

# **Heart to Heart International, Inc.**

Consolidated Financial Report  
December 31, 2024

## Contents

Independent auditor's report	1-2
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5-6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-16
Supplementary information	
Consolidating statement of financial position	16
Consolidating statement of activities	17

**Independent Auditor's Report**

Board of Directors  
Heart to Heart International, Inc.

**Opinion**

We have audited the consolidated financial statements of Heart to Heart International, Inc. and its subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, 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 (GAAS). 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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.

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements, as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Kansas City, Missouri  
April 29, 2025

Heart to Heart International, Inc.

**Consolidated Statements of Financial Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,690,388	\$ 11,388,056
Certificates of deposit	-	510,045
Accounts receivable	110,344	127,533
Pledges receivable, current portion	45,000	10,000
Inventory	2,883,318	59,580,965
Other current assets	111,152	216,417
<b>Total current assets</b>	<b>11,840,202</b>	<b>71,833,016</b>
 Pledges receivable, less current portion, net of discount	 16,982	 -
Investments	6,340,654	-
Property and equipment, net of accumulated depreciation	9,271,393	9,667,100
 <b>Total assets</b>	 <b>\$ 27,469,231</b>	 <b>\$ 81,500,116</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 60,647	\$ 100,866
Accrued liabilities	205,175	160,982
Deferred revenue	319,945	329,693
<b>Total current liabilities</b>	<b>585,767</b>	<b>591,541</b>
 <b>Total liabilities</b>	 <b>585,767</b>	 <b>591,541</b>
 Net assets without donor restrictions	 25,537,174	 80,198,082
Net assets with donor restrictions	1,346,290	710,493
<b>Total net assets</b>	<b>26,883,464</b>	<b>80,908,575</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 27,469,231</b>	 <b>\$ 81,500,116</b>

See notes to consolidated financial statements.

**Heart to Heart International, Inc.**

**Consolidated Statements of Activities**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
Support and revenue without donor restrictions:		
Contributions of nonfinancial assets—pharmaceutical	\$ 220,704,839	\$ 401,293,070
Contributions	6,705,710	6,063,147
Contributions of nonfinancial assets - shipping	1,343,588	1,017,467
Program revenue	1,440,348	1,226,437
RegaloRx fees revenues	-	13,180,093
Investment income, net	571,437	399,500
Gain on disposal of assets	52,908	15,541
Other income	860,018	4,588,050
Net assets released from restrictions	1,420,164	2,342,358
<b>Total support and revenue without donor restrictions</b>	<b>233,099,012</b>	<b>430,125,663</b>
Expenses:		
Program services—international	267,223,478	384,121,283
Program services—domestic	13,500,503	5,338,065
Program services—patient assistance program	-	12,757,437
<b>Total program services</b>	<b>280,723,981</b>	<b>402,216,785</b>
General and administrative	1,506,100	3,035,775
Fundraising public relations	1,128,070	983,361
<b>Total supporting services</b>	<b>2,634,170</b>	<b>4,019,136</b>
<b>Total expenses</b>	<b>283,358,151</b>	<b>406,235,921</b>
Inventory valuation adjustment	(4,404,724)	(9,850,833)
<b>Changes in net assets without donor restrictions</b>	<b>(54,663,863)</b>	<b>14,038,909</b>
Net assets with donor restrictions:		
Contributions	2,046,459	1,513,034
Contributions of nonfinancial assets—airfare	12,457	-
Investment income	-	2,794
Net assets released from restrictions	(1,420,164)	(2,342,358)
<b>Changes in net assets with donor restrictions</b>	<b>638,752</b>	<b>(826,530)</b>
<b>Changes in net assets</b>	<b>(54,025,111)</b>	<b>13,212,379</b>
Net assets:		
Beginning	80,908,575	67,696,196
Ending	\$ 26,883,464	\$ 80,908,575

See notes to consolidated financial statements.

