

FIVE TALENTS – USA, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2018 and 2017



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Five Talents – USA, Inc.

We have audited the accompanying statements of financial position of Five Talents – USA, Inc. (Five Talents) as of June 30, 2018 and 2017, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Five Talents as of June 30, 2018 and 2017, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC
December 19, 2018

S B & Company, LLC

FIVE TALENTS – USA, INC.

**Statements of Financial Position
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 44,156	\$ 115,085
Investments	146,473	120,351
Contributions receivable	52,270	70,888
Prepaid expenses	3,455	3,456
Furniture and equipment, net	3,536	4,601
Total Assets	<u>\$ 249,890</u>	<u>\$ 314,381</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 38,098	\$ 94,815
Line of credit	20,000	40,000
Total Liabilities	<u>58,098</u>	<u>134,815</u>
Net Assets		
Unrestricted	79,267	836
Unrestricted - board designated	75,000	75,000
Total Unrestricted	<u>154,267</u>	<u>75,836</u>
Temporarily restricted	37,525	103,730
Total Net Assets	<u>191,792</u>	<u>179,566</u>
Total Liabilities and Net Assets	<u>\$ 249,890</u>	<u>\$ 314,381</u>

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

FIVE TALENTS – USA, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and Support		
Contributions	\$ 761,825	\$ 542,727
In-kind contributions	41,727	65,359
Other revenue	247	1,133
Investment income, net	8,702	7,856
Total Revenue	<u>812,501</u>	<u>617,075</u>
Net assets released from restrictions	172,735	133,037
Total Revenue and Support	<u>985,236</u>	<u>750,112</u>
Expenses		
Program services	696,065	578,379
Management and general	65,782	61,354
Fundraising	144,958	172,739
Total Expenses	<u>906,805</u>	<u>812,472</u>
Change in Unrestricted Net Assets	<u>78,431</u>	<u>(62,360)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	106,530	173,436
Net assets released from restrictions	(172,735)	(133,037)
Change in Temporarily Restricted Net Assets	<u>(66,205)</u>	<u>40,399</u>
Changes in net assets	12,226	(21,961)
Net assets, beginning of year	179,566	201,527
Net Assets, End of Year	<u>\$ 191,792</u>	<u>\$ 179,566</u>

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

FIVE TALENTS – USA, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2018, with Comparative 2017 Total**

	2018			2017 Total
	Program Services	Management and General	Fundraising	
Grants to program partners	\$ 324,353	\$ -	\$ -	\$ 234,994
Other program partner support	74,734	-	-	12,940
Personnel costs	206,430	45,725	100,760	379,755
Professional fees - in-kind	24,408	5,406	11,913	65,359
Professional fees	12,397	2,746	6,051	9,850
Occupancy	13,105	2,903	6,397	33,642
Bank and credit card fees	3,607	799	1,760	5,494
Printing	3,445	763	1,682	5,722
Marketing and website	1,245	276	608	11,165
Travel	10,075	2,232	4,918	7,501
Supplies and office costs	5,955	1,319	2,907	13,971
Depreciation	1,186	262	578	2,052
Insurance	3,780	838	1,846	6,380
Telephone and internet	2,333	517	1,139	4,855
Conventions and conferences	5,260	1,165	2,568	7,688
Postage and delivery	2,799	620	1,366	3,630
Interest expense	953	211	465	2,053
Provision for uncollectible pledges	-	-	-	3,500
Miscellaneous	-	-	-	1,921
Total	\$ 696,065	\$ 65,782	\$ 144,958	\$ 812,472

The accompanying notes are an integral part of this financial statement.

FIVE TALENTS – USA, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Program Services	Management and General	Fundraising	Total
Grants to program partners	\$ 234,994	\$ -	\$ -	\$ 234,994
Other program partner support	12,940	-	-	12,940
Personnel costs	222,219	41,216	116,320	379,755
Professional fees - in-kind	38,246	7,093	20,020	65,359
Professional fees	5,764	1,069	3,017	9,850
Occupancy	19,686	3,651	10,305	33,642
Bank and credit card fees	3,214	597	1,683	5,494
Printing	3,348	621	1,753	5,722
Marketing and website	6,533	1,212	3,420	11,165
Travel	4,389	815	2,297	7,501
Supplies and office costs	8,176	1,515	4,280	13,971
Depreciation	1,201	222	629	2,052
Insurance	3,733	693	1,954	6,380
Telephone and internet	2,841	527	1,487	4,855
Conventions and conferences	4,498	835	2,355	7,688
Postage and delivery	2,124	394	1,112	3,630
Interest expense	1,202	222	629	2,053
Provision for uncollectible pledges	2,112	434	954	3,500
Miscellaneous	1,159	238	524	1,921
Total	<u>\$ 578,379</u>	<u>\$ 61,354</u>	<u>\$ 172,739</u>	<u>\$ 812,472</u>

The accompanying notes are an integral part of this financial statement.

