

Health Talents International, Inc.

Financial Statements
For the Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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.

Management's Responsibility 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 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 assets, liabilities, and net assets of Health Talents International, Inc. as of December 31, 2018 and 2017, 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 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.

Searcy, Arkansas
October 14, 2019

Health Talents International, Inc.
Statement of Assets, Liabilities and Net Assets--Modified Cash Basis
December 31, 2018

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 | \$ 240,392 | \$ 10,335 | \$ 3,334 | \$ 129,796 | \$ 383,857 |
| Investments | <u>-</u> | <u>475,311</u> | <u>4,050</u> | <u>138,161</u> | <u>617,522</u> |
| Total Current Assets | <u>240,392</u> | <u>485,646</u> | <u>7,384</u> | <u>267,957</u> | <u>1,001,379</u> |
| Property and equipment, net | - | - | 280,233 | - | 280,233 |
| Other assets | <u>135</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135</u> |
| Total Assets | <u>\$ 240,527</u> | <u>\$ 485,646</u> | <u>\$ 287,617</u> | <u>\$ 267,957</u> | <u>\$ 1,281,747</u> |

LIABILITIES and NET ASSETS

| | | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Current Liabilities: | | | | | |
| Payroll taxes withheld and accrued | \$ 3,209 | \$ - | \$ - | \$ - | \$ 3,209 |
| Net Assets: | | | | | |
| Without donor restrictions | | | | | |
| Undesignated | 237,318 | - | 280,233 | - | 517,551 |
| Designated | <u>-</u> | <u>485,646</u> | <u>-</u> | <u>-</u> | <u>485,646</u> |
| Total without donor restrictions | <u>237,318</u> | <u>485,646</u> | <u>280,233</u> | <u>-</u> | <u>1,003,197</u> |
| With donor restrictions | <u>-</u> | <u>-</u> | <u>7,384</u> | <u>267,957</u> | <u>275,341</u> |
| Total net assets | <u>237,318</u> | <u>485,646</u> | <u>287,617</u> | <u>267,957</u> | <u>1,278,538</u> |
| Total Liabilities and Net Assets | <u>\$ 240,527</u> | <u>\$ 485,646</u> | <u>\$ 287,617</u> | <u>\$ 267,957</u> | <u>\$ 1,281,747</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, 2017

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 | \$ 170,038 | \$ - | \$ 5,020 | \$ 135,854 | \$ 310,912 |
| Accounts receivable-Airport Land | - | - | - | - | - |
| Investments | - | 523,411 | 4,484 | 94,421 | 622,316 |
| | <u>170,038</u> | <u>523,411</u> | <u>9,504</u> | <u>230,275</u> | <u>933,228</u> |
| Total Current Assets | | | | | |
| | 170,038 | 523,411 | 9,504 | 230,275 | 933,228 |
| Property and equipment, net | - | - | 316,450 | - | 316,450 |
| Other assets | 135 | - | - | - | 135 |
| | <u>135</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135</u> |
| Total Assets | <u>\$ 170,173</u> | <u>\$ 523,411</u> | <u>\$ 325,954</u> | <u>\$ 230,275</u> | <u>\$ 1,249,813</u> |

LIABILITIES and NET ASSETS

| | | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Current Liabilities: | | | | | |
| Payroll taxes withheld and accrued | \$ 2,891 | \$ - | \$ - | \$ - | \$ 2,891 |
| | <u>2,891</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,891</u> |
| Net Assets: | | | | | |
| Without donor restrictions | | | | | |
| Undesignated | 167,282 | - | 316,450 | - | 483,732 |
| Designated | - | 523,411 | - | - | 523,411 |
| | <u>167,282</u> | <u>523,411</u> | <u>316,450</u> | <u>-</u> | <u>1,007,143</u> |
| Total without donor restrictions | | | | | |
| | 167,282 | 523,411 | 316,450 | - | 1,007,143 |
| With donor restrictions | - | - | 9,504 | 230,275 | 239,779 |
| | <u>-</u> | <u>-</u> | <u>9,504</u> | <u>230,275</u> | <u>239,779</u> |
| Total net assets | <u>167,282</u> | <u>523,411</u> | <u>325,954</u> | <u>230,275</u> | <u>1,246,922</u> |
| Total Liabilities and Net Assets | <u>\$ 170,173</u> | <u>\$ 523,411</u> | <u>\$ 325,954</u> | <u>\$ 230,275</u> | <u>\$ 1,249,813</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, 2018

