

HEAL AFRICA USA

**REPORT ON AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HEAL Africa USA
Caledonia, Michigan

We have audited the accompanying financial statements of HEAL Africa USA (a non-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 control 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 audits 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 control 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 control. 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, certain errors were discovered by management resulting in the understatement of donations receivable and temporarily restricted net assets previously reported as of December 31, 2016. Accordingly, amounts reported for donations receivable and temporarily restricted net assets have been restated as of December 31, 2016. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HEAL Africa USA as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 10 and 11 are presented for the purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audits 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.

Bredeweg & Zylstra, PLLC

Certified Public Accountants
Grand Rapids, Michigan

May 31, 2018

HEAL Africa USA

Statements of Financial Position

| | December 31, | |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 950,694 | \$ 1,199,131 |
| Donations receivable (Notes 3 and 7) | 1,006,800 | 92,191 |
| Prepaid expenses | 18,926 | - |
| Total current assets | 1,976,420 | 1,291,322 |
| Property and equipment: | | |
| Furniture and fixtures | 1,922 | 3,122 |
| Less accumulated depreciation | 1,922 | 2,409 |
| Net property and equipment | - | 713 |
| Total Assets | \$ 1,976,420 | \$ 1,292,035 |
| Net Assets: | | |
| Unrestricted | \$ 917,047 | \$ 1,015,926 |
| Temporarily restricted (Notes 4 and 7) | 1,059,373 | 276,109 |
| Total Net Assets | \$ 1,976,420 | \$ 1,292,035 |

See accompanying notes to financial statements.

HEAL Africa USA

Statements of Activities

| | Year ended December 31, | | | | | |
|---------------------------------------|-------------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| | 2017 | | | 2016 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenue and support: | | | | | | |
| Contributions (Note 7) | \$ 120,383 | \$ 1,798,794 | \$ 1,919,177 | \$ 114,117 | \$ 529,963 | \$ 644,080 |
| In-kind contributions | - | 3,704 | 3,704 | - | 24,500 | 24,500 |
| Contributed services (Note 5) | 8,141 | - | 8,141 | 6,940 | - | 6,940 |
| Interest income | 14,155 | - | 14,155 | 13,455 | - | 13,455 |
| Other revenue | 36 | - | 36 | 53 | - | 53 |
| Loss on disposition of assets | (380) | - | (380) | - | - | - |
| Net assets released from restrictions | 1,019,234 | (1,019,234) | - | 494,584 | (494,584) | - |
| Total revenue and support | 1,161,569 | 783,264 | 1,944,833 | 629,149 | 59,879 | 689,028 |
| Expenses: | | | | | | |
| Program services | 1,137,541 | - | 1,137,541 | 499,374 | - | 499,374 |
| Management and general | 76,495 | - | 76,495 | 81,756 | - | 81,756 |
| Fundraising | 46,412 | - | 46,412 | 38,719 | - | 38,719 |
| Total expenses | 1,260,448 | - | 1,260,448 | 619,849 | - | 619,849 |
| Change in net assets | (98,879) | 783,264 | 684,385 | 9,300 | 59,879 | 69,179 |
| Net Assets - beginning of year | 1,015,926 | 276,109 | 1,292,035 | 1,006,626 | 216,230 | 1,222,856 |
| Net Assets - end of year | \$ 917,047 | \$ 1,059,373 | \$ 1,976,420 | \$ 1,015,926 | \$ 276,109 | \$ 1,292,035 |

See accompanying notes to financial statements.

