

**HEALTH VOLUNTEERS OVERSEAS, INC.**

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

**DECEMBER 31, 2021 AND 2020**

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## Independent Auditor's Report

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, 2021 and 2020, 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, 2021 and 2020, 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**

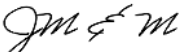
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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.

  
Washington, DC  
July 19, 2022

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 368,575	\$ 151,276
Contributions receivable	145,953	6,321
Pledges receivable, current portion	1,667,000	-
Investments	4,052,034	2,355,742
Prepaid expenses	39,160	24,343
Total Current Assets	6,272,722	2,537,682
<b>PROPERTY AND EQUIPMENT, NET</b>	3,196	6,551
<b>OTHER ASSETS</b>		
Pledges receivable, net of current portion and discount	1,625,366	-
Deposits	6,955	6,955
Total Other Assets	1,632,321	6,955
<b>TOTAL ASSETS</b>	\$ 7,908,239	\$ 2,551,188
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 70,138	\$ 52,016
Deferred rent, current portion	8,274	4,377
Total Current Liabilities	78,412	56,393
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent, net of current portion	57,127	65,400
Total Liabilities	135,539	121,793
<b>NET ASSETS</b>		
Without donor restrictions	2,756,259	947,149
Without donor restrictions - board designated	989,188	989,188
Total Net Assets Without Donor Restrictions	3,745,447	1,936,337
With donor restrictions	4,027,253	493,058
Total Net Assets	7,772,700	2,429,395
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 7,908,239	\$ 2,551,188

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
<b>REVENUE AND SUPPORT</b>			
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	<u>3,847,103</u>	<u>3,534,195</u>	<u>7,381,298</u>
<b>EXPENSES</b>			
Program services			
In-kind program services	1,042,864	-	1,042,864
Program services - other	748,537	-	748,537
Total Program Services	<u>1,791,401</u>	<u>-</u>	<u>1,791,401</u>
Support Services:			
Management and general	165,575	-	165,575
Fundraising	81,017	-	81,017
Total Support Services	<u>246,592</u>	<u>-</u>	<u>246,592</u>
Total Expenses	<u>2,037,993</u>	<u>-</u>	<u>2,037,993</u>
<b>CHANGE IN NET ASSETS</b>	1,809,110	3,534,195	5,343,305
<b>NET ASSETS</b> , beginning of year	<u>1,936,337</u>	<u>493,058</u>	<u>2,429,395</u>
<b>NET ASSETS</b> , end of year	<u>\$ 3,745,447</u>	<u>\$ 4,027,253</u>	<u>\$ 7,772,700</u>

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

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
In-kind contributions	\$ 2,324,691	\$ -	\$ 2,324,691
Contributions - other	968,799	58,060	1,026,859
Paycheck Protection Program grant	141,700	-	141,700
Other income	9,668	-	9,668
Investment income, net	227,956	-	227,956
Net assets released from restrictions	153,562	(153,562)	-
Total Revenue and Support	<u>3,826,376</u>	<u>(95,502)</u>	<u>3,730,874</u>
<b>EXPENSES</b>			
Program services			
In-kind program services	2,324,691	-	2,324,691
Program services - other	914,853	-	914,853
Total Program Services	<u>3,239,544</u>	<u>-</u>	<u>3,239,544</u>
Support Services:			
Management and general	185,566	-	185,566
Fundraising	79,527	-	79,527
Total Support Services	<u>265,093</u>	<u>-</u>	<u>265,093</u>
Total Expenses	<u>3,504,637</u>	<u>-</u>	<u>3,504,637</u>
<b>CHANGE IN NET ASSETS</b>	321,739	(95,502)	226,237
<b>NET ASSETS</b> , beginning of year	<u>1,614,598</u>	<u>588,560</u>	<u>2,203,158</u>
<b>NET ASSETS</b> , end of year	<u>\$ 1,936,337</u>	<u>\$ 493,058</u>	<u>\$ 2,429,395</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**

