

**HEALING HANDS INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2020 and 2019*

*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. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 9, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of contributions could negatively impact the Organization's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

*Cheng Bekant LLP*

Nashville, Tennessee  
June 2, 2021

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

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,222,161	\$ 3,126,235
Prepaid expense	17,959	9,915
Employee advances	22,572	21,170
Inventory	264,360	211,470
Total Current Assets	<u>3,527,052</u>	<u>3,368,790</u>
Property and Equipment:		
Land	180,896	180,896
Building	599,995	599,995
Building improvements	505,037	477,237
Software	20,676	20,676
Vehicles	47,357	59,010
	<u>1,353,961</u>	<u>1,337,814</u>
Less accumulated depreciation	<u>(539,957)</u>	<u>(490,759)</u>
Net Property and Equipment	<u>814,004</u>	<u>847,055</u>
<b>Total Assets</b>	<u><u>\$ 4,341,056</u></u>	<u><u>\$ 4,215,845</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 96,297	\$ 165,844
Accrued expenses	30,289	41,383
Funds held for others	39,739	39,739
Total Current Liabilities	<u>166,325</u>	<u>246,966</u>
Net Assets:		
Without donor restrictions	3,619,845	3,041,113
With donor restrictions	554,886	927,766
Total Net Assets	<u>4,174,731</u>	<u>3,968,879</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,341,056</u></u>	<u><u>\$ 4,215,845</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, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Support:</b>			
Contributions	\$ 1,787,496	\$ 1,552,005	\$ 3,339,501
In-kind donations	734,588	-	734,588
Interest income	25,258	-	25,258
Other income	221,275	-	221,275
Net assets released from restrictions	1,924,885	(1,924,885)	-
Total Revenues and Support	<u>4,693,502</u>	<u>(372,880)</u>	<u>4,320,622</u>
<b>Expenses:</b>			
Program services	3,632,033	-	3,632,033
Management and general	332,878	-	332,878
Fundraising	149,859	-	149,859
Total Expenses	<u>4,114,770</u>	<u>-</u>	<u>4,114,770</u>
Change in net assets	578,732	(372,880)	205,852
Net assets, beginning of year	<u>3,041,113</u>	<u>927,766</u>	<u>3,968,879</u>
Net assets, end of year	<u>\$ 3,619,845</u>	<u>\$ 554,886</u>	<u>\$ 4,174,731</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, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Support:</b>			
Contributions	\$ 1,492,736	\$ 2,357,220	\$ 3,849,956
In-kind donations	898,448	-	898,448
Interest income	54,609	-	54,609
Net assets released from restrictions	1,805,378	(1,805,378)	-
Total Revenues and Support	<u>4,251,171</u>	<u>551,842</u>	<u>4,803,013</u>
<b>Expenses:</b>			
Program services	3,796,496	-	3,796,496
Management and general	318,322	-	318,322
Fundraising	147,943	-	147,943
Total Expenses	<u>4,262,761</u>	<u>-</u>	<u>4,262,761</u>
Change in net assets	(11,590)	551,842	540,252
Net assets, beginning of year	<u>3,052,703</u>	<u>375,924</u>	<u>3,428,627</u>
Net assets, end of year	<u>\$ 3,041,113</u>	<u>\$ 927,766</u>	<u>\$ 3,968,879</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, 2020*

	<b>Supporting Services</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Medical, food, and other relief (including in-kind amounts of \$681,698)	\$ 2,245,147	\$ -	\$ -	\$ 2,245,147
Salaries and benefits	901,585	252,996	121,868	1,276,449
Packaging and freight	175,020	-	-	175,020
Postage and printing	81,492	6,336	26,571	114,399
Other travel	60,190	-	1,420	61,610
Depreciation	41,805	12,546	-	54,351
Warehouse equipment and supplies	39,780	-	-	39,780
Office equipment and supplies	-	33,751	-	33,751
Insurance	20,709	6,215	-	26,924
Bank/credit card fees	20,432	3,685	-	24,117
Travel - missions	17,659	-	-	17,659
Utilities	-	14,641	-	14,641
Professional fees	9,025	2,708	-	11,733
Telephone	10,379	-	-	10,379
Advertising	8,810	-	-	8,810
Total Expenses	<u>\$ 3,632,033</u>	<u>\$ 332,878</u>	<u>\$ 149,859</u>	<u>\$ 4,114,770</u>



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

YEAR ENDED DECEMBER 31, 2019

	<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 \$927,218)	\$ 2,197,883	\$ -	\$ -	\$ 2,197,883
Salaries and benefits	872,407	230,132	119,395	1,221,934
Packaging and freight	243,285	-	-	243,285
Other travel	195,979	-	2,591	198,570
Postage and printing	69,585	6,656	25,957	102,198
Travel - missions	66,179	-	-	66,179
Depreciation	46,435	12,990	-	59,425
Office equipment and supplies	-	38,408	-	38,408
Warehouse equipment and supplies	32,211	-	-	32,211
Rent	27,780	-	-	27,780
Insurance	19,345	5,412	-	24,757
Utilities	-	20,996	-	20,996
Telephone	12,079	-	-	12,079
Professional fees	8,498	2,377	-	10,875
Bank/credit card fees	4,830	1,351	-	6,181
<b>Total Expenses</b>	<b>\$ 3,796,496</b>	<b>\$ 318,322</b>	<b>\$ 147,943</b>	<b>\$ 4,262,761</b>

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

*YEARS ENDED DECEMBER 31, 2020 AND 2019*

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 205,852	\$ 540,252
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	54,351	59,425
Disposal of property and equipment	6,500	-
Changes in operating assets and liabilities:		
Prepaid expense	(8,044)	6,330
Employee advances	(1,402)	888
Inventory	(52,890)	28,770
Accounts payable	(69,547)	118,894
Accrued expenses	(11,094)	20,338
Funds held for others	-	(46,500)
Net cash flows from operating activities	<u>123,726</u>	<u>728,397</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(27,800)</u>	<u>(184,132)</u>
Net cash flows from investing activities	<u>(27,800)</u>	<u>(184,132)</u>
Increase in cash and cash equivalents	95,926	544,265
Cash and cash equivalents, beginning of year	<u>3,126,235</u>	<u>2,581,970</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,222,161</u></u>	<u><u>\$ 3,126,235</u></u>

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019.

