

HEALING HANDS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2016

HEALING HANDS INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Healing Hands International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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 financial position of Healing Hands International, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

April 6, 2017

HEALING HANDS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2016

Assets

Current assets:	
Cash and cash equivalents	\$ 1,360,396
Certificate of deposit	363,264
Accounts receivable	42,289
Prepaid expense	13,962
Advances and loans to employees	12,439
Inventory	228,489
Total current assets	2,020,839
Property and equipment:	
Land	180,896
Building	599,995
Building improvements	341,098
Software	20,676
Vehicles	17,852
	1,160,517
Less: Accumulated depreciation	(370,171)
Net property and equipment	790,346
Total assets	\$ 2,811,185

Liabilities and Net Assets

Accounts payable	\$ 1,994
Accrued expenses	20,595
Funds held for others	130,272
Total current liabilities	152,861
Net assets:	
Unrestricted	2,261,572
Temporarily restricted	396,752
Total net assets	2,658,324
Total liabilities and net assets	\$ 2,811,185

See accompanying notes.

HEALING HANDS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 1,493,865	\$ 1,506,066	\$ 2,999,931
In-kind donations	1,360,168	-	1,360,168
Other income	25,630	-	25,630
Interest income	1,665	-	1,665
Net assets released from restrictions	1,377,976	(1,377,976)	-
Total revenues and support	<u>4,259,304</u>	<u>128,090</u>	<u>4,387,394</u>
Expenses:			
Program services	3,526,413	-	3,526,413
Management and general	309,088	-	309,088
Fundraising	123,032	-	123,032
Total expenses	<u>3,958,533</u>	<u>-</u>	<u>3,958,533</u>
Change in net assets	300,771	128,090	428,861
Net assets, beginning of year	<u>1,960,801</u>	<u>268,662</u>	<u>2,229,463</u>
Net assets, end of year	<u><u>\$ 2,261,572</u></u>	<u><u>\$ 396,752</u></u>	<u><u>\$ 2,658,324</u></u>

See accompanying notes.

HEALING HANDS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Medical, food, and other relief (including in-kind amounts of \$1,362,871)	\$ 2,120,243	\$ -	\$ -	\$ 2,120,243
Salaries and benefits	766,150	228,580	103,964	1,098,694
Other travel	226,885	-	9,356	236,241
Packaging and freight	152,166	-	-	152,166
Postage and printing	47,881	6,245	9,712	63,838
Travel - missions	61,177	-	-	61,177
Rent	49,240	-	-	49,240
Utilities	-	33,688	-	33,688
Insurance	24,388	7,464	-	31,852
Depreciation	22,072	6,755	-	28,827
Warehouse equipment and supplies	28,090	-	-	28,090
Office equipment and supplies	-	21,901	-	21,901
Telephone	17,505	-	-	17,505
Professional fees	6,700	2,050	-	8,750
Bank / credit card fees	3,916	1,198	-	5,114
Miscellaneous	-	1,207	-	1,207
Totals	\$ 3,526,413	\$ 309,088	\$ 123,032	\$ 3,958,533

See accompanying notes.

HEALING HANDS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 428,861
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,827
Changes in operating assets and liabilities:	
Certificate of deposit	(907)
Accounts receivable	(23,210)
Prepaid expense	5,691
Advances and loans to employees	2,478
Inventory	2,703
Accounts payable	(8,036)
Accrued expenses	2,695
Funds held for others	<u>(69,728)</u>
Net cash provided by operating activities	<u>369,374</u>
 Cash flows from investing activities:	
Purchase of property and equipment	<u>(62,657)</u>
Net cash used in investing activities	<u>(62,657)</u>
 Increase in cash and cash equivalents	306,717
 Cash and cash equivalents, beginning of year	<u>1,053,679</u>
 Cash and cash equivalents, end of year	<u><u>\$ 1,360,396</u></u>

See accompanying notes

HEALING HANDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – 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 fifty 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. 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:

Unrestricted net assets – net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. At December 31, 2016, the Organization had no permanently restricted net assets.

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, 2016.

HEALING HANDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of financial position if the value can be readily determined.

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 23,000 Magi boxes received during 2016, and as a result, are not recorded in the financial statements.

During 2016, the Organization received in-kind donations valued at \$1,360,168. The Organization chose to record these contributions as the values were readily determinable. In-kind donations are generally utilized in the year received. In-kind revenue of \$1,360,168 and in-kind expense of \$1,362,871 are recorded in the accompanying statement of activities in medical, food, and other relief.

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.

HEALING HANDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization follows Financial Accounting Standards Board 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 fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2013 through December 31, 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events

The Organization evaluated subsequent events through April 6, 2017 when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2016:

SunTrust Bank – Nashville, TN:	
Money market	\$ 873,543
Interest bearing checking	333,620
Business checking	111,440
Chase Bank – Ft. Worth, TX	41,290
Petty cash	254
Ecobank – Kenya	<u>249</u>
	<u>\$ 1,360,396</u>

HEALING HANDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 3 – CERTIFICATE OF DEPOSIT

The Organization maintains a certificate of deposit with a balance of \$363,264 at December 31, 2016. Interest on the certificate of deposit accrues at a rate of 0.4% and matures on May 21, 2017. The certificate of deposit is not classified as a cash equivalent due to an original maturity greater than 90 days.

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. In management's opinion, risk related to such concentrations is minimal.

During 2016, the Organization received an in-kind donation that totaled approximately \$911,000. This donation accounts for 21% of total revenue and support in 2016. The Organization also received a cash contribution that totaled approximately \$466,000. This donation accounts for 11% of revenue and support in 2016.

NOTE 5 – LEASES

During 2016, the Organization rented office and outreach space in Texas and Haiti respectively that was subject to non-cancellable operating leases. Total rent expense for the year ended December 31, 2016 was \$49,240. Future minimum lease payments under non-cancelable operating leases at December 31, 2016 are as follows:

2017	\$ 78,320
2018	53,240
2019	<u>31,710</u>
	<u>\$ 163,270</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

The Organization may receive contributions from donors that are restricted for foreign missions or particular purposes. When received, the Organization records these donations as temporarily restricted net assets. When the funds are spent for the donor's intended purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and released from restriction. Net asset activity for the year ended December 31, 2016 is summarized in the following schedule.

HEALING HANDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	12/31/2015		Released from Restriction		12/31/2016
	Temporarily Restricted Net Assets	Contributions	Direct Costs	Indirect Costs	Temporarily Restricted Net Assets
Water development	\$ 237,957	\$ 752,063	\$ (724,228)	\$ (16,462)	\$ 249,330
Disaster relief	8,597	446,072	(305,857)	(74,335)	74,477
Empowering women	22,108	101,218	(59,029)	(5,981)	58,316
Education	-	41,581	(20,855)	(6,097)	14,629
Agriculture	-	165,132	(107,267)	(57,865)	-
Total	<u>\$ 268,662</u>	<u>\$ 1,506,066</u>	<u>\$ (1,217,236)</u>	<u>\$ (160,740)</u>	<u>\$ 396,752</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization received in-kind salary donations of approximately \$248,000 from two of its officers. Such amount is included in both in-kind donations and medical, food and other relief program services in the accompanying statement of activities.