

HEALTH VOLUNTEERS OVERSEAS, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022 AND 2021

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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To the Board of Directors
Health Volunteers Overseas, Inc.
Washington, DC

Opinion

We have audited the accompanying financial statements of Health Volunteers Overseas, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Volunteers Overseas, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Health Volunteers Overseas, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Volunteers Overseas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

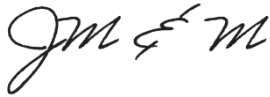
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Health Volunteers Overseas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Volunteers Overseas, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended December 31, 2022, Health Volunteers Overseas, Inc. adopted new accounting guidance's, Accounting Standards Update ("ASU") 2016-02, Topic 842, *Leases*, as amended, and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.



Washington, DC
September 5, 2023

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 102,376	\$ 368,575
Contributions receivable	85,664	145,953
Pledges receivable, current portion	1,666,000	1,667,000
Investments	4,738,591	4,052,034
Prepaid expenses	33,930	39,160
Total Current Assets	<u>6,626,561</u>	<u>6,272,722</u>
PROPERTY AND EQUIPMENT, NET	47,705	3,196
OTHER ASSETS		
Pledges receivable, net of current portion and discount	-	1,625,366
Operating lease right-of-use assets, net	1,129,962	-
Deposits	6,955	6,955
Total Other Assets	<u>1,136,917</u>	<u>1,632,321</u>
TOTAL ASSETS	<u><u>\$ 7,811,183</u></u>	<u><u>\$ 7,908,239</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 71,925	\$ 70,138
Deferred rent, current portion	-	8,274
Operating lease liability, current portion	8,175	-
Total Current Liabilities	<u>80,100</u>	<u>78,412</u>
NON-CURRENT LIABILITIES		
Deferred rent, net of current portion	-	57,127
Operating lease liability, net of current portion	1,126,252	-
Total Liabilities	<u>1,206,352</u>	<u>135,539</u>
NET ASSETS		
Without donor restrictions	3,198,022	2,756,259
Without donor restrictions - board designated	982,072	989,188
Total Net Assets Without Donor Restrictions	<u>4,180,094</u>	<u>3,745,447</u>
With donor restrictions	2,424,737	4,027,253
Total Net Assets	<u>6,604,831</u>	<u>7,772,700</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,811,183</u></u>	<u><u>\$ 7,908,239</u></u>

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

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
In-kind contributions	\$ 1,879,978	\$ -	\$ 1,879,978
Contributions - other	555,865	124,606	680,471
Other income	6,795	-	6,795
Investment income, net	(741,743)	-	(741,743)
Net assets released from restrictions	1,727,122	(1,727,122)	-
Total Revenue and Support	3,428,017	(1,602,516)	1,825,501
EXPENSES			
Program services			
In-kind program services	1,879,978	-	1,879,978
Program services - other	817,795	-	817,795
Total Program Services	2,697,773	-	2,697,773
Support Services:			
Management and general	210,814	-	210,814
Fundraising	84,783	-	84,783
Total Support Services	295,597	-	295,597
Total Expenses	2,993,370	-	2,993,370
CHANGE IN NET ASSETS	434,647	(1,602,516)	(1,167,869)
NET ASSETS, beginning of year	3,745,447	4,027,253	7,772,700
NET ASSETS, end of year	\$ 4,180,094	\$ 2,424,737	\$ 6,604,831

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

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
In-kind contributions	\$ 1,042,864	\$ -	\$ 1,042,864
Contributions - other	2,191,215	3,569,509	5,760,724
Paycheck Protection Program grant	171,400	-	171,400
Employee Retention Credit	131,388	-	131,388
Other income	690	-	690
Investment income, net	274,232	-	274,232
Net assets released from restrictions	35,314	(35,314)	-
Total Revenue and Support	3,847,103	3,534,195	7,381,298
EXPENSES			
Program services			
In-kind program services	1,042,864	-	1,042,864
Program services - other	748,537	-	748,537
Total Program Services	1,791,401	-	1,791,401
Support Services:			
Management and general	165,575	-	165,575
Fundraising	81,017	-	81,017
Total Support Services	246,592	-	246,592
Total Expenses	2,037,993	-	2,037,993
CHANGE IN NET ASSETS	1,809,110	3,534,195	5,343,305
NET ASSETS , beginning of year	1,936,337	493,058	2,429,395
NET ASSETS , end of year	\$ 3,745,447	\$ 4,027,253	\$ 7,772,700