**Heart to Heart International, Inc.**

**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2024**

	Program Services			General and Administrative	Fundraising	Total
	International Projects	Domestic Projects	Total Program			
Distributed aid	\$ 741,699	\$ 588,999	\$ 1,330,698	\$ -	\$ -	\$ 1,330,698
Donated medical and other services	4,842	59,864	64,706	-	-	64,706
Donated shipping	558,469	785,119	1,343,588	-	-	1,343,588
Donated airfare	-	12,457	12,457	-	-	12,457
Insurance	63,696	72,850	136,546	242	33,367	170,155
Interest, fees and bank charges	30,000	13,021	43,021	20,268	53,115	116,404
Maintenance and repairs	54,226	75,057	129,283	16,004	27,084	172,371
Medical and contract services	589,085	110,176	699,261	60,204	53,575	813,040
Office	197,603	138,230	335,833	49,082	142,085	527,000
Postage and shipping	157,893	121,900	279,793	-	24,167	303,960
Printing	-	6,072	6,072	-	51,581	57,653
Professional fees	24,686	27,541	52,227	4,754	15,496	72,477
Publicity	374	8,920	9,294	-	27,414	36,708
Salaries and benefits	942,283	1,379,673	2,321,956	1,066,613	660,387	4,048,956
Special events	-	5,680	5,680	103	14,760	20,543
Staff development	1,798	207	2,005	6,827	268	9,100
Telephone	12,137	28,257	40,394	955	7,096	48,445
Travel and meals	362,727	237,817	600,544	3,465	7,675	611,684
Other	-	2,610	2,610	-	10,000	12,610
<b>Expenses before depreciation and gifts-in-kind distribution</b>	<b>3,741,518</b>	<b>3,674,450</b>	<b>7,415,968</b>	<b>1,228,517</b>	<b>1,128,070</b>	<b>9,772,555</b>
Depreciation	326,402	12,866	339,268	277,583	-	616,851
Gifts-in-kind distribution	263,155,558	9,813,187	272,968,745	-	-	272,968,745
<b>Total expenses</b>	<b>\$ 267,223,478</b>	<b>\$ 13,500,503</b>	<b>\$ 280,723,981</b>	<b>\$ 1,506,100</b>	<b>\$ 1,128,070</b>	<b>\$ 283,358,151</b>
Percent of total	94.31%	4.76%	99.07%	0.53%	0.40%	100%
Inventory valuation adjustment	\$ -	\$ -	\$ 4,404,511	\$ -	\$ -	\$ 4,404,511

See notes to consolidated financial statements.

## Heart to Heart International, Inc.

### Consolidated Statement of Functional Expenses Year Ended December 31, 2023

	Program Services				General and Administrative	Fundraising	Total
	International Projects	Domestic Projects	Patient Assistance Program	Total Program			
Distributed aid	\$ 1,439,552	\$ 535,382	\$ -	\$ 1,974,934	\$ -	\$ -	\$ 1,974,934
Donated medical and other services	142,820	24,842	-	167,662	-	-	167,662
Donated shipping	473,614	543,853	-	1,017,467	-	-	1,017,467
Insurance	74,541	66,747	-	141,288	17,977	27,477	186,742
Interest, fees and bank charges	17,025	15,824	-	32,849	142,282	64,513	239,644
Maintenance and repairs	68,465	136,860	10,467	215,792	9,884	21,820	247,496
Medical and contract services	516,358	149,123	-	665,481	9,087	77,091	751,659
Office	222,510	167,514	19,968	409,992	24,727	142,999	577,718
Postage and shipping	110,534	139,180	24,538	274,252	657	18,706	293,615
Printing	12,168	6,350	-	18,518	140	50,670	69,328
Professional fees	23,739	23,108	17,200	64,047	117,413	10,651	192,111
Publicity	1,156	441	-	1,597	26,182	23,460	51,239
Rent	-	400	5,600	6,000	-	-	6,000
Salaries and benefits	1,069,685	1,085,960	-	2,155,645	840,986	513,955	3,510,586
Special events	7,179	5,226	-	12,405	1,447	12,246	26,098
Staff development	8,662	8,695	1,161	18,518	117	2,197	20,832
Telephone	11,578	17,552	11,032	40,162	2,240	4,072	46,474
Travel and meals	222,099	218,338	18,576	459,013	3,110	9,202	471,325
Pharmacy—service charges	-	-	2,938,100	2,938,100	-	-	2,938,100
Pharmacy—management	-	-	94,525	94,525	-	-	94,525
Pharmacy—other charges	-	-	59,000	59,000	-	-	59,000
Pharmacy—shipping	-	-	541,849	541,849	-	-	541,849
Credit checks	-	-	52,603	52,603	-	-	52,603
Insurance checks	-	-	99,344	99,344	-	-	99,344
Printing, mailings for client	-	-	156,193	156,193	-	-	156,193
Other	-	40,447	751	41,198	-	4,302	45,500
Salaries and benefits—RegaloRx	-	-	5,298,736	5,298,736	1,206,111	-	6,504,847
Contract labor	-	-	2,184,729	2,184,729	-	-	2,184,729
Contract services	-	-	262,811	262,811	-	-	262,811
Software	-	-	802,687	802,687	-	-	802,687
Consulting fees	-	-	97,721	97,721	-	-	97,721
<b>Expenses before depreciation and gifts-in-kind distribution</b>	<b>4,421,685</b>	<b>3,185,842</b>	<b>12,697,591</b>	<b>20,305,118</b>	<b>2,402,360</b>	<b>983,361</b>	<b>23,690,839</b>
Depreciation	-	207	59,846	60,053	633,415	-	693,468
Gifts-in-kind distribution	379,699,598	2,152,016	-	381,851,614	-	-	381,851,614
<b>Total expenses</b>	<b>\$ 384,121,283</b>	<b>\$ 5,338,065</b>	<b>\$ 12,757,437</b>	<b>\$ 402,216,785</b>	<b>\$ 3,035,775</b>	<b>\$ 983,361</b>	<b>\$ 406,235,921</b>
Percent of total	94.56%	1.31%	3.14%	99.01%	0.75%	0.24%	100.00%
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ 9,849,999	\$ 834	\$ -	\$ 9,850,833

