

HEAL AFRICA USA
REPORT ON AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 1, the Organization adopted ASU 2016-14, (Presentation of Financial Statements for Not-for-Profit Entities). Our opinion is not modified with respect to this matter.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bredeweg & Zylstra, PLC

Certified Public Accountants
Grand Rapids, Michigan

June 4, 2019

HEAL Africa USA
 Statement of Financial Position
 December 31, 2018

Assets:

Current assets:		
Cash and cash equivalents (Notes 2 and 3)	\$	728,955
Donations receivable (Notes 3 and 4)		200,000
Total current assets		928,955
Total Assets	\$	928,955

Net Assets:

Without donor restrictions:		
Undesignated	\$	105,216
Designated by the Board for operating reserve (Note 3)		626,912
Total without donor restrictions		732,128
With donor restrictions:		
Purpose restrictions (Note 5)		196,827
Total Net Assets	\$	928,955

HEAL Africa USA
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 48,698	\$ 227,617	\$ 276,315
In-kind contributions (Note 7)	-	20,000	20,000
Contributed services (Note 6)	12,608	-	12,608
Interest income	12,413	-	12,413
Other revenue	3	-	3
Net assets released from restrictions (Note 5)	1,110,163	(1,110,163)	-
Total revenue and support	1,183,885	(862,546)	321,339
Expenses:			
Medical and community support	1,227,232	-	1,227,232
Supporting services:			
Management and general	77,956	-	77,956
Fundraising	63,616	-	63,616
Total expenses	1,368,804	-	1,368,804
Change in net assets	(184,919)	(862,546)	(1,047,465)
Net Assets - beginning of year	917,047	1,059,373	1,976,420
Net Assets - end of year	\$ 732,128	\$ 196,827	\$ 928,955

See accompanying notes to financial statements.

HEAL Africa USA
Statement of Functional Expenses
Year ended December 31, 2018

	Medical and Community Support	Supporting Services		Total
		Management & General	Fundraising	
Medical and facilities assistance	\$ 902,276	\$ -	\$ -	\$ 902,276
Community based services	145,288	-	-	145,288
Salaries and wages	39,324	34,606	39,325	113,255
Education and mentoring	91,228	-	-	91,228
Personnel support	38,600	-	-	38,600
Professional services	-	31,296	-	31,296
Contract services	154	-	15,884	16,038
Payroll taxes	3,008	4,753	902	8,663
Website maintenance	-	-	7,085	7,085
Travel	3,700	2,744	-	6,444
Bank fees	985	2,412	420	3,817
Meals and entertainment	1,927	728	-	2,655
Office expenses	123	901	-	1,024
Equipment	220	-	-	220
Telephone	-	465	-	465
Postage and delivery	173	-	-	173
Office supplies	101	51	-	152
Meetings and conferences	125	-	-	125
Total	\$ 1,227,232	\$ 77,956	\$ 63,616	\$ 1,368,804

HEAL Africa USA
Statement of Cash Flows
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (1,047,465)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Contributed in-kind and service contributions	(32,608)
Distributed in-kind and service contributions	32,608
Decrease in assets:	
Donation receivable	806,800
Prepaid expenses	18,926
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Net cash used in operating activities	(221,739)
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Net decrease in cash	(221,739)
Cash - beginning of year	950,694
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Cash - end of year	<u>\$ 728,955</u>

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 related initiatives for other non-profit organizations operating in the Democratic Republic of Congo.

Basis of Financial Statement Presentation

The financial statements of HEAL Africa USA have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Some donor restrictions may be perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of December 31, 2018 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.

HEAL Africa USA

Notes to Financial Statements

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONT.)

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 certificates of deposit held at several financial institutions. Cash balances exceeded the federally insured limit of \$250,000 per financial institution during 2018.

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, 2018.

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.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among medical and community support. Such allocations are determined by management on an equitable basis.

The only expenses that are required to be allocated by management on a time and effort method are salaries and wages and payroll taxes. The remaining expenses directly relate to their specific function.

HEAL Africa USA

Notes to Financial Statements

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONT.)

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 year ended December 31, 2018.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. HEAL Africa USA has adjusted the presentation of these statements accordingly.

Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through June 4, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through June 4, 2019 that would require adjustment or disclosure in the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of December 31, 2018:

Cash	\$	44,953
Certificates of deposit		684,002
Cash and cash equivalents	\$	728,955

HEAL Africa USA

Notes to Financial Statements

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents HEAL Africa USA's financial assets at December 31, 2018:

Cash and cash equivalents	\$	728,955
Donations receivable		200,000
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Total financial assets		928,955
Less amount not available to be used within one year:		
Net assets with Board designated restrictions		(526,912)
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Financial assets available to meet general expenditures over the next twelve months	\$	402,043
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As part of the Organization's long-term plan, board designated funds are held in certificates of deposits with varying maturity dates based upon forecasted needs. The board expects the annual release of funds for general use to be approximately \$100,000 per year.

Certain donor-restricted net assets are available for general expenditures within one year of December 31, 2018 because the restrictions on the net assets are expected to be met by conducting the normal activities related to programs of the Organization in the coming year. Accordingly, the related resources have been included in the financial assets available to meet general expenditures within one year.

NOTE 4 – DONATIONS RECEIVABLE

Donations receivable consist of a donation awarded by a foundation to the Organization. The Organization expects to utilize the grant within one year.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds temporarily restricted at December 31, 2018. These funds are available for medical and community support needs as follows:

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Financial support:		
Facility improvements	\$	184,006
Medical education		3,226
Other medical and community based needs		9,595
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Total net assets with donor restrictions	\$	196,827
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HEAL Africa USA

Notes to Financial Statements

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

During the year ended December 31, 2018, net assets were released from donor restrictions by incurring expenses satisfying restricted purposes specified by donors as follows:

Purpose restrictions accomplished through support for:		
Facility improvements	\$	690,100
Medical procedures and equipment		210,065
Administrative		73,358
Medical education		70,343
Other medical and community based needs		66,297
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Total restrictions released	\$	1,110,163

NOTE 6 – 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 \$12,608 for the year ended December 31, 2018.

NOTE 7 – CASH FLOW INFORMATION

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

During the year ended December 31, 2018, inventory in the amount of \$20,000 was acquired through in-kind donations and later distributed.