| | <u>Operating Fund</u> | <u>Endowment Fund</u> | <u>Capital Fund</u> | <u>Scholarship Funds</u> | <u>Total</u> |
|---|---------------------------|---------------------------|-------------------------|------------------------------|---------------------|
| Changes in unrestricted net assets | | | | | |
| Support and Revenue: | | | | | |
| Contributions | \$1,016,449 | \$ - | \$ - | \$ - | \$ 1,016,449 |
| ABC Program | 295,082 | - | - | - | 295,082 |
| Medical mission trips | 886,072 | - | - | - | 886,072 |
| Investment income | <u>186</u> | <u>(37,765)</u> | <u>-</u> | <u>-</u> | <u>(37,579)</u> |
| Total unrestricted support and revenue | <u>2,197,789</u> | <u>(37,765)</u> | <u>-</u> | <u>-</u> | <u>2,160,024</u> |
| Expenses | | | | | |
| Program services | 2,048,590 | - | 35,131 | - | 2,083,721 |
| Support services: | | | | | |
| Management and general | 99,478 | - | - | - | 99,478 |
| Fundraising | <u>81,888</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>81,888</u> |
| Total Expenses | <u>2,229,956</u> | <u>-</u> | <u>35,131</u> | <u>-</u> | <u>2,265,087</u> |
| Excess support and revenue over expense: | <u>(32,167)</u> | <u>(37,765)</u> | <u>(35,131)</u> | <u>-</u> | <u>(105,063)</u> |
| Changes in temporarily restricted net assets: | | | | | |
| Contributions | \$ 22,821 | - | 1,200 | 121,960 | 145,982 |
| Gain/(Loss) Disposal of assets | - | - | - | - | - |
| Investment Income | - | - | (289) | (9,013) | (9,302) |
| Net assets released from restrictions | <u>79,382</u> | <u>-</u> | <u>(4,117)</u> | <u>(75,265)</u> | <u>-</u> |
| Increase in temporarily restricted net assets | <u>102,203</u> | <u>-</u> | <u>(3,206)</u> | <u>37,682</u> | <u>136,679</u> |
| Excess support and revenue over expense: | 70,036 | (37,765) | (38,337) | 37,682 | 31,616 |
| Net assets at beginning of year | <u>167,282</u> | <u>523,411</u> | <u>325,954</u> | <u>230,275</u> | <u>1,246,922</u> |
| Net assets at end of year | <u>\$ 237,318</u> | <u>\$ 485,646</u> | <u>\$ 287,617</u> | <u>\$ 267,957</u> | <u>\$ 1,278,538</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, 2017

