FIVE TALENTS USA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Year Ended December 31, 2021

CHAN GROUP
Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Five Talents USA

Opinion

We have audited the accompanying financial statements of Five Talents USA (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 the Five Talents USA as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization'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.

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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 the Organization'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 the Organization'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.

HAN GROUP LLC

HAN GROUP LLC
Washington, D. C.
April 11, 2022

FIVE TALENTS USA
Statement of Financial Position
December 31, 2021

Assets		
Cash	$	257,426
Contributions receivable, net		384,253
Investments		140,298
Prepaid expenses and other assets		17,243
Total assets	$	799,220
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	8,525
Subgrants payable		13,182
Total liabilities		21,707
Net Assets		
Without donor restrictions:		
Undesignated		368,323
Board designated – general reserve		75,000
Total without donor restrictions		443,323
With donor restrictions		334,190
Total net assets		777,513
Total liabilities and net assets	$	799,220

See accompanying notes.

FIVE TALENTS USA
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	$ 792,165	$ 452,192	$ 1,244,357
Investment income, net	22,052	-	22,052
Donated goods and services	12,400	-	12,400
Net assets released from restrictions:			
Expiration of time restrictions	52,140	(52,140)	-
Satisfaction of purpose restrictions	303,017	(303,017)	-
Total revenue and support	1,181,774	97,035	1,278,809
Expenses			
Program services	753,957	-	753,957
Supporting services:			
Management and general	116,613	-	116,613
Fundraising	176,254	-	176,254
Total supporting services	292,867	-	292,867
Total expenses	1,046,824	-	1,046,824
Change in Net Assets	134,950	97,035	231,985
Net Assets, beginning of period	308,373	237,155	545,528
Net Assets, end of period	$ 443,323	$ 334,190	$ 777,513

See accompanying notes.

FIVE TALENTS USA
Statement of Functional Expenses
Year Ended December 31, 2021

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Subgrants and awards	$ 501,444	$ -	$ -	$ -	$ 501,444
Salaries and related expenses	197,942	55,699	118,199	173,898	371,840
Office expenses	19,849	19,815	33,749	53,564	73,413
Professional fees	13,036	32,204	7,783	39,987	53,023
Printing	8,229	133	8,497	8,630	16,859
Occupancy	6,389	1,797	3,814	5,611	12,000
Insurance	4,176	1,175	2,493	3,668	7,844
Travel	1,601	450	956	1,406	3,007
Meetings and events	1,291	340	763	1,103	2,394
Other expenses	-	5,000	-	5,000	5,000
Total Expenses	$ 753,957	$ 116,613	$ 176,254	$ 292,867	$ 1,046,824

See accompanying notes.

Cash Flows from Operating Activities		
Change in net assets	$	231,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments		(8,798)
Donated marketable securities		(25,304)
Proceeds from sales of donated marketable securities		24,821
Change in present value discount		1,443
Change in operating assets and liabilities:		
Contributions receivable		(166,408)
Prepaid expenses and other assets		(2,877)
Accounts payable and accrued expenses		14,549
Net cash provided by operating activities		69,411
Cash Flows from Investing Activities		
Proceeds from sales of investments		30,000
Dividend income		(1,370)
Net cash provided by investing activities		28,630
Net Increase in Cash		98,041
Cash, beginning of period		159,385
Cash, end of period	$	257,426

See accompanying notes.

1. Nature of Operations

Five Talents - USA (the Organization) was incorporated in the Commonwealth of Virginia in March 1999 as a not-for-profit organization. The Organization works through local Anglican Communion churches around the world to combat poverty in developing countries by using micro-enterprise development and is a member of the Five Talents International (FTI) family, which includes sister organizations in the United Kingdom and Kenya.

The Organization's vision is to eradicate extreme poverty by restoring human dignity and creating strong, sustainable communities. The Organization works to combat poverty in the developing world by:

- Empowering families living in poverty with knowledge and skills to read, write, save, and invest.
- Developing community savings groups and helping families to launch and grow small businesses.

The Organization signs memorandums of understanding (MOUs) with local church partners that operate community savings and loan programs in developing countries. These documents provide for funding from the Organization, based on mutually agreed upon plans. The Organization also receives funds designated for certain programs and countries.