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

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total Support Services	
In-Kind Expenditures:					
Professional services	\$ 1,688,687	\$ -	\$ -	\$ -	\$ 1,688,687
Travel & living	135,627	-	-	-	135,627
Equipment, supplies & other	55,664	-	-	-	55,664
Subtotal In-Kind Expenditures	1,879,978	-	-	-	1,879,978
Salary, payroll taxes and benefits	618,164	132,141	52,882	185,023	803,187
Bank & credit card fees	5,206	1,113	446	1,559	6,765
Communications	8,191	1,582	635	2,217	10,408
Depreciation	4,243	907	363	1,270	5,513
Housing costs	6,730	-	-	-	6,730
Insurance	8,566	1,831	734	2,565	11,131
Licenses & fees	-	1,520	6,039	7,559	7,559
Meetings & Trainings	19,752	2,109	138	2,247	21,999
Office Supplies	1,710	225	58	283	1,993
Postage & shipping	5,724	1,147	1,421	2,568	8,292
Printing	7,643	1,770	3,269	5,039	12,682
Professional Fees	33,043	41,374	1,869	43,243	76,286
Rent	53,810	11,502	4,607	16,109	69,919
Special Projects	9,631	11,472	11,472	22,944	32,575
Stipend	4,810	-	-	-	4,810
Technology	4,355	680	273	953	5,308
Telephone & Internet	4,680	1,000	401	1,401	6,081
Travel	21,537	441	176	617	22,154
Total	<u>\$ 2,697,773</u>	<u>\$ 210,814</u>	<u>\$ 84,783</u>	<u>\$ 295,597</u>	<u>\$ 2,993,370</u>

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

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total Support Services	
In-Kind Expenditures:					
Professional services	\$ 1,012,137	\$ -	\$ -	\$ -	\$ 1,012,137
Travel & living	4,466	-	-	-	4,466
Equipment, supplies & other	26,261	-	-	-	26,261
Subtotal In-Kind Expenditures	1,042,864	-	-	-	1,042,864
Salary, payroll taxes and benefits	516,770	121,859	53,115	174,974	691,744
Bank & credit card fees	4,165	982	429	1,411	5,576
Communications	3,407	520	226	746	4,153
Equipment	1,500	-	-	-	1,500
Depreciation	3,492	824	359	1,183	4,675
Housing costs	906	-	-	-	906
Insurance	7,892	1,861	811	2,672	10,564
Licenses & fees	-	1,018	7,866	8,884	8,884
Meetings & Trainings	8,540	950	139	1,089	9,629
Miscellaneous	2,348	-	-	-	2,348
Office Supplies	2,334	402	175	577	2,911
Postage	4,980	861	1,084	1,945	6,925
Printing	5,587	1,318	1,103	2,421	8,008
Professional Fees	47,001	7,975	3,099	11,074	58,075
Rent	103,321	24,371	10,622	34,993	138,314
Special Projects	28,560	1,494	1,494	2,988	31,548
Telephone & Internet	4,949	1,027	447	1,474	6,423
Travel	2,785	113	48	161	2,946
Total	<u>\$ 1,791,401</u>	<u>\$ 165,575</u>	<u>\$ 81,017</u>	<u>\$ 246,592</u>	<u>\$ 2,037,993</u>