| | <u>Operating Fund</u> | <u>Endowment Fund</u> | <u>Capital Fund</u> | <u>Scholarship Funds</u> | <u>Total</u> |
|---|---------------------------|---------------------------|-------------------------|------------------------------|--------------------|
| Changes in unrestricted net assets | | | | | |
| Support and Revenue: | | | | | |
| Contributions | \$ 928,834 | \$ - | \$ - | \$ - | \$ 928,834 |
| ABC Program | 286,521 | - | - | - | 286,521 |
| Medical mission trips | 857,954 | - | - | - | 857,954 |
| Investment income | 167 | 78,300 | - | - | 78,467 |
| | <u>2,073,476</u> | <u>78,300</u> | <u>-</u> | <u>-</u> | <u>2,151,776</u> |
| Total unrestricted support and revenue | | | | | |
| Expenses | | | | | |
| Program services | 2,026,959 | - | 35,186 | - | 2,062,144 |
| Support services: | | | | | |
| Management and general | 97,094 | - | - | - | 97,094 |
| Fundraising | 76,412 | - | - | - | 76,412 |
| | <u>2,200,465</u> | <u>-</u> | <u>35,186</u> | <u>-</u> | <u>2,235,650</u> |
| Total Expenses | | | | | |
| Excess support and revenue over expenses | <u>(126,989)</u> | <u>78,300</u> | <u>(35,186)</u> | <u>-</u> | <u>(83,874)</u> |
| Changes in temporarily restricted net assets: | | | | | |
| Contributions | \$ 23,021 | - | 1,200 | 71,169 | 95,390 |
| Gain/(Loss) Disposal of assets | - | - | - | - | - |
| Investment Income | - | - | 1,098 | 12,288 | 13,386 |
| Net assets released from restrictions | 104,711 | (26,526) | (2,686) | (75,499) | - |
| | <u>127,732</u> | <u>(26,526)</u> | <u>(388)</u> | <u>7,958</u> | <u>108,776</u> |
| Increase in temporarily restricted net assets | | | | | |
| Excess support and revenue over expenses | 743 | 51,774 | (35,574) | 7,958 | 24,902 |
| Net assets at beginning of year | <u>166,539</u> | <u>471,637</u> | <u>361,527</u> | <u>222,317</u> | <u>1,222,020</u> |
| Net assets at end of year | <u>\$ 167,282</u> | <u>\$ 523,411</u> | <u>\$ 325,953</u> | <u>\$ 230,275</u> | <u>\$1,246,922</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, 2018

| | <u>Support Services</u> | | | <u>Program</u> | <u>Total</u> |
|------------------------------------|-------------------------|--------------------|-------------------|---------------------|---------------------|
| | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> | <u>Services</u> | <u>Expenses</u> |
| | <u>& General</u> | | | | |
| Medical Mission Trip | \$ - | \$ - | \$ - | \$ 805,023 | \$ 805,023 |
| Financial Assistance | | | | | |
| Operations Grants | - | - | - | 381,000 | 381,000 |
| Scholarship Grants | - | - | - | 53,775 | 53,775 |
| ABC Program Grants | - | - | - | 257,000 | 257,000 |
| Mission Team Grants | - | - | - | 354,184 | 354,184 |
| ABC Program | 25,601 | - | 25,601 | - | 25,601 |
| Salaries & Employee Benefits | 56,764 | 56,764 | 113,528 | 113,529 | 227,057 |
| Project Development | - | - | - | 1,817 | 1,817 |
| Evangelism Training | - | - | - | 32,807 | 32,807 |
| Printing | - | 6,980 | 6,980 | 14,172 | 21,152 |
| Postage | 459 | 1,374 | 1,833 | 2,748 | 4,581 |
| Advertising/Publicity | - | 1,637 | 1,637 | 1,638 | 3,275 |
| Professional Services | 5,070 | 5,070 | 10,141 | 5,224 | 15,365 |
| Meetings | 1,404 | 1,872 | 3,276 | 6,084 | 9,360 |
| Rent | 4,050 | - | 4,050 | 1,350 | 5,400 |
| Supplies | 808 | - | 808 | 808 | 1,616 |
| Telephone | 559 | 140 | 699 | 699 | 1,398 |
| Recruiting | - | - | - | - | - |
| Misc | 1,258 | 3,773 | 5,031 | 7,547 | 12,578 |
| Travel | 1,244 | 3,734 | 4,978 | 7,467 | 12,445 |
| Insurance | 1,718 | - | 1,718 | 1,718 | 3,436 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses before Depreciation | \$ 98,935 | \$ 81,344 | \$ 180,280 | \$ 2,048,590 | \$ 2,228,870 |
| Depreciation | 543 | 543 | 1,086 | 35,131 | 36,217 |
| Total Expenses | <u>\$ 99,478</u> | <u>\$ 81,888</u> | <u>\$ 181,366</u> | <u>\$ 2,083,720</u> | <u>\$ 2,265,087</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, 2017