Programs

Direct program funds for the year period ended December 31, 2021, were expended in the following areas: grants to overseas partners for program operations, training, and consulting totaling $417,540; and overseas travel by staff and consultants for monitoring, oversight, and technical assistance totaling $83,904, included in subgrants and awards on the accompanying statement of functional expenses. Below is a summary of the Organization's impact by country through December 31, 2021:

Latin America

Bolivia – The Organization has worked in the mountainous areas of southern Bolivia for over a decade, reaching families living in extreme poverty, and developed a plan for expansion to three new areas. In partnership with Seeds of Blessing, The Organization facilitates small business development through training, mentorship, and community savings and loans. Participants join small savings groups and receive training in budgeting, saving, business planning, nutrition, and discipleship. They learn how to invest in and grow small businesses.

Asia

Myanmar – The Organization has worked in Myanmar for almost a decade with the local Anglican Church's Mothers' Union to catalyze microenterprise development. Programs have focused on the creation of savings and loan groups in undeveloped regions of Irrawaddy Delta, Yangon, Toungoo, Mandalay, Pyay, Hpa-an and Myitkyina. Savings group members establish or develop their own businesses and often work together to form cooperatives. Members developed a variety of agricultural businesses, including the production of rice, coffee, chili, tea, mushrooms, beans, betel palm products, turmeric powder, soaps, lotions, and natural beauty products.

1. Nature of Operations (continued)

Africa

Burundi - Burundi is the world's most rural country, with 90% of the population engaged in farming. It is also one of the world's poorest countries with 70% subsisting on less than one dollar per day. Only 5.2% of women have had access to a high school education. The Organization partners with the Mothers' Union of the Anglican Church in Burundi to offer training in literacy and numeracy, business skills, and the formation of community savings groups. To date, over 65,000 people, 75% women, have joined 2,600 community savings and loan associations. Members have access to mentorship, basic financial services, and emergency funds. 90% of these groups are now self-managing.

Democratic Republic of Congo - In 2018, the Organization began a partnership with the Diocese of Aru, in the northeastern corner of DR Congo. Over the past three years, the Organization has worked to mobilize church and community leaders, to train and mentor staff and community workers, and to launch 270 new Savings Groups.

Kenya – The Organization began working in Kenya well over a decade ago and has served communities in regions across Kenya. Participants in these programs learn key skills in financial management and business development. They also engage in community-owned and managed savings groups, meeting together on a weekly basis. Most members start as subsistence level farmers, but many end up developing their own small businesses. The Organization is serving savings groups in five regions and its programs have reached 17,660 members.

South Sudan – The Organization has worked successfully in South Sudan and Sudan for over a decade and is one of the few organizations that has worked to develop a sustainable model for microfinance there. The Organization works in four regions in South Sudan: Greater Bahr-el-Ghazal, Juba, Renk and Terekeka, and have served over 40,000 members across the country with training and access to financial services. Additionally, Five Talents has piloted a trauma-healing for peace-building program through the Savings Group platform during the past two years.

Tanzania – The Organization has worked in Tanzania for over a decade, with a variety of local partners to provide financial inclusion services to the rural poor. The Organization’s programs provide women with access to community savings and micro-loans for local development. Programs have served over 8,000 members in Morogoro and numerous regions that are part of Vicoba in Tanzania.

Uganda – The Organization supports literacy, business training, and community savings programs in Karamoja, Uganda. About 2,000 members have participated in the Organization’s programs in Karamoja.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized as obligations are incurred.

Investments

Investments are measured at fair value and are composed of mutual funds and money market funds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment income is presented net of investment advisory and management fees, if any, on the accompanying statement of activities. Net realized and unrealized gains or losses on investments are included in net investment income. Money market funds held in the investment portfolios are included in investments on the accompanying statement of financial position.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's general operations and include a board designated general reserve.

- *Net Assets With Donor Restrictions* represent funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any donor-imposed restrictions which are perpetual in nature at December 31, 2021.

Revenue Recognition

Contributions

Unconditional contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the accompanying statement of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

Contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. Amounts recognized in revenue that have not been received are included in contributions receivable on the accompanying statement of financial position. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances on the accompanying statement of financial position. The Organization did not have any receivables or refundable advances related to conditional contributions at December 31, 2021. In addition, the Organization had no unrecognized conditional awards at December 31, 2021.

Donated marketable securities are recorded as contributions at their estimated fair market values at the date of donation. The Organization's policy is to sell donated securities as soon as practical.

Donated Services

Donated services are recognized as both revenue and support and expenses on the accompanying statement of activities at the estimated fair value as provided by the donor at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received $9,450 in donated legal services and $2,950 in donated coaching services used in general and administrative activities during the year ended December 31, 2021 which are presented as donated services and are included in general and administrative expenses on the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on the distribution of labor. Expenses allocated include salaries and related expenses, office expenses, occupancy, printing, insurance and meetings and events.