HEAL Africa USA

Statements of Cash Flows

| | Year ended December 31, | |
|---|-------------------------|--------------|
| | 2017 | 2016 |
| <i>CASH FLOWS FROM OPERATING ACTIVITIES:</i> | | |
| Increase in net assets | \$ 684,385 | \$ 69,179 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Contributed in-kind and service contributions | (11,845) | (31,440) |
| Distributed in-kind and service contributions | 11,845 | 31,440 |
| Depreciation | 333 | 513 |
| Loss on disposition of assets | 380 | - |
| Decrease (increase) in assets: | | |
| Donation receivable | (914,609) | (54,624) |
| Prepaid expenses | (18,926) | - |
| Gifts-in-kind inventory | - | 27,482 |
| Net cash provided by (used in) operating activities | (248,437) | 42,550 |
| Net increase (decrease) in cash | (248,437) | 42,550 |
| Cash - beginning of year | 1,199,131 | 1,156,581 |
| Cash - end of year | \$ 950,694 | \$ 1,199,131 |

See accompanying notes to financial statements.

HEAL Africa USA

Notes to Financial Statements

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Organization and Purpose

HEAL Africa USA (the Organization) is a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code. It is a Christian organization focused on supporting health, education, community action and leadership development of the non-profit organization DOCS HEAL Afrique in Rwanda and the Democratic Republic of Congo. The Organization supports a variety of relative initiatives for other non-profit organizations operating in the Democratic Republic of Congo.

Basis of Financial Statement Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board ASC 958 (Not-for-Profit Entities). As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

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 reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2017 and 2016, there were no permanently restricted assets.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used as gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions of donated noncash assets are recorded at their fair values in the period received.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments to be cash equivalents. Cash consists of demand deposits and money market accounts held at several financial institutions. Cash balances exceeded the federally insured limit of \$250,000 per financial institution during 2017 and 2016.

Gifts-in-Kind Inventory

Gifts-in-kind inventory consists of donated supplies and equipment for use in the operations of the programs of the Organization. Gifts-in-kind are stated at their estimated fair value at the date of the gifts. There was no inventory for gifts-in-kind at December 31, 2017 and 2016.

HEAL Africa USA

Notes to Financial Statements

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONT.)

Property, Equipment and Depreciation

Property and equipment acquisitions in excess of \$500 are stated at cost. Donated property and equipment are recorded at fair market value at the date of gift. Expenditures for additions and improvements are capitalized; expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed over the estimated useful lives of the assets, ranging from five to seven years, by the straight-line method.

In-Kind Contributions

In-kind contributions include contributions of tangible and intangible personal property. Tangible in-kind contributions include items such as medical supplies and equipment for use in the operations of the Organization. Intangible in-kind contributions include items such as advertising and other services that are not considered contributed services.

Contributed Services

Contributions of services are recognized if the services received: a) create or enhance nonfinancial assets or b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased is not provided by donation. The Organization reports such contributions at their estimated fair value when received.

Additionally, a number of individuals volunteer their time for the Organization's program services and general operations. The contributed services are generally not specialized in nature, and are not reported as revenue and expenses in the accompanying financial statements. These services do not meet the criteria for recognition as donated services.

Income Tax Status

The Organization is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, HEAL Africa USA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2017 and 2016.

Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

Concentrations of Credit Risk

The Organization receives a substantial amount of its revenue from various individuals, churches and organizations. A significant reduction in the level of this support, if it were to occur, may affect the Organization's programs and activities.

Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through May 31, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through May 31, 2018 that would require adjustment or disclosure in the financial statements.

HEAL Africa USA

Notes to Financial Statements

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

| | December 31, | |
|---------------------------|--------------|--------------|
| | 2017 | 2016 |
| Cash | \$ 174,999 | \$ 437,392 |
| Certificates of deposit | 775,695 | 761,739 |
| Cash and cash equivalents | \$ 950,694 | \$ 1,199,131 |

NOTE 3 – DONATIONS RECEIVABLE

Donations receivable consist of various donations pledged from various donors and grants awarded by foundations to the Organization. The Organization expects to utilize the grants within one year.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of time and purpose restricted funds in the amount of \$1,059,373 and \$276,109 at December 31, 2017 and 2016, respectively.