| | <u>Support Services</u> | | | <u>Program</u> | <u>Total</u> |
|------------------------------------|-------------------------|--------------------|-------------------|---------------------|---------------------|
| | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> | <u>Services</u> | <u>Expenses</u> |
| | <u>& General</u> | | | | |
| Medical Mission Trip | \$ - | \$ - | \$ - | \$ 721,307 | \$ 721,307 |
| Financial Assistance | | | | | |
| Operations Grants | - | - | - | 369,200 | 369,200 |
| Scholarship Grants | - | - | - | 56,600 | 56,600 |
| ABC Program Grants | - | - | - | 261,200 | 261,200 |
| Mission Team Grants | - | - | - | 427,678 | 427,678 |
| ABC Program | 24,680 | - | 24,680 | - | 24,680 |
| Salaries & Employee Benefits | 55,383 | 55,382 | 110,765 | 110,765 | 221,531 |
| Project Development | - | - | - | 8,000 | 8,000 |
| Evangelism Training | - | - | - | 28,799 | 28,799 |
| Printing | - | 5,199 | 5,199 | 10,557 | 15,756 |
| Postage | 379 | 1,138 | 1,517 | 2,276 | 3,793 |
| Advertising/Publicity | - | 500 | 500 | 500 | 500 |
| Professional Services | 4,582 | 4,583 | 9,165 | 4,721 | 13,886 |
| Meetings | 1,421 | 1,894 | 3,315 | 6,156 | 9,470 |
| Rent | 4,050 | - | 4,050 | 1,350.00 | 5,400 |
| Supplies | 1,129 | - | 1,129 | 1,129 | 2,258 |
| Telephone | 915 | 229 | 1,144 | 1,144 | 2,288 |
| Misc | 1,076 | 3,230 | 4,306 | 6,459 | 10,765 |
| Travel | 1,236 | 3,710 | 4,946 | 7,420 | 12,366 |
| Insurance | 1,699 | - | 1,699 | 1,698 | 3,397 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses before Depreciation | \$ 96,550 | \$ 75,865 | \$ 172,415 | \$ 2,026,959 | \$ 2,199,374 |
| Depreciation | 544 | 543 | 1,087 | 35,186 | 36,273 |
| Total Expenses | <u>\$ 97,094</u> | <u>\$ 76,408</u> | <u>\$ 173,502</u> | <u>\$ 2,062,145</u> | <u>\$ 2,235,647</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, 2018

| | <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 | \$ 70,036 | \$ (37,765) | \$ (38,337) | \$ 37,682 | \$ 31,616 |
| Loss on disposal of assets | - | - | - | - | - |
| Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | - | 36,217 | - | 36,217 |
| Realized and unrealized (gain) loss investments | - | 58,741 | 338 | 15,597 | 74,676 |
| Accounts receivable | - | - | - | - | - |
| Changes in operating assets and liabilities: | | | | | |
| Payroll taxes withheld and accrued | 318 | - | - | - | 318 |
| Net cash provided by (used in) operating activities | <u>70,354</u> | <u>20,976</u> | <u>(1,782)</u> | <u>53,279</u> | <u>142,828</u> |
| Cash flows from investing activities: | | | | | |
| Purchase of property and equipment | - | - | - | - | - |
| Proceeds from sales of investments | | | 19,700 | 67,867 | 87,567 |
| Purchase of investments | - | (10,641) | (19,604) | (127,204) | (157,449) |
| Net cash used in investing activities | - | (10,641) | 96 | (59,337) | (69,882) |
| Net increase (decrease) in cash and cash equivalents: | 70,354 | 10,335 | (1,686) | (6,058) | 72,945 |
| Cash and cash equivalents, beginning of year | <u>170,038</u> | - | <u>5,020</u> | <u>135,854</u> | <u>310,912</u> |
| Cash and cash equivalents, end of year | <u>\$ 240,392</u> | <u>\$ 10,335</u> | <u>\$ 3,334</u> | <u>\$ 129,796</u> | <u>\$ 383,857</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, 2017