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

*Accounts and Contributions Receivable* – Accounts and contributions receivable, if any, 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, 2020 and 2019.

*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	3-40 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, 2020 AND 2019

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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. The Organization received approximately 21,000 and 26,000 Magi boxes, consisting of boxes including toys, hygiene items, school supplies, and clothing, during 2020 and 2019, respectively. The value of such items are included in in-kind donations, medical, food, and other relief expense, and inventory in the accompanying financial statements at December 31, 2020 and 2019.

During 2020 and 2019, the Organization received in-kind donations valued at \$734,588 and \$898,448, 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 2020 and 2019, the Organization recorded in-kind expense of \$681,698 and \$927,218, 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.

*Accounting Policies for Future Pronouncements* – In February 2016, FASB issued Accounting Standards Update (“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 statement of financial position 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 statement of activities. This standard will be effective for the year ending December 31, 2022. 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 June 2, 2021, when these financial statements were available to be issued.

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

DECEMBER 31, 2020 AND 2019

**Note 2—Liquidity and availability of resources**

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, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,222,161	\$ 3,126,235
Total financial assets	3,222,161	3,126,235
Less amounts not available to be used for general expenditures within one year:		
Net assets restricted for specific programs	(554,886)	(927,766)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,667,275</u>	<u>\$ 2,198,469</u>

**Note 3—Cash and cash equivalents**

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

	<u>2020</u>	<u>2019</u>
Synovus Bank:		
Money market	\$ 1,817,017	\$ 2,022,280
Business checking	684,042	451,713
Brokerage	10,089	210
Christian Financial - ready cash	631,751	621,800
Ecobank - Kenya	6,682	12,324
Western Union	935	12,105
Petty cash	2,957	3,359
John Dube - Working Fund	4,384	-
Suntrust Bank:		
Interest bearing checking	63,576	1,716
Business checking	728	728
	<u>\$ 3,222,161</u>	<u>\$ 3,126,235</u>

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

DECEMBER 31, 2020 AND 2019

**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, 2020, the Organization's depository accounts exceeded such insurance limits by approximately \$2,700,000. In management's opinion, risk related to such concentrations is minimal.

**Note 5—Leases**

The Organization rented office and outreach space in Texas and Haiti, respectively, which is subject to leases. Total rent expense for the year ended December 31, 2020 and 2019 was \$-0- and \$27,780 respectively.

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

Net assets with donor restrictions at December 31, 2020 and 2019 is summarized in the following schedules:

	12/31/2019		Released from Restrictions		12/31/2020
	Net Assets With Donor Restrictions	Contributions			Net Assets With Donor Restrictions
			Direct Costs	Indirect Costs	
Contributions restricted for particular purpose:					
Water development	\$ 298,168	\$ 859,343	\$ (771,778)	\$ -	\$ 385,733
Disaster relief	626,052	425,719	(897,894)	-	153,877
Empowering women	-	76,216	(76,216)	-	-
Education	3,546	36,160	(24,430)	-	15,276
Agriculture	-	154,567	(154,567)	-	-
	<u>\$ 927,766</u>	<u>\$ 1,552,005</u>	<u>\$ (1,924,885)</u>	<u>\$ -</u>	<u>\$ 554,886</u>
	12/31/2018		Released from Restrictions		12/31/2019
	Net Assets With Donor Restrictions	Contributions			Net Assets With Donor Restrictions
			Direct Costs	Indirect Costs	
Contributions restricted for particular purpose:					
Water development	\$ -	\$ 1,060,390	\$ (762,222)	\$ -	\$ 298,168
Disaster relief	365,167	1,073,983	(813,098)	-	626,052
Empowering women	-	71,709	(71,709)	-	-
Education	10,757	31,583	(38,794)	-	3,546
Agriculture	-	119,555	(119,555)	-	-
	<u>\$ 375,924</u>	<u>\$ 2,357,220</u>	<u>\$ (1,805,378)</u>	<u>\$ -</u>	<u>\$ 927,766</u>

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### **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, 2020 and 2019. Such amount is included in both in-kind donations and medical, food, and other relief program services in the accompanying statements of activities.

### **Note 8—Paycheck protection program loan**

In 2020, the Organization received a loan of \$221,275 under the CARES Act Paycheck Protection Program (“PPP”) through Synovus Bank. The loan bears interest of 1% and requires monthly payments through maturity in 2022. PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred during the applicable 8-week or 24-week period following the receipt of the loan funds. This loan arrangement has provisions for possible forgiveness. The Organization recognized the loan as other income for the year ended December 31, 2020, because the conditions for forgiveness had been substantially met at this time. The Organization received forgiveness of the amount under the loan in January 2021.

Subsequent to December 31, 2020, the Organization applied for and received another PPP loan for \$225,000 which it expects to obtain forgiveness in the 2<sup>nd</sup> quarter of 2021.

### **Note 9—Uncertainty**

Late in December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could negatively impact the Organization’s revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time.