See notes to consolidated financial statements.



**Heart to Heart International, Inc.**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ (54,025,111)	\$ 13,212,379
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	616,851	693,468
Change in allowance for uncollectible pledges	-	(8,120)
Amortization of pledge discount	3,018	(7,084)
Realized/unrealized gain on investments	(119,584)	-
Gain on disposal of assets	(52,908)	(72,517)
Decrease (increase) in operating assets:		
Inventory	56,697,647	(9,438,565)
Accounts receivable	17,189	126,228
Pledges receivable	(55,000)	163,000
Other current assets	105,265	239,159
Increase (decrease) in operating liabilities:		
Accounts payable	(40,219)	473,746
Accrued liabilities	44,193	58,213
Deferred revenue	(9,748)	154,135
<b>Net cash provided by operating activities</b>	<b>3,181,593</b>	<b>5,594,042</b>
Cash flows from investing activities:		
Purchase of certificate of deposit	(22,251)	(510,045)
Sale of certificate of deposit	532,296	500,000
Proceeds from sale of assets, net	59,947	57,974
Purchase of investments	(6,299,031)	-
Proceeds from sale of investments	77,961	-
Purchase of property and equipment	(228,183)	(993,022)
<b>Net cash provided by (used in) investing activities</b>	<b>(5,879,261)</b>	<b>(945,093)</b>
Cash flows from financing activities:		
Repayment of long-term debt	-	(3,604,004)
Repayment from line of credit, net	-	(629,424)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(4,233,428)</b>
<b>Net changes in cash and cash equivalents</b>	<b>(2,697,668)</b>	<b>415,521</b>
Cash and cash equivalents:		
Beginning	11,388,056	10,972,535
Ending	<b>\$ 8,690,388</b>	<b>\$ 11,388,056</b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ -	\$ 140,592
Contributed inventory	<b>\$ 220,640,133</b>	<b>\$ 401,125,408</b>
Inventory valuation adjustment	<b>\$ (4,404,724)</b>	<b>\$ (9,850,833)</b>

See notes to consolidated financial statements.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

---

#### Nature of Activities and Significant Accounting Policies

**Organization:** Heart to Heart International, Inc. (the Organization), a Kansas nonprofit corporation, provides crisis response assistance and specific ongoing health care support to communities in need, domestically and internationally. The Organization actively engages the services of volunteers through its initiatives, and it distributes medical supplies, pharmaceuticals and other products to other relief agencies and communities in need.

