

HEAL AFRICA USA

FINANCIAL STATEMENTS

For the years ended
December 31, 2020 (Audited) and 2019 (Compiled)

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INDEPENDENT AUDITOR'S REPORT

June 1, 2021

To the Board of Directors
Heal Africa USA
Grand Rapids, Michigan

We have audited the accompanying financial statements of Heal Africa USA, which comprise the statement of financial position as of December 31, 2020, 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.

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, 2020, 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.

Report on 2019 Financial Statements

The 2019 financial statements were compiled by other accountants, and their report thereon, dated August 11, 2020, stated they did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

HEAL AFRICA USA

December 31, 2020 (Audited) and 2019 (Compiled)

ASSETS

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 785,322	\$ 571,752
Property and equipment	1,131	1,131
Less: accumulated depreciation	(1,131)	(1,131)
Total Assets	<u>\$ 785,322</u>	<u>\$ 571,752</u>
Net Assets		
Without donor restrictions:		
Undesignated	\$ 105,768	\$ 77,023
Board designated - operating reserve	393,475	486,917
With donor restrictions	286,079	7,812
Total Net Assets	<u>\$ 785,322</u>	<u>\$ 571,752</u>

STATEMENTS OF ACTIVITIES

HEAL AFRICA USA

For the year ended December 31, 2020 (Audited)

	Without Donor Restrictions	With Donor Restrictions	2020
Revenue and support:			
Contributions	\$ 93,788	\$ 966,968	\$ 1,086,656
Governmental grants	25,900	-	25,900
Interest income	6,660	-	6,660
Net assets released from restrictions:			
Restrictions satisfied by payments	688,701	(688,701)	-
Total Public Support and Revenues	815,049	278,267	1,119,216
Expenses			
Program services	777,077	-	777,077
Management and general	47,004	-	47,004
Fundraising expenses	55,665	-	55,665
Total Expenses	879,746	-	879,746
Change in Net Assets	(64,697)	278,267	213,570
Net Assets - beginning of year	563,940	7,812	571,752
Net Assets - end of year	\$ 499,243	\$ 286,079	\$ 785,322

STATEMENTS OF ACTIVITIES

HEAL AFRICA USA

For the year ended December 31, 2019 (Compiled)

	Without Donor Restrictions	With Donor Restrictions	2019
Revenue and support:			
Contributions	\$ 58,118	\$ 620,766	\$ 678,884
In-kind contributions	-	5,935	5,935
Interest income	10,185	-	10,185
Net assets released from restrictions:			
Restrictions satisfied by payments	815,716	(815,716)	-
Total Public Support and Revenues	884,019	(189,015)	695,004
Expenses			
Program services	935,340	-	935,340
Management and general	63,476	-	63,476
Fundraising expenses	53,391	-	53,391
Total Expenses	1,052,207	-	1,052,207
Change in Net Assets	(168,188)	(189,015)	(357,203)
Net Assets - beginning of year	732,128	196,827	928,955
Net Assets - end of year	\$ 563,940	\$ 7,812	\$ 571,752

STATEMENTS OF FUNCTIONAL EXPENSES

HEAL AFRICA USA

For the year ended December 31, 2020 (Audited)

	Program Services	Supporting Services		Total
	Medical and Community Support	Management and General	Fundraising	2020
Medical and facilities assistance	\$ 303,980	\$ -	\$ -	\$ 303,980
Community based services	382,814	-	-	382,814
Salaries and wages	41,073	27,746	41,072	109,891
Education and mentoring	36,760	-	-	36,838
Travel	2,425	78	-	2,425
Professional services	-	12,269	-	12,269
Personnel support	5,660	-	-	5,660
Payroll taxes	3,142	5,258	1,069	9,469
Contract services	191	-	7,459	7,650
Bank fees	394	145	1,440	1,979
Employee benefits	-	-	2,464	2,464
Telephone	-	450	-	450
Website maintenance	-	-	1,835	1,835
Office expenses	74	256	326	656
Office supplies	26	-	-	26
Meals and entertainment	316	-	-	316
Postage and delivery	222	-	-	222
Insurance	-	802	-	802
Total Expenses	\$ 777,077	\$ 47,004	\$ 55,665	\$ 879,746

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

HEAL AFRICA USA

For the year ended December 31, 2019 (Compiled)