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

HEALTH VOLUNTEERS OVERSEAS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,167,869)	\$ 5,343,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,513	4,675
ROU operating lease	(1,769,527)	-
Amortization of ROU operating building lease	639,565	-
Operating lease obligations	1,834,929	-
Amortization of discount on multi-year pledges	(40,634)	40,634
Net appreciation in fair value of investments	836,139	(85,371)
Changes in operating assets and liabilities:		
(Increase) decrease in assets		
Contributions receivable	60,289	(139,632)
Pledges receivable, net	1,667,000	(3,333,000)
Prepaid expenses	5,230	(14,817)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,787	18,122
Deferred rent	(65,401)	(4,376)
Operating lease liability	(700,501)	-
Net Cash Provided by Operating Activities	<u>1,306,520</u>	<u>1,829,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(50,023)	(1,320)
Purchases of investments	(3,273,958)	(2,101,565)
Proceeds from sales of investments	1,751,262	490,644
Net Cash Used For Investing Activities	<u>(1,572,719)</u>	<u>(1,612,241)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(266,199)	217,299
CASH AND CASH EQUIVALENTS, beginning of year	<u>368,575</u>	<u>151,276</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 102,376</u></u>	<u><u>\$ 368,575</u></u>

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

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF THE ORGANIZATION

Organization

Health Volunteers Overseas, Inc. ("HVO") was incorporated as a nonprofit organization. The purpose of HVO is to improve the availability and quality of health care through the education, training, and professional development of the health workforce in resource-scarce countries throughout the world. HVO's model combines a cost-efficient and innovative volunteer structure to deliver health training and education with a collaborative partnership philosophy leading to sustained and measurable improvements in health care delivery at sites. The intended impact of HVO's model is: 1) to improve health care availability by training new providers and sustaining existing providers through professional development opportunities; and, 2) to improve health care quality by training, teaching and mentoring providers.

HVO accomplishes its mission in several different ways: by sending highly skilled health professionals to complete short-term teaching assignments at partner institutions (universities, hospitals, and clinics) to build the knowledge, skills, and leadership capacity of students, residents and faculty; by offering remote, online e-learning and mentorship programs which complement and expand upon in-person training; and by offering scholarships for international health providers to attend conferences and workshops and fellowships for US-based volunteers to undertake longer-term volunteer assignments addressing complex and critical needs identified by project sites.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HVO prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the related obligations are incurred.

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification ("ASC") 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. HVO adopted FASB ASC Topic 842, with an initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. HVO did not restate prior comparative periods as presented under ASC Topic

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements – continued

842, and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of the adoption of FASB ASC Topic 842. As of January 1, 2022, HVO recognized (a) operating lease liabilities totaling \$640,651, which represents the present value of the remaining lease payments of \$660,612 discounted using the practical expedient risk-free rate of 1.37%, and (b) operating lease right-of-use assets totaling \$575,250.

As part of the transition, HVO implemented new controls and key system functionality to enable the preparation of financial information at the time of the adoption of ASC Topic 842, and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use assets and lease liability, HVO has elected to combine lease and non-lease components.
- d) As an accounting policy, HVO has also elected to apply the short-term lease exception to all leases having initial terms of 12 months or less, and recognize occupancy expense on a straight-line basis over the lease term.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets. ASU 2020-07 has been implemented in the accompanying financial statements on a retrospective basis, however, there is no effect on net assets in connection with the implementation of ASU 2020-07 as the update only increased presentation and disclosure requirements for the prior year and did not impact amounts recorded.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic 958 *Not-for-Profit Entities*. In accordance with the topic, net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, HVO’s net assets and changes therein, are classified and reported as follows:

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – continued

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations. Certain net assets without donor restrictions are designated by the Board of Directors for specified purposes.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of HVO and/or the passage of time, or that must be maintained in perpetuity by HVO. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, HVO considers all money market accounts to be cash equivalents (with the exception of the amounts that are part of the investments portfolio). HVO maintains its cash and cash equivalents balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed these limits. HVO believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables

Contributions, and pledges receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection, and existing economic conditions. Receivables deemed uncollectible are charged off based on specific circumstances of the parties involved. HVO believes all receivables are collectible. Therefore, no allowance for doubtful accounts was established as of December 31, 2022. HVO receives multi-year pledges to support the mission that are recorded as receivables and revenue when pledged. These pledges are discounted to their present value using risk free rates, which was 2.5% as of December 31, 2021. There were no pledges for the year ended December 31, 2022.

Property and Equipment

Property and equipment over \$1,000 are carried at cost and depreciated over the estimated useful life of three to five years using the straight line method. Expenditures increasing useful lives of assets are capitalized while repairs and maintenance are expensed.