The Organization's donor base for cash contributions primarily consists of individuals, businesses, civic groups and foundations located throughout the United States. Gifts in kind are also received primarily from medical supply and pharmaceutical companies located throughout the United States.

In November 2018, the Heart to Heart International Foundation (HHIF) received determination from the Internal Revenue Service that, effective from August 2017, it is classified under Internal Revenue Code (IRC) section 501(c)(3) and is a public charity. HHIF is a Type 1 supporting organization under IRC section 509(a)(3), meaning, it is operated, supervised or controlled by another public charity, in this case, Heart to Heart International, Inc. HHIF is qualified to receive tax-deductible bequests, devised, transfers or gifts, and became operational in 2019.

In 2019, the Organization launched RegaloRx, a section 501(c)(3) organization, to operate a nonprofit patient assistance program. RegaloRx received determination from the Internal Revenue Service that, effective from February 2019, it is classified under IRC section 501(c)(3) and is a public charity described in section 509(a)(2). The profits of RegaloRx were intended to be used to support the Organization. Effective September 29, 2023, a third party purchased certain assets and liabilities of RegaloRx.

**Principles of consolidation:** The accounts of Heart to Heart International Foundation, Heart to Heart International, Inc. and RegaloRx (collectively, the Organization) are included in the consolidation as the organizations meet the criteria for consolidation under Financial Accounting Standards Board Accounting Standards Codification (ASC) Subtopic 958-810, Consolidation for Not-for-Profit Organizations. Under this standard, the presentation of combined or consolidated financial statements is required when certain elements of control and economic interest, as defined in the statement, exist between nonprofit organizations. Although the organizations operate as separate legal entities, consolidated financial statements have been presented to comply with accounting principles generally accepted in the United States of America (U.S. GAAP). Balances and significant transactions between the organizations, if any, have been eliminated in the consolidation.

A summary of the Organization's significant accounting policies follows:

**Basis of accounting:** The Organization's consolidated financial statements (collectively, the financial statements) are prepared on the accrual basis of accounting.

**Basis of presentation:** The consolidated financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profits Entities Topic of FASB ASC, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions:** Net assets held for operations include amounts not restricted by donors and, therefore, available for the general operations of the Organization or designation by the board of directors.

**Net assets with donor restrictions:** Net assets that include amounts that are donor restricted by specified time or purpose limitations or must be maintained in perpetuity by the Organization.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Cash and cash equivalents:** Cash and cash equivalents consist of available cash balances on deposit at financial institutions and short-term money market investments, as well as short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

**Certificates of deposit:** Certificates of deposit are maintained at cost-basis and interest is paid out on a varying schedule throughout the year. The Organization does not have certificate of deposits at December 31, 2024. The Organization's certificates of deposit at December 31, 2023, had an interest rate of 3.35% and 3.85% and maturity dates of March 2023 and November 2023.

**Concentration of credit risk:** The Organization occasionally maintains cash balances in excess of federally insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments:** Investments are recorded at fair value. Fair value is determined by quoted market prices or the value of the underlying assets within the fund.

**Investment risk:** The Organization invests in a professionally management portfolio. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**Income taxes:** As nonprofit organizations described in IRC section 501(c)(3), Heart to Heart International, Inc., Heart to Heart International Foundation and RegaloRx are exempt from federal and state income taxes, except on unrelated business income, under section 501(a). The organizations have been determined to not be private foundations and are classified as public charities.

Unrelated business income tax, if any, is immaterial to the accompanying financial statements. Accordingly, no provision has been made for federal income tax. The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at December 31, 2024 and 2023, as management does not believe any material uncertainties exist.

**Inventory:** Purchased inventory is recorded at the lower of cost or market and is valued on a first-in, first-out basis. Donated inventory is recorded at the estimated fair value of the donated goods at the date of donation.

During the years ended December 31, 2024 and 2023, medical donated inventory was recorded at fair value using the wholesale acquisition cost (WAC) method at the date of donation. WAC is defined in federal law as the manufacturer's list price for the drug to wholesalers or direct purchases, not including prompt pay or other discounts, rebates or reductions, for the most recent month for which information is available. The Organization uses a data tool developed by First Databank, an international provider of data for pharmaceutical products and services, to obtain the WAC for medical donated inventory received. The inventory is not available for sale.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

For both the years ended December 31, 2024 and 2023, nonmedical donated inventory was estimated at fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal market, considering their condition and utility for use at the time the goods are donated. The inventory is not available for sale.