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 certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021.

3. Concentrations and Contingencies

The Organization's cash balances are held at commercial financial institutions and the aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limit or the Securities Investor Protection Corporation (SPIC) limits per depositor, per institution. The Organization has not experienced any losses to date as it relates to FDIC or SIPC insurance limits, monitors the credit worthiness of these institutions and believes that the risk of any loss is minimal.

In addition, the Organization invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported on the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Revenue from three sources accounted for approximately 24% of the Organization's revenue and support for the year ended December 31, 2021. Additionally, receivables due from two sources comprise 26% of total contributions receivable at December 31, 2021.

4. Contributions Receivable

Contributions receivable are comprised of unconditional promises to give and are receivable as follows at December 31, 2021:

Receivable in one year	$ 360,299
Receivable in one to five years	25,000
Total contributions receivable	385,299
Less: unamortized discount	(1,046)
Contributions receivable, net	$ 384,253

4. Contributions Receivable (continued)

Multi-year grants are discounted to their present value with discount rates ranging from 1.06% to 1.11% over the period of the grants using an estimate of expected cash flows. The Organization has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible.

5. Investments

Investments consist of the following at December 31, 2021:

Mutual funds	$	139,608
Money market funds		690
Total investments	$	140,298

6. Fair Value Measurements

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- *Level 1* – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- *Level* 2 – Other observable inputs, either directly or indirectly, including:
  - Quoted prices for similar assets/liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset/liability; and,
  - Inputs that are derived principally from or corroborated by observable market data.
- *Level* 3 – Unobservable inputs that cannot be corroborated by observable market data.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments at December 31, 2021:

	Level 1		Total	
Mutual funds	$	139,608	$	139,608
Money market funds		690		690
Total investments at fair value	$	140,298	$	140,298

7. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Financial Assets:	
Cash	$ 257,426
Contributions receivable, net	384,253
Investments	140,298
Total financial assets	781,977
Less those unavailable for general expenditures within one year:	
Donor-imposed restrictions on the financial assets	(334,190)
Board designated general reserve	(75,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 372,787

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget on a cash-flow basis. Occasionally, the Board designates a portion of operating surplus as a general reserve, which totaled $75,000 at December 31, 2021. Should the need arise, the Board may release the reserves. In addition, the Organization has a revolving line of credit in the amount of $40,000 upon which it may draw should the need arise.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2021:

Subject to passage of time	$ 255,954
Subject to expenditure for specific purposes:	
Program Evaluation and Assessment	33,374
Asia	29,775
Africa	15,087
Total net assets with donor restrictions	$ 334,190

8. Net Assets With Donor Restrictions (continued)

During the year ended December 31, 2021, releases from net assets with donor restrictions were for the following:

Expiration of time restrictions	$ 52,140
Satisfaction of expenditures for specific purposes:	
Africa	260,500
Asia	31,131
Program Evaluation and Assessment	8,126
Latin America	3,260
Total net assets released from restrictions	$ 355,157

9. Commitments

Operating Leases

In July 2017, the Organization entered into a lease agreement for office space commencing September 30, 2017. The lease is cancellable with two-months notice. The Organization amended the lease to extend through June 2021. At the end of the lease term the Organization rented the office space on a month-to-month basis. Rent expense was $12,000 for the year ended December 31, 2021 and is included in occupancy on the accompanying statement of functional expenses.

Line of Credit

The Organization has a secured revolving line of credit with a financial institution of up to $40,000 to be used as cash flow needs arise. The line of credit carries an interest rate of 5 percentage points. The line of credit is secured by the marketable securities account held by the Organization. There was no balance outstanding on the line of credit at December 31, 2021.

Hotel Commitments

The Organization has commitments with hotels and other venues from time to time and has entered into an agreements for a future meeting. These agreement states that the Organization will be liable for certain cancellation fees and liquidated damages in the event of cancellation. Such expenses are recorded at the time there is a decision to cancel.

10. Pension Plan

The Organization maintains a simple IRA plan (the Plan) for all eligible employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the Plan. The Organization can match up to 3% of qualified employee’s contributions. The Organization contributed $9,016 to the Plan during the year ended December 31, 2021, which is included in salaries and related expenses on the accompanying statement of functional expenses.

11. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2021, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2021 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 11, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.