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

HVO accounts for leases in accordance with FASB ASC Topic 842. HVO is a lessee in an operating lease for building space. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use assets are amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line occupancy expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following the lease term, purchase options or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable. The implicit rate of HVO's leases were determined as the risk free rate (US Treasury Rate) as of the date HVO adopted FASB ASC Topic 842, which was 1.37% as of January 1, 2022.

Right-of-Use ("ROU") Assets (Operating Leases)

ROU assets are measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, ROU assets are subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term.

Deferred Rent

Before the adoption of FASB ASC Topic 842, *Leases*, HVO recognized occupancy expense, including incentives, on a straight-line basis over the term of the lease. Deferred rent liability reflects the occupancy expense recognized on a straight-line basis in excess of cash payments.

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

In-Kind Contributions

In-kind contributions are recorded at fair value of the services or items received. HVO recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue and Support

HVO recognizes contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as without donor restrictions. HVO reports expirations of donor restrictions when the donated long-lived assets are acquired or placed in service. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as without donor restrictions support.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or support services of HVO. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, depreciation, insurance, and office expenses, all of which are allocated based on estimates of the relative utilization of such support activities. Compensation and benefits are allocated on the basis of estimates of time and effort.

Use of 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE C - INCOME TAXES

HVO is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. HVO is, however, subject to a tax on business income unrelated to its exempt purpose.

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(continued)

NOTE C - INCOME TAXES – continued

HVO believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

HVO's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. HVO's information returns for the years 2019 through 2021 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

HVO is supported by contributions without donor restrictions and with donor restrictions. Because a donor's restriction requires resources to be used for a specific purpose or in a future period, HVO must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, a portion of HVO's financial assets may not be available for general expenditures within one year of the accompanying financial statement dates.

As a result of the above, HVO has an investment policy in place to ensure the availability of funds to meet obligations as they become due. Financial assets not required to meet near-term obligations are invested over various time horizons to insure liquidity, preservation of capital and the balancing of market risk and minimalization of volatility. In order to meet those objectives, HVO has established the following financial asset pools:

- Operating Fund – This consists of funds needed to manage short-term cash flow needs. The maturities on investments for the Operating Fund are limited to one year or less.
- Long-Term Fund – This is comprised of financial assets invested over a longer-term horizon to provide financial stability to meet the future needs of HVO, and to provide a source of revenue to temporarily bridge a possible shortfall in a given year, while balancing additional market risk and liquidity. The time horizon for this asset pool is 5 to 7 years.
- Strategic Reserve Fund – This is comprised of a large without donor restrictions gift received in 2022. The funds are to be used to develop activities that support and expand the mission of HVO. The fund is invested with the goal of maximizing returns without exposure to undue risk. Due to anticipated annual distributions, investment allocations will be slightly more conservative and focus more on income than the Long-Term Fund.

HEALTH VOLUNTEERS OVERSEAS, INC.
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NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

The following table reflects HVO’s financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of restrictions or internal board designations.

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 102,376	\$ 368,575
Contributions receivable	85,664	145,953
Pledges receivable, net	1,666,000	3,292,366
Investments	4,738,591	4,052,034
Total Financial Assets	<u>6,592,631</u>	<u>7,858,928</u>
Less amounts not available for general purposes:		
Donor restricted amounts	(2,424,737)	(4,027,253)
Board designated	<u>(982,072)</u>	<u>(989,188)</u>
Financial Assets Available for General Expenditures		
Within One Year	<u>\$ 3,185,822</u>	<u>\$ 2,842,487</u>

NOTE E – PLEDGES RECEIVABLE

HVO has received unconditional promises to give which have been reduced to present value in accordance with accounting principles generally accepted in the United States of America.