The Organization records inventory valuation adjustments that were \$4,404,724 and \$9,850,833 for the years ended December 31, 2024 and 2023, respectively. For the years ended December 2024 and 2023, respectively, valuation inventory adjustments is approximately 2.0% and 2.5% of contributions of nonfinancial assets.

**Property and equipment:** Property and equipment is stated at cost or the fair market value at date of gift for donated assets, less accumulated depreciation. If a donor stipulates how long the assets must be used, the contribution is recorded as restricted support. In the absence of such stipulation, a contribution of property and equipment is recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Lives
Buildings	39 years
Building improvements	5-10 years
Furniture and equipment	5-10 years
Computer equipment and software	3-5 years
Vehicles	3-10 years

**Contributions of nonfinancial assets—shipping:** The Organization recorded \$1,343,588 and \$1,017,467 in shipping expense for overseas and domestic freight during the years ended December 31, 2024 and 2023, respectively. The contributions of nonfinancial assets - shipping is also included as revenue in support and revenue without donor restrictions.

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates used in the Organization's financial statements include the valuation of gifts-in-kind contributions and related inventory, the allocation of expenses on a functional basis to various program services and supporting activities, fair market value of investments, and the estimated useful lives used to depreciate property and equipment.

**Revenue recognition:** Cash and contributions of nonfinancial assets are received from individuals, as well as domestic and multinational organizations. These contributions, including unconditional promises, are recognized as revenues when the donor's unconditional commitment is received. All contributions are considered to be without donor restriction use unless specifically restricted by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

A number of unpaid volunteers have made significant contributions of their time to the activities of the Organization without compensation. The Organization receives many volunteer hours from a variety of skilled personnel, such as doctors, nurses and other specialists. The value of these donated services that meets the criteria for recognition is reported as donated services in the accompanying consolidated statements of activities. These amounts are reflected at fair value in the financial statements, which amounted to \$64,706 and \$167,662 for the years ended December 31, 2024 and 2023, respectively. In addition, 40,843 and 43,293 volunteer hours were provided to the Organization during the years ended December 31, 2024 and 2023, respectively, for which no value has been assigned. Contributed service time meets the criteria to be recorded in the financial statements if it requires specialized skills, the service is being provided by an individual who possesses those skills, and the service would typically need to be purchased if not contributed.

The Organization has been notified of a conditional contribution with a third party through RegaloRx's asset purchase agreement for the year ended December 31, 2023. The conditional gift is based on certain conditions and calculations, including continued retention of a major customer. The amount and collectability cannot be determined as of December 31, 2024. If conditions are met, the Organization may receive funds.

**Accounts receivable:** Accounts receivable reflect balances due from companies for Hygiene Kit events and nominal amounts owed for travel expenditures incurred by employees. The Organization determined there was no allowance for uncollectible amounts as of December 31, 2024 and 2023.

**Functional expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying consolidated statements of functional expenses. Expenses that can be identified with a specific program, general and administrative function, or fundraising effort are allocated directly to those functional categories. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source using allocations. Salaries and benefits are allocated based upon actual time incurred. Rent is allocated based upon estimated square footage. All other costs are either directly allocated or are allocated based upon actual time incurred. Direct benefit to donor costs have been included in fundraising costs on the consolidated statements of functional expenses as the associated costs are not material in relation to the financial statements taken as a whole.

**Deferred revenue:** The Organization records deferred revenue related to funds received for future programmatic events.

	2024	2023
Deferred revenue, beginning of year	\$ 329,693	\$ 175,558
Revenue recognized that was included in deferred at the beginning of year	(329,693)	(175,558)
Increases in deferred revenue due to cash received during the year	319,945	329,693
Deferred revenue, end of year	<u>\$ 319,945</u>	<u>\$ 329,693</u>

**Advertising costs:** Advertising costs are charged to operations when incurred. Advertising expenses totaled \$ 36,708 and \$27,745 for the years ended December 31, 2024 and 2023, respectively.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Reclassification of prior years:** Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The classification had no impact on previously reported net assets.