	Support Services				Total Expenses
	Program Services	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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Support Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Support Services	
In-Kind Expenditures:					
Professional services	\$ 1,951,614	\$ -	\$ -	\$ -	\$ 1,951,614
Travel & living	316,165	-	-	-	316,165
Equipment, supplies & other	56,912	-	-	-	56,912
Subtotal In-Kind Expenditures	2,324,691	-	-	-	2,324,691
Salary, payroll taxes and benefits	592,362	143,754	54,963	198,717	791,079
Bank & credit card fees	4,704	1,141	437	1,578	6,282
Communications	4,865	862	3,849	4,711	9,576
Equipment	3,985	-	-	-	3,985
Depreciation	3,578	868	332	1,200	4,778
Grant refunds	42,773	-	-	-	42,773
Housing costs	12,796	-	-	-	12,796
Insurance	7,931	1,925	736	2,661	10,592
Licenses & fees	-	630	4,062	4,692	4,692
Meetings & Trainings	90	73	-	73	163
Miscellaneous	8,300	-	-	-	8,300
Office Supplies	962	233	89	322	1,284
Overhead	7,971	-	-	-	7,971
Postage	3,349	786	699	1,485	4,834
Printing	6,376	1,163	1,472	2,635	9,011
Professional Fees	32,281	6,468	2,307	8,775	41,056
Rent	108,801	26,400	10,098	36,498	145,299
Special Projects	5,207	-	-	-	5,207
Stipend	19,235	-	-	-	19,235
Telephone & Internet	3,446	836	320	1,156	4,602
Travel	45,841	427	163	590	46,431
Total	<u>\$ 3,239,544</u>	<u>\$ 185,566</u>	<u>\$ 79,527</u>	<u>\$ 265,093</u>	<u>\$ 3,504,637</u>

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

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,343,305	\$ 226,237
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,675	4,778
Amortization of discount on multi-year pledges	40,634	-
Net appreciation in fair value of investments	(85,371)	(67,578)
Changes in operating assets and liabilities:		
(Increase) decrease in assets		
Contributions receivable	(139,632)	21,727
Pledges receivable, net	(3,333,000)	-
Prepaid expenses	(14,817)	20,391
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	18,122	4,708
Deferred rent	(4,376)	(584)
Deferred revenue	-	(1,415)
Net Cash Provided by Operating Activities	1,829,540	208,264
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,320)	-
Purchases of investments	(2,101,565)	(1,031,655)
Proceeds from sales of investments	490,644	868,637
Net Cash Used For Investing Activities	(1,612,241)	(163,018)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	217,299	45,246
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	151,276	106,030
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 368,575	\$ 151,276

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

**HEALTH VOLUNTEERS OVERSEAS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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.

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:

*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.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation - continued

*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, 2021. 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, 2020.

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.

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.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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, 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 tax on business income unrelated to its exempt purpose.

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.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE C - INCOME TAXES** – continued

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 2018 through 2020 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 2021. 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued**

The following table reflects HVO’s financial assets as of December 31, 2021 and 2020, 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.

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 368,575	\$ 151,276
Contributions receivable	145,953	6,321
Pledges receivable, net	3,292,366	-
Investments	4,052,034	2,355,742
Total Financial Assets	7,858,928	2,513,339
Less amounts not available for general purposes:		
Donor restricted amounts	(4,027,253)	(493,058)
Board designated	(989,188)	(989,188)
Financial Assets Available for General Expenditures Within One Year	\$ 2,842,487	\$ 1,031,093

**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, 2021:

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

There were no unconditional promises to give as of December 31, 2020.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>



**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**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, 2020:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 85,067	\$ -	\$ -	\$ 85,067
Mutual Funds:				
Fixed Income	854,904	-	-	854,904
US Equities	1,072,092	-	-	1,072,092
International Equities	343,679	-	-	343,679
Total	<u>\$ 2,355,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,355,742</u>

**NOTE G – PROPERTY AND EQUIPMENT**

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

	2021	2020
Equipment	\$ 25,333	\$ 24,013
Furniture and fixtures	13,966	13,966
	<u>39,299</u>	<u>37,979</u>
Accumulated depreciation	(36,103)	(31,428)
Property and Equipment, Net	<u>\$ 3,196</u>	<u>\$ 6,551</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$4,675 and 4,778, respectively.