FIVE TALENTS – USA, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 12,226	\$ (21,961)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	2,026	2,052
Net unrealized gain on investments	(305)	(4,481)
Effect from changes in non-cash operating assets and liabilities:		
Contributions receivable	18,618	(14,587)
Prepaid expenses	1	6,962
Accounts payable and accrued expenses	(56,717)	41,219
Net Cash Flows from Operating Activities	<u>(24,151)</u>	<u>9,204</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(961)</u>	<u>-</u>
Cash Flows from Financing Activities		
Purchase of investments	(62,563)	(14,465)
Proceeds from the sale of investments	36,746	15,000
Line of credit activity, net	(20,000)	20,000
Net Cash Flows from Financing Activities	<u>(45,817)</u>	<u>20,535</u>
Net change in cash and cash equivalents	(70,929)	29,739
Cash and cash equivalents, beginning of year	115,085	85,346
Cash and Cash Equivalents, End of Year	<u>\$ 44,156</u>	<u>\$ 115,085</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest	<u>\$ 1,629</u>	<u>\$ 2,053</u>

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

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

1. ORGANIZATION

Five Talents - USA, Inc. (Five Talents) was incorporated in the Commonwealth of Virginia in March 1999 as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code. Five Talents is an Anglican initiative to combat poverty in developing countries using micro-enterprise development and is a member of the Five Talents International (FTI) Family, which includes a sister organization in the United Kingdom and Kenya.

Five Talents' mission is to combat poverty in the developing world by:

- Equipping the poor with the opportunity to start small businesses;
- Equipping the church to help the poor start small businesses;
- Showing Christ's love and mercy in thought, word, and deed; and
- Affirming human dignity.

2019 Programs

Five Talents signs memorandums of understanding with microenterprise development partners to operate community savings and lending programs in developing countries. These documents provide for future funding from Five Talents based on mutually-agreed upon plans. Five Talents also receives funds designated for certain programs and countries.

Program Development

Direct program funds for the years ended June 30, 2018 and 2017, were expended in the following areas: grants to overseas partners for operations, training, consulting, and loan capital totaled \$324,353 and \$234,994, respectively, and overseas travel by staff and consultants for monitoring, oversight and technical assistance for overseas partners totaled \$74,734 and \$12,940, respectively.

Below is a brief summary of Five Talents impact by country through June 30, 2018:

LATIN AMERICA

Bolivia - Five Talents has worked in the mountains of Southeastern Bolivia since 2009 reaching out to families living in extreme poverty. In partnership with Seeds of Blessing, Five Talents facilitates small businesses development through training, mentorship, and community savings and loans. Participants join small savings groups and receive training in budgeting, saving, cost of credit, business planning, nutrition and discipleship. They learn how to invest in and grow small businesses. Currently, about 270 families are members and 75% describe the biggest changes in their lives as having savings and being brave enough to improve their lives.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

1. ORGANIZATION (continued)

Program Development (continued)

ASIA

Indonesia - Since 2002, Five Talents has partnered with the Gerhati Foundation to serve over 14,000 entrepreneurs in the urban slums of Jakarta. Program participants gain access to micro-business loans, participate in a savings program, and receive training in budgeting and other business skills. Their families, many of which face unhealthy living conditions, also gain access to free medical clinics several times a year.

Myanmar - Five Talents has worked in Myanmar since 2011 with Mothers' Union and the Province of Myanmar to catalyze microenterprise development. Our programs have focused on the creation of savings and loan groups in rural and undeveloped regions of Irrawaddy Delta, Mandalay, Sittwe, and the outskirts of Yangon. Savings group members establish or develop their own businesses and often work together to form cooperatives. A variety of agricultural businesses have been developed including the production of rice, coffee, chili, tea, mushrooms, beans, betel palm products, turmeric powder, soaps, lotions, and natural beauty products. Recently, the program expanded to the Diocese Hpa An to serve refugees returning from Thailand.