#### Note 2. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value and are not discounted. Pledges receivable that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing pledges receivable was 5%. Amortization of the discounts is included in contribution revenue. The Organization determined an allowance for uncollectible amounts of \$0 as of December 31, 2024 and 2023, respectively.

Pledges receivable consist of the following at December 31, 2024 and 2023:

	2024	2023
In less than one year	\$ 45,000	\$ 10,000
In one to five years	20,000	-
	65,000	10,000
Less present value discount	(3,018)	-
Total pledges receivable	<u>\$ 61,982</u>	<u>\$ 10,000</u>

#### Note 3. Inventory

Inventory consists of the following at December 31, 2024 and 2023:

	2024	2023
Pharmaceutical supplies	\$ 1,359,593	\$ 57,504,285
Medical and other supplies	1,523,725	2,076,680
Total inventory	<u>\$ 2,883,318</u>	<u>\$ 59,580,965</u>

#### Note 4. Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting organization. Unobservable inputs are inputs that reflect the reporting organization's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

#### Note 4. Fair Value Measurements and Disclosures (Continued)

A three-tier hierarchy categorizes the inputs as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

**Level 3:** Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

The following is a description of the valuation methodologies used for instruments measured at fair value:

**U.S. treasury bills, common stock, equity exchange-traded funds, U.S. government obligations, foreign stock:** Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified at fair value.

**Corporate bonds, equity mutual funds, fixed income exchange-traded funds:** The fair value is based on valuations obtained from third-party pricing services for identical or similar assets.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2024:

	2024			
	Total	Level 1	Level 2	Level 3
U.S. treasury bills	74,090	74,090	-	-
Corporate bonds	227,054	-	227,054	-
Common stock	208,731	208,731	-	-
Equity exchange-traded funds	17,410	17,410	-	-
Equity mutual funds	126,644	-	126,644	-
Fixed income exchange-traded funds	58,890	-	58,890	-
U.S. government obligations	5,618,249	5,618,249	-	-
Foreign stock	9,586	9,586	-	-
Total investments	\$ 6,340,654	\$ 5,928,066	\$ 412,588	\$ -

# Heart to Heart International, Inc.

## Notes to Consolidated Financial Statements

### Note 4. Fair Value Measurements and Disclosures (Continued)

Investment income consists of the following as of December 31:

	2024	2023
Interest and dividends	\$ 479,641	\$ 399,500
Realized and unrealized gains	119,584	-
Investment fees	(27,788)	-
	<u>\$ 571,437</u>	<u>\$ 399,500</u>

### Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2024 and 2023:

	2024	2023
Cost:		
Buildings	\$ 9,340,256	\$ 9,340,256
Building improvements	946,853	747,276
Furniture and equipment	842,640	875,403
Computer equipment and software	211,716	202,709
Vehicles	970,270	1,288,425
Total cost	<u>12,311,735</u>	<u>12,454,069</u>
Accumulated depreciation	(3,040,342)	(2,786,969)
Net property and equipment	<u>\$ 9,271,393</u>	<u>\$ 9,667,100</u>

### Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of funds held for the following purposes:

	2024	2023
Net assets with donor restrictions:		
Restricted for programs:		
Africa VST Eswatini	\$ 37,643	\$ 15,638
NAFC—Lab Project	370,039	274,025
US Labs—Adopt a Lab	44,805	88,794
DRT Training Grant	279,935	172,191
Ukraine A2M	167,573	-
Fleet Management	27,617	-
Helene	96,178	-
Kenvue HK	300,000	-
NBCL COVID-19	-	40,854
Pathologist Overseas	-	41,843
Total restricted for programs	<u>1,323,790</u>	<u>633,345</u>
Restricted in perpetuity:		
Endowment Fund	22,500	22,058
General Perpetuity Fund	-	55,090
Total restricted in perpetuity	<u>22,500</u>	<u>77,148</u>
Total net assets with donor restrictions	<u>\$ 1,346,290</u>	<u>\$ 710,493</u>



## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

#### Note 6. Net Assets With Donor Restrictions (Continued)

For the year ended December 31, 2024, the Organization voted to remove the funds restricted in the general perpetuity funds. The funds were originally restricted by the board thus the board had full control to remove the restriction. The endowment fund of \$22,500 reflects the Helen Alger Endowment Fund in which the principal is to be restricted in perpetuity.