Expected receipts from pledges are due as follows as of December 31,:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,666,000	\$ 1,667,000
Due in one to five years	<u>-</u>	<u>1,666,000</u>
Total	1,666,000	3,333,000
Less: Unamortized discount	<u>-</u>	<u>(40,634)</u>
Pledges Receivable, Net	<u>\$ 1,666,000</u>	<u>\$ 3,292,366</u>

HEALTH VOLUNTEERS OVERSEAS, INC.
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NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with the *Fair Value Measurements* Topic 820 of FASB ASC, HVO has categorized its financial instruments, based on the priority of the inputs to the valuation's technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the statements of financial position are categorized based on the inputs to valuation technique as follows:

Level 1 – These are instruments where values are based on unadjusted quoted prices for an identical asset in an active market HVO has the ability to access.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The fair value of money market funds is valued by the carrying amount, which approximates fair value. Fair values of mutual funds are valued on the market approach and the values have been provided by HVO's investment managers and custodian banks.

The following table presents HVO's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 750,203	\$ -	\$ -	\$ 750,203
Mutual Funds:				
Fixed Income	1,823,943	-	-	1,823,943
US Equities	1,609,337	-	-	1,609,337
International Equities	555,108	-	-	555,108
Total	<u>\$ 4,738,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,738,591</u>

HEALTH VOLUNTEERS OVERSEAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued

The following table presents HVO's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 99,504	\$ -	\$ -	\$ 99,504
Mutual Funds:				
Fixed Income	1,594,506	-	-	1,594,506
US Equities	1,747,659	-	-	1,747,659
International Equities	610,365	-	-	610,365
Total	<u>\$ 4,052,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,052,034</u>

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31,:

	2022	2021
Equipment	\$ 75,356	\$ 25,333
Furniture and fixtures	13,966	13,966
	89,322	39,299
Accumulated depreciation	(41,617)	(36,103)
Property and Equipment, Net	<u>\$ 47,705</u>	<u>\$ 3,196</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$5,513 and \$4,675, respectively.

NOTE H – LEASES

For the year ended December 31, 2022, operating leases are included in non-current assets, and current and long-term liabilities on the statements of financial position.

On April 7, 2009, HVO entered into an amended non-cancellable lease agreement for the operating facilities for a term of ten years commencing May 1, 2009. Monthly rentals are adjusted throughout the lease term as defined in the lease. During the year ended December 31, 2016, the lease was further amended for an additional term of six years, expiring in April 2026.

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NOTE H – LEASES – continued

During the year ended December 31, 2022, the lease was further amended and restructured. The lease commenced on May 1, 2022 and expiring February 28, 2033. Monthly rental payments are \$10,392, based on total leased square footage of 2,598 square feet, with a base rent of \$48 per square foot, and increasing 2.5% annually.

The balance of the ROU operating assets is as follows:

	<u>12/31/2022</u>	<u>1/1/2022</u>
Operating lease ROU assets - building	\$ 1,194,277	\$ 575,250
Amortization of ROU operating assets - building	<u>(64,315)</u>	<u>-</u>
Total Operating ROU Building Assets, Net	<u>\$ 1,129,962</u>	<u>\$ 575,250</u>

The following are the future maturities of the operating lease liabilities for the years ending December 31:

2023	\$ 41,568
2024	108,648
2025	133,200
2026	136,525
2027	139,928
Thereafter	<u>780,517</u>
Total lease payments	1,340,386
Less: interest	<u>(205,959)</u>
Present Value of Lease Liabilities	<u>\$ 1,134,427</u>

As a result of implementing ASU Topic 842, for the year ended December 31, 2022, rent expense totaled \$69,919, which represents the ROU asset amortization and interest expense. For the year ended December 31, 2021, rent expense totaled \$138,314.

As of December 31, 2022, the weighted-average remaining lease term for HVO's operating leases was 10.17 years.

Because HVO generally does not have access to the rate implicit in the lease, it utilizes the risk free rate (US Treasury Rate). The weighted average discount rate associated with operating leases as of December 31, 2022, was 2.99%.

HEALTH VOLUNTEERS OVERSEAS, INC.
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NOTE I - RETIREMENT PLAN

HVO has established a retirement plan that covers employees who have completed one year of employment and met other eligibility requirements of the plan. The plan is qualified under section 401(k) of the Internal Revenue Code (the “Code”). Contributions are made by the employees and are limited to the permissible salary deferrals plus catch up amounts, if applicable, in accordance with the Code. HVO matches employee contributions up to limits defined by the plan. HVO may also make additional discretionary contributions to the 401(k) plan on an annual basis. For the years ended December 31, 2022 and 2021, HVO made contributions to the 401(k) which totaled \$55,187 and \$45,134, respectively.