| | <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 | \$ 743 | \$ 51,774 | \$(35,573) | \$ 7,958 | \$ 24,902 |
| Loss on disposal of assets | - | - | - | - | - |
| Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | - | 36,273 | - | 36,273 |
| Realized and unrealized (gain) loss investments | - | (67,905) | (769) | 1,319 | (67,355) |
| Accounts receivable | | | 2,070 | | 2,070 |
| Changes in operating assets and liabilities: | | | | | |
| Payroll taxes withheld and accrued | <u>(1,779)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,779)</u> |
| Net cash provided by (used in) operating activities | <u>(1,036)</u> | <u>(16,131)</u> | <u>2,001</u> | <u>9,277</u> | <u>(5,889)</u> |
| Cash flows from investing activities: | | | | | |
| Purchase of property and equipment | - | - | - | - | - |
| Net cash used in investing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (1,036) | (16,131) | 2,001 | 9,277 | (5,889) |
| Cash and cash equivalents, beginning of year | <u>171,074</u> | <u>16,131</u> | <u>3,019</u> | <u>126,577</u> | <u>316,801</u> |
| Cash and cash equivalents, end of year | <u>\$ 170,038</u> | <u>\$ -</u> | <u>\$ 5,020</u> | <u>\$ 135,854</u> | <u>\$ 310,912</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, Good Samaritan Campaign, and the Dream Harvest 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

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor 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 \$36,217 and \$36,273 for 2018 and 2017, 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, except for privately held partnership interests that are valued at estimates made by management. 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 2016.

Subsequent Events

Management has evaluated subsequent events through October 14, 2019, the date which the financial statements were available to be issued.

Liquidity and Availability of Financial Assets

The financial assets as of December 31, 2018 total \$1,001,381 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 | \$ 1,001,381 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor-imposed restrictions: | |
| Restricted by donor with time or purpose restrictions | (275,343) |
| Board designations: | |
| Amounts set aside for capital improvements and other expenditures | <u>(485,646)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 240,392 |

Health Talents International, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 2) INVESTMENTS

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

| | December 31, 2018 | | | December 31, 2017 | | |
|-------------------------|-------------------|-------------------|---|-------------------|-------------------|---|
| | <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 | \$ 206,087 | \$ 200,332 | \$ (5,755) | \$ 188,727 | \$ 185,363 | \$ (3,364) |
| Other equities | - | - | - | - | - | - |
| Equity mutual funds | <u>435,303</u> | <u>417,190</u> | <u>(18,113)</u> | <u>379,992</u> | <u>452,605</u> | <u>72,613</u> |
| | <u>\$ 641,390</u> | <u>\$ 617,522</u> | <u>\$ (23,868)</u> | <u>\$ 568,719</u> | <u>\$ 637,968</u> | <u>\$ 69,249</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|------------------|
| Dividends and interest | \$ 27,794 | \$ 26,731 |
| Realized and unrealized gains and (losses), net | <u>(74,675)</u> | <u>65,122</u> |
| Total investment income/(loss) | <u>\$ (46,881)</u> | <u>\$ 91,853</u> |

NOTE 3) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | <u>2017</u> | <u>Additions</u> | <u>Disposals</u> | <u>2018</u> |
|----------------------------------|-------------------|--------------------|------------------|-------------------|
| Buildings | \$ 823,987 | \$ - | \$ - | \$ 823,987 |
| Land | 7,939 | - | - | 7,939 |
| Office furnishings and equipment | 9,923 | - | - | 9,923 |
| Clinic furnishings and equipment | <u>177,890</u> | <u>-</u> | <u>-</u> | <u>177,890</u> |
| | 1,019,739 | \$ - | \$ - | 1,019,739 |
| Less accumulated depreciation | <u>(703,289)</u> | <u>(36,217)</u> | <u>-</u> | <u>(739,506)</u> |
| | <u>\$ 316,450</u> | <u>\$ (36,217)</u> | <u>\$ -</u> | <u>\$ 280,233</u> |

NOTE 4) RELATED PARTY TRANSACTIONS

HTI provides financial assistance to its affiliate in Guatemala, Talentos de Salud Internacional. Total assistance of \$1,045,959 and \$1,114,678 was provided for the years ended December 31, 2018 and 2017, respectively.