The sources of releases from net assets with donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

	2024	2023
Releases from net assets with donor restrictions:		
Africa VST Eswatini	\$ 12,995	\$ 343,510
Meillenium Promist	25,000	248,722
FedEx DRT training grant	42,255	-
Helene	317,660	-
Fleet Management	62,383	-
Pathologist Overseas	342,843	31,697
NBCL—COVID19	40,854	56,890
KCMO Hispanic Populatoin	-	16,446
KCMO Lowsocioecon	-	24,017
NAFC—Lab Project	435,986	391,486
DRT Training Grant	-	120,858
US Disaster Response	-	872,927
US Labs—Adopt a Lab	88,494	172,480
Volunteer Service Trip Consulting	-	63,325
Total restricted for programs	1,368,470	2,342,358
Restricted in perpetuity:		
Endowment Fund—GKCCF	22,059	-
General	29,635	-
Total restricted in perpetuity	51,694	-
Total releases from net assets with donor restrictions	\$ 1,420,164	\$ 2,342,358

#### Note 7. Liquidity Disclosure

The Organization has various sources of liquidity at its disposal, including cash, certificates of deposit, and investments. For purposes of analyzing resources available over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Additionally, the Organization monitors its budget and anticipates sufficient revenue to cover general expenditures over the next 12 months. Refer to the consolidated statements of cash flows, which identify the sources and uses of the Organization's cash.

## Heart to Heart International, Inc.

### Notes to Consolidated Financial Statements

#### Note 7. Liquidity Disclosure (Continued)

As of December 31, 2024 and 2023, the following financial assets could be made available within one year of the consolidated statements of financial position dates to meet general obligations:

	2024	2023
Cash and cash equivalents	\$ 8,690,388	\$ 11,388,056
Accounts receivable	110,344	127,533
Pledges receivable, current portion, net of allowance and discount	45,000	10,000
Investments	6,340,654	-
	15,186,386	11,525,589
Less cash subject to donor-imposed restrictions	(1,346,290)	(710,493)
Financial assets available for general expenditures	<u>\$ 13,840,096</u>	<u>\$ 10,815,096</u>

#### Note 8. Gifts-in-Kind

Contributed nonfinancial assets utilized in programs for the years ended December 31, 2024 and 2023, are as follows:

Category	Utilization	Valuation	2024	2023
Pharmaceutical products	Programmatic activities	Wholesale acquisition cost	\$ 220,640,133	\$ 401,125,408
Shipping	Programmatic activities	Fair value provided by donor	1,343,588	1,017,467
Services	Programmatic activities	Fair value provided by donor	64,706	167,662
Airfare	Programmatic activities	Fair value provided by donor	12,457	-
			<u>\$ 222,060,884</u>	<u>\$ 402,310,537</u>

The Organization receives pharmaceutical products, which the value is based on price of the market for the pharmaceutical product. The Organization also received donated shipping and airfare for overseas and domestic freight. Shipping and airfare are valued based on prices located on a publicly available website.

The Organization receives donated services from volunteers. Donated services are recognized as contributions is the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes contributed nonfinancial assets and a corresponding expense in the amount approximating the estimated fair value at the time of donation.

#### Note 9. Concentrations

The Organization receives a significant portion of its contributions of nonfinancial assets from pharmaceutical and medical supply companies. Three companies accounted for 90% of the contributions of nonfinancial assets during the year ended December 31, 2024. Two companies accounted for 94% of the contributions of nonfinancial assets during the year ended December 31, 2023.