**NOTE H – LEASES**

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.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE H – LEASES – continued**

Future minimum rentals due under the terms of the lease (including lease extension) are the following for the years ended December 31,:

2022	\$ 145,631
2023	149,636
2024	153,751
2025	157,979
2026	<u>53,616</u>
Total	<u><u>\$ 660,613</u></u>

Total rent expense for the years ended December 31, 2021 and 2020 totaled \$138,314 and \$145,299, respectively.

**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, 2021 and 2020, HVO made contributions to the 401(k) which totaled \$45,134 and \$39,865, respectively.

**NOTE J – NOTE PAYABLE AND PAYCHECK PROTECTION PROGRAM GRANT**

During the year ending December 31, 2020, 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 loans forgiven if the proceeds are 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, 2020, management had made the determination that all conditions set by the SBA have been met, and therefore recognizable as grant revenue during the year.

During the year ending December 31, 2021, HVO received a second PPP loan. Since at the time of receipt of the funds HVO expected that they would meet the standards for forgiveness, it also treated this funding as a conditional promise to give. As of December 31, 2021, management has made the determination that all conditions set by the SBA have been met, and therefore recognizable as grant revenue during the year. As of December 31, 2021, both loans have been fully forgiven by the SBA.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE K – IN-KIND CONTRIBUTIONS**

Due to the ongoing COVID-19 pandemic and prohibitions on international travel, HVO was required to shift its focus entirely to remote education in 2021. With the development and launch of HVO's Remote Educational Interface (REI) training platform, opportunities for virtual training were greatly expanded. 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 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.

For the year ended December 31, 2020, 126 volunteers completed 135 overseas assignments. These volunteers donated significant amounts of their time to serve overseas. During 2020, HVO volunteers contributed approximately 2,056 days of service in resource-scarce countries around the world. In addition, there were 109 e-volunteering assignments completed for a total of 2,001 hours of remote mentoring and clinical consultation. Management also estimates that more than 340 days of service were provided by volunteers serving in leadership positions, including steering committee members and project directors. Management's estimate of the value of all such donated time is \$1,951,614. Almost all travel and living expenses associated with the training visits are paid for by the participating health professionals. Management's estimate of the value of donated travel and living expenses is \$316,165. Finally, management's estimate of the value of other in-kind support, including equipment and supplies donated to sites, is \$56,912.

These donations of in-kind support are reflected on the financial statements as offsetting contributions (without donor restrictions) and as program services expenses. Management believes that the estimates of such expenditures provide a reasonable basis for recording offsetting in-kind contributions and donations. The recording of in-kind contributions and donations has no net impact on the reported change in net assets.

**HEALTH VOLUNTEERS OVERSEAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE L - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were designated by donors for the following purposes as of December 31, 2021.

	2021	2020
Overseas programs and projects	\$ 734,887	\$ 493,058
Time restricted	3,292,366	-
Total Net Assets With Donor Restrictions	\$ 4,027,253	\$ 493,058

**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. There were no disbursements from either fund in 2021 or 2020. These two funds comprise the total of \$989,188 in board-designated funds as of December 31, 2021 and 2020.

**NOTE N - SUBSEQUENT EVENTS**

In April, 2022, HVO entered into a lease amendment and extension for its existing office space. The new lease term begins May 1, 2022 and expires in February, 2033. The new agreement supersedes the existing lease, which was set to expire in 2026, and represents significant savings in rental costs for the organization. Monthly rentals are adjusted throughout the lease term as defined in the lease.

In preparing these financial statements, HVO has evaluated events and transactions for potential recognition or disclosure through July 19, 2022, the date the financial statements were available to be issued. Except as noted above, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.