	Program Services	Supporting Services		Total
	Medical and Community Support	Management and General	Fundraising	2019
Medical and facilities assistance	\$ 541,243	\$ -	\$ -	\$ 541,243
Community based services	265,719	-	-	265,719
Salaries and wages	40,426	32,051	40,426	112,903
Education and mentoring	44,386	-	-	44,386
Travel	17,189	3,371	-	20,560
Professional services	-	20,026	-	20,026
Personnel support	19,615	-	-	19,615
Payroll taxes	3,092	4,630	928	8,650
Contract services	1,260	-	6,903	8,163
Bank fees	481	1,314	749	2,544
Employee benefits	-	-	2,400	2,400
Telephone	-	1,702	310	2,012
Website maintenance	-	-	1,400	1,400
Office expenses	454	231	275	960
Office supplies	529	-	-	529
Meals and entertainment	356	151	-	507
Postage and delivery	380	-	-	380
Meeting and conferences	210	-	-	210
Total Expenses	\$ 935,340	\$ 63,476	\$ 53,391	\$ 1,052,207

STATEMENTS OF CASH FLOWS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 213,570	\$ (357,203)
Adjustments to reconcile the change in net assets to net cash provided by (used for) operating activities:		
Contributed in-kind and service contributions	-	(5,935)
Distributed in-kind and service contributions	-	5,935
Change in assets and liabilities:		
Donation receivable	-	200,000
Net Cash Provided by (Used For) Operating Activities	<u>213,570</u>	<u>(157,203)</u>
Net Increase (Decrease) in Cash	213,570	(157,203)
Cash and Cash Equivalents, beginning of year	<u>571,752</u>	<u>728,955</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 785,322</u></u>	<u><u>\$ 571,752</u></u>

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

Note A – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The accompanying financial statements present the financial position, results of operations and cash flows of Heal Africa USA (the “Organization”). The Organization was organized in Michigan as a not-for-profit corporation in 2006. The work of the Organization is to serve vulnerable people and communities in the Democratic Republic of the Congo through a holistic approach to Healthcare, Education, community Action, and Leadership development in response to changing needs.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash consists of cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank checking or savings account in excess of the federally insured limit.

Property and Equipment

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the computer equipment which is 3 years.

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Assets

The Organization reports 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 the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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 statement of activities.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

The Organization received loan proceeds (considered a conditional grant at the time proceeds were received) in the amount of \$25,900 under the Paycheck Protection Program (PPP). The PPP was established as a part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and provided loans to qualifying organizations for amounts up to 2.5 times the average amount of qualified payroll expenses. The loans were forgivable after 24 weeks under the condition that the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and the borrower maintained their employment levels. The Organization received complete forgiveness on October 8, 2020 and recognized the proceeds as governmental grants revenue on the statements of activities.

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Donated Services and Goods

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, which are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Many volunteers have contributed significant amounts of time to the Organization without compensation. These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria stated above was not met.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Concentration Risk

The Organization receives a substantial portion of its revenue from three major donors throughout the year. These donors made up 85% of the total revenues received during the year ended December 31, 2020.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 1, 2021, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

Note B – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organizations' sources of liquidity at their disposal include cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to their ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization's goal is to maintain readily available financial assets to meet six months of operating expenses. As part of its liquidity plan, excess cash is invested in money markets and separate cash accounts. The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 785,322	\$ 571,752
All financial assets are available to meet general expenditures over the next twelve months	<u>\$ 785,322</u>	<u>\$ 571,752</u>

Note C – Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Fistula Surgeries	\$ 103,356	\$ -
Health - Mercy Fund	14	-
Health Care	-	210
King Rwanda Ministries	-	2,153
Medical Education - residency	2,210	-
New hospital	180,000	1,536
Personnel Support: Bizi Provide	-	1,267
	25	-
The Lyn Lusi Memorial Fund	-	18
Travel funds	-	2,594
Women - Wamama	473	-
Wababa - Nehemiah Committees	-	34
Total	<u>\$ 286,078</u>	<u>\$ 7,812</u>

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2020 (Audited) and 2019 (Compiled)

Note D – Retirement Plan Contribution

The executive director is eligible to participate in a post-retirement contribution plan. The Organization contributed \$2,464 and \$2,400 to this plan for the benefit of the executive director for each of the years ended December 31, 2020 and 2019, respectively.

Note E – Subsequent Event

Subsequent to year end, the Organization was a recipient of the Paycheck Protection Program (PPP2) loan of \$25,900 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was issued on February 8, 2021.

Note F – Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact revenue. The potential financial impact and duration of impact is unknown at this time.