NOTE 5) LEASING ARRANGEMENTS

HTI conducts its operations from facilities that are leased under a five-year operating lease expiring on December 31, 2020. The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2018:

| | |
|------|------------------|
| 2019 | 5,400 |
| 2020 | <u>5,400</u> |
| | <u>\$ 10,800</u> |

NOTE 6) CONCENTRATIONS OF CREDIT RISK

Health Talents International, Inc. maintains its cash balances in one financial institution located in Searcy, Arkansas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, there were no uninsured cash balances.

NOTE 7) FAIR VALUE MEASUREMENTS

Fair value assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

| | 2018 | | 2017 | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Fair Value</u> | <u>(Level 1)</u> | <u>Fair Value</u> | <u>(Level 1)</u> |
| Fixed income securities | \$ 200,332 | \$ 200,332 | \$ 185,363 | \$ 185,363 |
| Equity mutual funds | 417,190 | 417,190 | 452,605 | 452,605 |
| | <u>\$ 617,522</u> | <u>\$ 617,522</u> | <u>\$ 637,968</u> | <u>\$ 637,968</u> |

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted market prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are valued using significant unobservable inputs. As of December 31, 2018 and 2017, all financial assets are valued using Level 1 inputs.

The carrying value of cash and cash equivalents reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 8) RECENT ACCOUNTING PRONOUNCEMENTS

Nonprofit Financial Statement Presentation

The Organization evaluates new accounting standards issued by the Financial Accounting Standards Board (FASB) and adopts applicable accounting and disclosure requirements of such standards consistent with the accrual basis of accounting. During 2019, the Organization adopted applicable provisions of Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of the Financial Statements of Not-for-Profit Entities. Among other requirements, the ASU requires nonprofits to present two classes of net assets, those with and those without donor restrictions. It also requires information about expenses to be reported in one location that disaggregates functional expense classifications by their natural classification, and nonprofits are required to provide quantitative and qualitative information about how they manage their liquidity and quantitative information about the availability of financial assets at the balance sheet date to meet cash needs for general expenditures within one year of that date.

New accounting pronouncements requiring implementation in future periods are discussed below.

Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board (the FASB) issued a new revenue accounting standard, together with subsequent amendments, updates, and extension of the effective date (collectively, the New Revenue Standard), which supersedes most existing revenue guidance.

The New Revenue Standard provides for a single comprehensive principles-based standard for revenue recognition through the application of the following five-step process:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

This five-step process will require significant management judgment in addition to changing the way many companies recognize revenue in their financial statements. Additionally, and among other provisions, the New Revenue Standard requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing and uncertainty of revenue.

The provisions of the New Revenue Standard are effective for annual periods beginning after December 15, 2018, including interim periods within those years, by applying either the full retrospective method or the cumulative catch-up transition method. The full retrospective method requires application of the provisions of the New Revenue Standard for all periods presented, while the cumulative catch-up transition method requires the application of the provisions of the New Revenue Standard as of the date of adoption with the cumulative effect of the retrospective application of the provisions as an adjustment through retained earnings. Early adoption is permitted starting with annual periods beginning after December 31, 2017. Currently, the Organization is assessing the effects of adopting the New Revenue Standard. The Organization does not plan to early adopt and expects the effects to be minimal, if any.

Leases

In February 2016, the FASB issued ASU 2016-02, codifying ASC 842, Leases. This requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Leases will be recognized as finance or operating, with recognition affecting the pattern and classification of expense recognition in the statement of activities. The provisions of the ASU are effective for annual periods beginning after December 15, 2019; early adoption is permitted starting with annual periods beginning after December 31, 2016. Currently, the Organization is assessing the effects of adopting the Standard. The Organization does not plan to early adopt.

To the Board of Directors and Management

Health Talents International, Inc.

In planning and performing our audit of the financial statements of Health Talents International, Inc. as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Health Talents International, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Turner, Williams & Associates, P.A.

Searcy, Arkansas

October 14, 2019

October 14, 2019

To the Board of Directors of

Health Talents International, Inc.

We have audited the financial statements of Health Talents International, Inc. for the year ended December 31, 2018, and we will issue our report thereon dated October 14, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Health Talents International, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

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. We evaluated the assumptions used and determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Health Talents International, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Turner, Williams & Associates, P.A.