NOTE J – NOTE PAYABLE AND PAYCHECK PROTECTION PROGRAM GRANT

During the year ending December 31, 2021, HVO received a Payroll Protection Program (“PPP”) loan. The US Small Business Administration (“SBA”) set terms around this loan which allowed PPP borrowers the ability to qualify to have the loan forgiven if the proceeds were used to pay certain eligible costs. Since at the time of receipt of the funds HVO expected that they would meet the standards for forgiveness, it treated this funding as a conditional promise to give. As of December 31, 2021, management made the determination that all conditions set by the SBA had been met, and therefore recognizable as grant revenue during the year. As of December 31, 2021, the loan was fully forgiven by the SBA and was recorded as such on the accompanying statement of activities for 2021.

NOTE K – IN-KIND CONTRIBUTIONS

In 2022, HVO began to resume in-person volunteer assignments as many restrictions on international travel due to the COVID-19 pandemic were lifted. As HVO projects re-open to in-person assignments, many are continuing with a hybrid program model, receiving both in-person and virtual training from HVO volunteers. For the year ended in December 31, 2022, 169 e-volunteering assignments were completed for a total of 3,811 hours of remote training. Management also estimates that 820 days of service were provided by volunteers serving in leadership positions, including steering committee members and project directors. There were 50 volunteers who completed overseas assignments in 2022; they provided 787 days of service in resource-scarce countries. Management's estimate of the value of all such donated time is \$1,688,687. Management's estimate of the value of all donated travel and living expenses is \$135,627. Finally, management's estimate of the value of other in-kind support, including equipment and supplies donated to sites, is \$55,664.

For the year ended December 31, 2021, 180 e-volunteering assignments were completed for a total of 4,208 hours of remote training, mentoring, and clinical consultation. Management also estimates that more than 525 days of service were provided by volunteers serving in leadership positions, including steering committee members and project directors. Three volunteers were

HEALTH VOLUNTEERS OVERSEAS, INC.
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NOTE K – IN-KIND CONTRIBUTIONS – continued

able to conduct overseas assignments in 2021; they provided 88 days of service in resource-scarce countries and donated \$4,466 in related travel and living expenses. Management's estimate of the value of all such donated time is \$1,012,137. Finally, management's estimate of the value of other in-kind support, including equipment and supplies donated to sites, is \$26,261.

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were designated by donors for the following purposes as of December 31, 2022.

	2022	2021
Overseas programs and projects	\$ 758,737	\$ 734,887
Time restricted	1,666,000	3,292,366
Total Net Assets With Donor Restrictions	<u>\$ 2,424,737</u>	<u>\$ 4,027,253</u>

NOTE M - BOARD DESIGNATED NET ASSETS

On February 22, 2019, the Boards of Directors voted to formally merge Health Volunteers Overseas, Inc. and Orthopaedics Overseas, Inc. In addition, the voting membership of Orthopaedics Overseas, Inc. also voted to approve the merger. On March 29, 2019, Orthopaedic Overseas merged with and into the surviving entity Health Volunteers Overseas, Inc. As per the executed plan of merger, the Board of Directors agreed to the establishment of two board designated net asset funds in the total amount of \$989,188, effective as of the date of merger. The Orthopaedic Education Fund, with an initial allocation of \$415,459 will be used to support travel-related expenses for orthopaedic fellowships and scholarships. The Orthopaedic Innovation Fund, with an initial allocation of \$573,729, will be used to support innovative programmatic opportunities related to musculoskeletal, orthopaedic, and/or rehabilitation care. In 2022, \$7,116 was spent from the Orthopaedic Education Fund. These two funds comprise the total of \$982,072 and \$989,188 in board-designated funds as of December 31, 2022 and 2021, respectively.

NOTE N - SUBSEQUENT EVENTS

In preparing these financial statements, HVO has evaluated events and transactions for potential recognition or disclosure through September 5, 2023, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.