#### Note 10. Subsequent Events

The Organization has evaluated subsequent events through April 29, 2025, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Heart to Heart International, Inc.**

**Consolidating Statement of Financial Position  
December 31, 2024**

	Heart to Heart International	Foundation	RegaloRX	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 7,549,565	\$ 280,805	\$ 860,018	\$ -	\$ 8,690,388
Accounts receivable	123,325	-	-	(12,981)	110,344
Pledges receivable, current portion	45,000	-	-	-	45,000
Inventory	2,883,318	-	-	-	2,883,318
Other current assets	111,152	-	-	-	111,152
<b>Total current assets</b>	<b>10,712,360</b>	<b>280,805</b>	<b>860,018</b>	<b>(12,981)</b>	<b>11,840,202</b>
Pledges receivable, less current portion, net of discount	16,982	-	-	-	16,982
Investments	5,465,559	875,095	-	-	6,340,654
Property and equipment, net of accumulated depreciation	9,271,393	-	-	-	9,271,393
<b>Total assets</b>	<b>\$ 25,466,294</b>	<b>\$ 1,155,900</b>	<b>\$ 860,018</b>	<b>\$ (12,981)</b>	<b>\$ 27,469,231</b>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 60,647	\$ 12,981	\$ -	\$ (12,981)	\$ 60,647
Accrued liabilities	205,175	-	-	-	205,175
Deferred revenue	319,945	-	-	-	319,945
<b>Total liabilities</b>	<b>585,767</b>	<b>12,981</b>	<b>-</b>	<b>(12,981)</b>	<b>585,767</b>
Net assets without donor restrictions	23,534,237	1,142,919	860,018	-	25,537,174
Net assets with donor restrictions	1,346,290	-	-	-	1,346,290
<b>Total net assets</b>	<b>24,880,527</b>	<b>1,142,919</b>	<b>860,018</b>	<b>-</b>	<b>26,883,464</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,466,294</b>	<b>\$ 1,155,900</b>	<b>\$ 860,018</b>	<b>\$ (12,981)</b>	<b>\$ 27,469,231</b>

Heart to Heart International, Inc.

**Consolidating Statement of Activities**  
**Year Ended December 31, 2024**

	Heart to Heart International	Foundation	RegaloRX	Eliminations	Total
Support and revenue without donor restrictions:					
Contribution of nonfinancial assets	\$ 220,704,839	\$ -	\$ -	\$ -	\$ 220,704,839
Contributions	6,705,710	-	-	-	6,705,710
Contribution of nonfinancial assets—shipping	1,343,588	-	-	-	1,343,588
Program revenue	1,440,348	-	-	-	1,440,348
Investment income, net	471,548	99,889	-	-	571,437
Gain on sale of capital assets	52,908	-	-	-	52,908
Other income	-	-	860,018	-	860,018
Net assets released from restrictions	1,420,164	-	-	-	1,420,164
<b>Total support and revenue without donor restrictions</b>	<b>232,139,105</b>	<b>99,889</b>	<b>860,018</b>	<b>-</b>	<b>233,099,012</b>
Expenses:					
Program services—international	267,223,478	-	-	-	267,223,478
Program services—domestic	13,500,503	-	-	-	13,500,503
<b>Total program services</b>	<b>280,723,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,723,981</b>
General and administrative	1,501,515	4,585	-	-	1,506,100
Fundraising public relations	1,128,070	-	-	-	1,128,070
<b>Total supporting services</b>	<b>2,629,585</b>	<b>4,585</b>	<b>-</b>	<b>-</b>	<b>2,634,170</b>
<b>Total expenses</b>	<b>283,353,566</b>	<b>4,585</b>	<b>-</b>	<b>-</b>	<b>283,358,151</b>
Inventory valuation adjustment	(4,404,724)	-	-	-	(4,404,724)
<b>Changes in net assets without donor restrictions</b>	<b>(55,619,185)</b>	<b>95,304</b>	<b>860,018</b>	<b>-</b>	<b>(54,663,863)</b>
Net assets with donor restrictions:					
Contributions	2,046,459	-	-	-	2,046,459
Contribution of nonfinancial assets—shipping	12,457	-	-	-	12,457
Investment income	-	-	-	-	-
Net assets released from restrictions	(1,420,164)	-	-	-	(1,420,164)
<b>Changes in net assets with donor restrictions</b>	<b>638,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638,752</b>
<b>Changes in net assets</b>	<b>(54,980,433)</b>	<b>95,304</b>	<b>860,018</b>	<b>-</b>	<b>(54,025,111)</b>
Net assets (deficit):					
Beginning	79,860,960	1,047,615	-	-	80,908,575
Ending	<u>\$ 24,880,527</u>	<u>\$ 1,142,919</u>	<u>\$ 860,018</u>	<u>\$ -</u>	<u>\$ 26,883,464</u>