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. Five Talents partners with the Mothers' Union and the Anglican Church in Burundi to offer training in literacy and numeracy, business skills, and the formation of community savings groups. To date, over 48,000 people, mostly women, have joined community savings and loan associations. Members have access to mentorship, basic financial services, and emergency funds. Eighty percent of these groups are now self-managing.

Democratic Republic of Congo – During 2018, Five Talents began new ministry in the Diocese of Aru, in the northeastern corner of DR Congo. Beginning with the mobilization of church and community leaders, and the training and mentoring of staff and community workers, Five Talents is working to support literacy, financial literacy, business training, and community savings with an aim of reaching 60 communities.

Kenya - Five Talents began working in Kenya in 2004 and has established successful programs in three regions, Embu, Thika, and Nakuru, including the development of three community banks. Participants in the program 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. To date, Five Talents has served over 16,000 members in Kenya. During 2018, development continued for new programs in Kericho, Mbeere, and Murang'a South.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

1. ORGANIZATION (continued)

Program Development (continued)

AFRICA (continued)

South Sudan – Five Talents has been working successfully in South Sudan (previously Sudan until July 9, 2011) since 2007 and is one of the few organizations to develop a sustainable model for microfinance in the country. Working in partnership with World Concern, Mothers’ Union, and the Episcopal Church of South Sudan, Five Talents has served over 31,000 members with business skills training and access to community savings and loans. In addition, over 16,000 women and men have been accredited in literacy and numeracy. In 2018, Five Talents programs focused on Western Bahr el Ghazal, Warrap State, and displaced communities around Juba. This includes serving residents of United Nations Protection of Civilian sites.

Tanzania – Five Talents has worked in Tanzania since 2007 with a variety of local partners to provide financial inclusion services to the rural poor. This includes serving over 11,000 women with access to community savings and micro-loans for local development. In 2018, Five Talents programs focused on the region of Morogorro, where 81% of the population subsides on less than \$2.50 per day. Over the next several years, our aim is to reach over 2,500 families in the region with training and tools to develop their own small businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of Five Talents are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments, which have an original maturity of three months or less. Cash equivalents as of June 30, 2018 and 2017, consisted of money market funds.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Five Talents has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consist of investments, receivables, and accounts payable. The carrying value of Five Talents' financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of June 30, 2018 and 2017, because of the short-term nature of these investments. Fair values are estimated based on current market rates.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable consists of unconditional promises to give from various events and pledges. As of June 30, 2018 and 2017, all contributions receivable are expected to be collected during the next year. Management evaluated the collectability of receivables based on historical experience and believes that all receivables are fully collectible.

Property and Equipment

Property and equipment over \$500 with a useful life greater than one year are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of three to five years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred.

Net Assets

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired. As of June 30, 2018 and 2017, the Board of Directors had designated \$75,000 for both years towards the Program Reserve Fund.

Temporarily restricted net assets are those whose use by Five Talents has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by Five Talents in perpetuity. As of June 30, 2018 and 2017, there were no permanently restricted net assets.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily, or permanently restricted support, depending on the existence or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received. In-kind contributions to Five Talents for the years ended June 30, 2018 and 2017, were valued at \$41,727 and \$65,359, respectively, and are reflected as in-kind contributions and expenses in the accompanying statements of activities and changes in net assets. For the years ended June 30, 2018 and 2017, in-kind contributions consisted of donated administrative and legal services.

Additionally, Five Talents receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities and changes in net assets because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of Five Talents.

Income Taxes

Five Talents is a not-for-profit organization exempt from Federal income tax other than net unrelated business income tax under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service.

The provisions included in accounting principles generally accepted in the United States of America 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 of tax positions taken or expected to be taken in a tax return. Five Talents performed an evaluation of uncertain tax positions as of June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or, which may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for fiscal years 2015 through 2018, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which Five Talents files tax returns. It is Five Talents' policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-14 provides updated guidance on the reporting model for not-for-profits and is effective for periods beginning after December 15, 2018. ASU No. 2016-15 provides guidance on the statement of cash flows and is effective for periods beginning after December 15, 2017.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

Five Talents has evaluated the accompanying financial statements for subsequent events and transactions through December 19, 2018, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value.

