This donation accounts for 10% of total revenue and support in 2017.

**Note 5—Leases**

The Organization rents office and outreach space in Texas and Haiti, respectively, which was subject to noncancellable operating leases. Total rent expense for the years ended December 31, 2018 and 2017, was \$30,250 and \$45,081, respectively. Future minimum lease payments under noncancellable operating leases at December 31, 2018 are as follows:

2019	\$ 31,750
2020	33,250
2021	34,750
2022	30,000
2023	-
Thereafter	-
	<u>\$ 129,750</u>

**HEALING HANDS INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

**Note 6—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2018 and 2017, is summarized in the following schedules:

	<b>12/31/2017</b> <b>Net Assets</b> <b>with Donor</b> <b>Restriction</b>	<b>Contributions</b>	<b>Released from Restriction</b>		<b>12/31/2018</b> <b>Net Assets</b> <b>with Donor</b> <b>Restriction</b>
			<b>Direct Costs</b>	<b>Indirect Costs</b>	
Contributions restricted for particular purpose:					
Water development	\$ 251,930	\$ 1,014,697	\$ (943,351)	\$ (323,276)	\$ -
Disaster relief	322,000	398,127	(354,960)	-	365,167
Empowering women	-	56,699	(56,699)	-	-
Education	44,553	2,785	(36,581)	-	10,757
Agriculture	-	126,735	(126,735)	-	-
	<u>\$ 618,483</u>	<u>\$ 1,599,043</u>	<u>\$ (1,518,326)</u>	<u>\$ (323,276)</u>	<u>\$ 375,924</u>

	<b>12/31/2016</b> <b>Net Assets</b> <b>with Donor</b> <b>Restriction</b>	<b>Contributions</b>	<b>Released from Restriction</b>		<b>12/31/2017</b> <b>Net Assets</b> <b>with Donor</b> <b>Restriction</b>
			<b>Direct Costs</b>	<b>Indirect Costs</b>	
Contributions restricted for particular purpose:					
Water development	\$ 249,330	\$ 769,990	\$ (767,390)	\$ -	\$ 251,930
Disaster relief	74,477	789,419	(403,051)	(138,845)	322,000
Empowering women	58,316	79,706	(114,820)	(23,202)	-
Education	14,629	59,542	(29,618)	-	44,553
Agriculture	-	104,417	(104,417)	-	-
	<u>\$ 396,752</u>	<u>\$ 1,803,074</u>	<u>\$ (1,419,296)</u>	<u>\$ (162,047)</u>	<u>\$ 618,483</u>

**Note 7—Related party transactions**

The Organization received in-kind salary donations of approximately \$113,000 from its officers for each of the years ended December 31, 2018 and 2017. Such amount is included in both in-kind donations and medical, food, and other relief program services in the accompanying statements of activities.