NOTE 5 – CONTRIBUTED SERVICES

The Organization recognized contribution revenue for contributed services for managerial and general purposes. Contribution revenue from services was measured based on fair value of those services. The amount recognized was for professional services in the amount of \$8,141 and \$6,940 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 – CASH FLOW INFORMATION

Distributed in-kind and service contributions include in-kind contributions allocable to specific program expense accounts.

During the years ended December 31, 2017 and 2016, inventory in the amount of \$3,704 and \$24,500, respectively, was acquired through in-kind donations.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Temporarily restricted net assets as of December 31, 2016, have been adjusted to increase donations receivable to account for a grant awarded in 2016 that included an installment payment to be collected in 2017. The adjustment resulted in a donation receivable balance of \$92,191 for the year ended December 31, 2016.

HEAL Africa USA
Statement of Functional Expenses
Year ended December 31, 2017

| | Program Services | Management & General | Fundraising | Total |
|--------------------------|---------------------|-------------------------|------------------|---------------------|
| Community based services | \$ 508,477 | \$ - | \$ - | \$ 508,477 |
| Medical assistance | 398,912 | - | - | 398,912 |
| Salaries and wages | 35,750 | 33,300 | 35,750 | 104,800 |
| Education and mentoring | 88,828 | - | - | 88,828 |
| Personnel support | 53,090 | - | - | 53,090 |
| Travel | 38,391 | 5,626 | - | 44,017 |
| Professional services | - | 26,725 | - | 26,725 |
| Equipment | 10,664 | - | - | 10,664 |
| Payroll taxes | 2,747 | 4,446 | 824 | 8,017 |
| Contract services | 31 | - | 3,935 | 3,966 |
| Office expenses | - | 1,423 | 1,954 | 3,377 |
| Website maintenance | - | - | 3,349 | 3,349 |
| Bank fees | - | 1,802 | 600 | 2,402 |
| Meals and entertainment | 651 | 884 | - | 1,535 |
| Telephone | - | 660 | - | 660 |
| Postage and delivery | - | 583 | - | 583 |
| Office supplies | - | 419 | - | 419 |
| Depreciation | - | 333 | - | 333 |
| Meetings and conferences | - | 294 | - | 294 |
| Total | \$ 1,137,541 | \$ 76,495 | \$ 46,412 | \$ 1,260,448 |

HEAL Africa USA
Statement of Functional Expenses
Year ended December 31, 2016

| | Program Services | Management & General | Fundraising | Total |
|--------------------------|---------------------|-------------------------|------------------|-------------------|
| Community based services | \$ 253,623 | \$ - | \$ - | \$ 253,623 |
| Salaries and wages | 33,888 | 38,645 | 32,305 | 104,838 |
| Education and mentoring | 72,600 | - | - | 72,600 |
| Equipment | 58,130 | - | - | 58,130 |
| Personnel support | 49,530 | - | - | 49,530 |
| Professional services | - | 25,413 | - | 25,413 |
| Medical assistance | 21,571 | - | - | 21,571 |
| Travel | 7,286 | 3,131 | - | 10,417 |
| Payroll taxes | 2,421 | 4,873 | 726 | 8,020 |
| Office expenses | - | 625 | 1,922 | 2,547 |
| Office supplies | - | 2,352 | - | 2,352 |
| Bank fees | - | 1,515 | 780 | 2,295 |
| Website maintenance | - | - | 1,733 | 1,733 |
| Meetings and conferences | - | 1,389 | - | 1,389 |
| Employee benefits | - | 1,350 | - | 1,350 |
| Contract services | - | - | 1,253 | 1,253 |
| Meals and entertainment | 325 | 717 | - | 1,042 |
| Postage and delivery | - | 863 | - | 863 |
| Depreciation | - | 513 | - | 513 |
| Telephone | - | 370 | - | 370 |
| Total | \$ 499,374 | \$ 81,756 | \$ 38,719 | \$ 619,849 |