Money Market and Mutual funds: Valued at the closing price reported on the active markets on which the funds are traded.

There have been no changes in the valuation methodology used during the years ended June 30, 2018 and 2017.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Five Talents believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth, by level, the fair value hierarchy of Five Talents' investments at fair value as of June 30, 2018 and 2017.

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 17,605	\$ -	\$ -	\$ 17,605
Mutual funds - equity	72,985	-	-	72,985
Mutual funds - fixed income	55,883	-	-	55,883
	<u>\$ 146,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,473</u>

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 16,241	\$ -	\$ -	\$ 16,241
Mutual funds - equity	64,285	-	-	64,285
Mutual funds - fixed income	39,825	-	-	39,825
	<u>\$ 120,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,351</u>

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

3. INVESTMENTS (continued)

As of June 30, 2018 and 2017, investments consisted of the following fair values:

	June 30, 2018			Market Value
	Cost	Unrealized Gains	Unrealized Loss	
Money market fund	\$ 17,605	\$ -	\$ -	\$ 17,605
Mutual funds - equity	75,419	-	(2,434) *	72,985
Mutual funds - fixed income	58,891	-	(3,008) *	55,883
	<u>\$ 151,915</u>	<u>\$ -</u>	<u>\$ (5,442)</u>	<u>\$ 146,473</u>

	June 30, 2017			Market Value
	Cost	Unrealized Gains	Unrealized Loss	
Money market fund	\$ 16,241	\$ -	\$ -	\$ 16,241
Mutual funds - equity	68,051	-	(3,766)	64,285
Mutual funds - fixed income	41,935	-	(2,110)	39,825
	<u>\$ 126,227</u>	<u>\$ -</u>	<u>\$ (5,876)</u>	<u>\$ 120,351</u>

* These investments have been in a loss position for more than 12 months.

A summary of the investment gains and losses for the years ended June 30, 2018 and 2017, were as follows:

	2018	2017
Unrealized gain	\$ 305	\$ 4,481
Realized gain	780	1,934
Dividend income	7,617	1,441
Total	<u>\$ 8,702</u>	<u>\$ 7,856</u>

4. FURNITURE AND EQUIPMENT, NET

As of June 30, 2018 and 2017, furniture and equipment consisted of the following:

	2018	2017	Useful Lives
Furniture and equipment	\$ 55,206	\$ 54,245	3 to 5 years
Less: accumulated depreciation	51,670	49,644	
Furniture and Equipment, Net	<u>\$ 3,536</u>	<u>\$ 4,601</u>	

Depreciation expense for the years ended June 30, 2018 and 2017, was \$2,026 and \$2,052, respectively.

FIVE TALENTS – USA, INC.

Notes to the Financial Statements June 30, 2018 and 2017

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following programs as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Africa	\$ 7,029	\$ 42,000
Knippers Institute	3,697	21,588
Latin America	8,453	15,882
Asia	18,346	24,260
Total Temporarily Restricted Net Assets	<u>\$ 37,525</u>	<u>\$ 103,730</u>

6. LINE OF CREDIT

Five Talents has available a line of credit agreement with a bank which provides that Five Talents may borrow up to \$40,000. Borrowings under the line of credit bear interest payable monthly at 5.5% and are secured by investment accounts owned by Five Talents. As of June 30, 2018 and 2017, the outstanding balance was \$20,000 and \$40,000, respectively. This arrangement is due to expire on December 22, 2018. Interest payments for the years ended June 30, 2018 and 2017, were \$1,629 and \$1,402, respectively.

7. COMMITMENTS

Five Talents signed a lease agreement, effective June 13, 2013, for its office space. The lease was set to expire on September 30, 2018. During the year ended June 30, 2018, Five Talents terminated the lease with no penalty and entered into a new lease agreement, that expires September 30, 2018. Rent expense was \$22,405 and \$33,642, for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018, Five Talents is on a month-to-month lease.

8. RETIREMENT PLAN

Five Talents adopted a Simple IRA plan as of January 1, 2010. Employees are eligible to receive a matching contribution equal to participants' contributions to the plan up to 3% of the individual participants' annual compensation. Five Talents contributed \$6,689 and \$7,696, for the years ended June 30, 2018 and 2017, respectively.