



**HEALING HANDS INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2017  
and 2016*

*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 statement of financial position as of December 31, 2017, 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, 2017, 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.

### Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated April 6, 2017 expressed an unmodified opinion on those statements.



Nashville, Tennessee  
April 11, 2018

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

DECEMBER 31, 2017 AND 2016

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,888,997	\$ 1,360,396
Certificate of deposit	-	363,264
Accounts receivable	-	42,289
Prepaid expense	20,278	13,962
Advances and loans to employees	10,977	12,439
Inventory	372,202	228,489
<b>Total Current Assets</b>	<b>2,292,454</b>	<b>2,020,839</b>
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	17,852
	1,166,226	1,160,517
Less accumulated depreciation	(409,585)	(370,171)
<b>Net Property and Equipment</b>	<b>756,641</b>	<b>790,346</b>
<b>Total Assets</b>	<b>\$ 3,049,095</b>	<b>\$ 2,811,185</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 12,473	\$ 1,994
Accrued expenses	2,426	20,595
Funds held for others	40,272	130,272
<b>Total Current Liabilities</b>	<b>55,171</b>	<b>152,861</b>
Net Assets:		
Unrestricted	2,375,441	2,261,572
Temporarily restricted	618,483	396,752
<b>Total Net Assets</b>	<b>2,993,924</b>	<b>2,658,324</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,049,095</b>	<b>\$ 2,811,185</b>

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>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
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>
Expenses:			
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>

**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>\$ 2,261,572</u>	<u>\$ 396,752</u>	<u>\$ 2,658,324</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, 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>Totals</b>	<b>\$ 3,222,713</b>	<b>\$ 341,261</b>	<b>\$ 138,766</b>	<b>\$ 3,702,740</b>

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

YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
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	<u>\$ 3,526,413</u>	<u>\$ 309,088</u>	<u>\$ 123,032</u>	<u>\$ 3,958,533</u>

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



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

*YEARS ENDED DECEMBER 31, 2017 AND 2016*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 335,600	\$ 428,861
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,415	28,827
Changes in operating assets and liabilities:		
Certificate of deposit	363,264	(907)
Accounts receivable	42,289	(23,210)
Prepaid expense	(6,316)	5,691
Advances and loans to employees	1,462	2,478
Inventory	(143,713)	2,703
Accounts payable	10,479	(8,036)
Accrued expenses	(18,169)	2,695
Funds held for others	(90,000)	(69,728)
Net cash provided by operating activities	<u>534,311</u>	<u>369,374</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(5,710)</u>	<u>(62,657)</u>
Net cash used in investing activities	<u>(5,710)</u>	<u>(62,657)</u>
Increase in cash and cash equivalents	528,601	306,717
Cash and cash equivalents, beginning of year	<u>1,360,396</u>	<u>1,053,679</u>
Cash and cash equivalents, end of year	<u>\$ 1,888,997</u>	<u>\$ 1,360,396</u>

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

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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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. 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 statements 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, 2017 and 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, 2017 and 2016.

*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, 2017 AND 2016

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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 26,000 and 23,000 Magi boxes received during 2017 and 2016, and as a result, are not recorded in the financial statements.

During 2017 and 2016, the Organization received in-kind donations valued at \$1,161,006 and \$1,360,168, 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 2017 and 2016, the Organization recorded in-kind expense of \$1,017,293 and \$1,362,871, respectively, in the accompanying statements 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.

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 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

*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 11, 2018, 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.

# HEALING HANDS INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 2—Cash and cash equivalents

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

	<u>2017</u>	<u>2016</u>
Christian Financial - ready cash	\$ 1,009,067	\$ -
Suntrust Bank - Nashville, TN:		
Interest bearing checking	632,986	333,620
Money market	148,686	873,543
Business checking	91,214	111,440
Chase Bank - Ft. Worth, TX	-	41,290
Ecobank - Kenya	5,384	249
Petty cash	1,660	254
	<u>\$ 1,888,997</u>	<u>\$ 1,360,396</u>

### Note 3—Certificate of deposit

The Organization maintained a certificate of deposit with a balance of \$-0- and \$363,264 at December 31, 2017 and 2016, respectively. Interest on the certificate of deposit accrued at a rate of 0.4% and matured 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. As of December 31, 2017, the Organization's depository accounts exceeded such insurance limits by approximately \$1,459,000. In management's opinion, risk related to such concentrations is minimal.

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. 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 in 2016. This donation accounts for 11% of revenue and support in 2016.

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

DECEMBER 31, 2017 AND 2016

**Note 5—Leases**

The Organization rents office and outreach space in Texas and Haiti, respectively, that was subject to noncancellable operating leases. Total rent expense for the year ended December 31, 2017 and 2016, was \$45,081 and \$49,240, respectively. Future minimum lease payments under noncancelable operating leases at December 31, 2017 are as follows:

2018	\$	57,250
2019		31,750
2020		33,250
2021		34,750
2022		30,000
	<u>\$</u>	<u>187,000</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 years ended December 31, 2017 and 2016 is summarized in the following schedules:

	<b>12/31/2016</b>		<b>Released from Restriction</b>		<b>12/31/2017</b>
	<b>Temporarily Restricted Net Assets</b>	<b>Contributions</b>	<b>Direct Costs</b>	<b>Indirect Costs</b>	<b>Temporarily Restricted Net Assets</b>
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)	-	-
Total	<u>\$ 396,752</u>	<u>\$ 1,803,074</u>	<u>\$ (1,419,296)</u>	<u>\$ (162,047)</u>	<u>\$ 618,483</u>

	<b>12/31/2015</b>		<b>Released from Restriction</b>		<b>12/31/2016</b>
	<b>Temporarily Restricted Net Assets</b>	<b>Contributions</b>	<b>Direct Costs</b>	<b>Indirect Costs</b>	<b>Temporarily Restricted Net Assets</b>
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>

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

*DECEMBER 31, 2017 AND 2016*

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**Note 7—Related party transactions**

The Organization received in-kind salary donations of approximately \$113,000 and \$248,000 from its officers for the years ended December 31, 2017 and 2016, respectively. Such amount is included in both in-kind donations and medical, food, and other relief program services in the accompanying statements of activities.