

HEAL AFRICA USA

FINANCIAL STATEMENTS

For the years ended
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

May 24, 2022

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

Opinion

We have audited the accompanying financial statements of Heal Africa USA, (a non-profit corporation) which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

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, 2021 and 2020, 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. 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 Heal Africa USA 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 opinion.

Responsibilities of Management 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; 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 Heal Africa USA's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Heal Africa USA'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 Heal Africa USA'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.



Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

HEAL AFRICA USA
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 762,049	\$ 785,322
Property and equipment	1,131	1,131
Less: accumulated depreciation	(1,131)	(1,131)
Total Assets	<u>\$ 762,049</u>	<u>\$ 785,322</u>
Net Assets		
Without donor restrictions:		
Undesignated	\$ 219,163	\$ 105,768
Board designated - operating reserve	295,642	393,475
With donor restrictions	247,244	286,079
Total Net Assets	<u>\$ 762,049</u>	<u>\$ 785,322</u>

STATEMENTS OF ACTIVITIES

HEAL AFRICA USA

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021
Revenue and support:			
Contributions	\$ 174,903	\$ 732,321	\$ 907,224
Governmental grants	25,900	-	25,900
Interest income	2,230	-	2,230
Net assets released from restrictions:			
Restrictions satisfied by payments	771,156	(771,156)	-
Total Public Support and Revenues	974,189	(38,835)	935,354
Expenses			
Program services	848,007	-	848,007
Management and general	52,956	-	52,956
Fundraising expenses	57,664	-	57,664
Total Expenses	958,627	-	958,627
Change in Net Assets	15,562	(38,835)	(23,273)
Net Assets - beginning of year	499,243	286,079	785,322
Net Assets - end of year	\$ 514,805	\$ 247,244	\$ 762,049

STATEMENTS OF ACTIVITIES

HEAL AFRICA USA

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Revenue and support:			
Contributions	\$ 93,788	\$ 966,968	\$ 1,060,756
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	1,093,316
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 FUNCTIONAL EXPENSES

HEAL AFRICA USA

For the year ended December 31, 2021

	Program Services	Supporting Services		Total
	Medical and Community Support	Management and General	Fundraising	2021
Medical and facilities assistance	\$ 495,712	\$ -	\$ -	\$ 495,712
Community based services	258,773	-	-	258,773
Salaries and wages	41,607	25,773	41,606	108,986
Education and mentoring	27,000	-	-	27,000
Professional services	-	20,378	-	20,378
Personnel support	20,970	-	-	20,970
Payroll taxes	3,182	4,990	955	9,127
Contract services	-	-	9,264	9,264
Bank fees	480	145	1,056	1,681
Employee benefits	-	-	2,496	2,496
Telephone	-	600	-	600
Website maintenance	-	-	2,060	2,060
Office expenses	70	268	227	565
Meals and entertainment	47	-	-	47
Postage and delivery	166	-	-	166
Insurance	-	802	-	802
Total Expenses	\$ 848,007	\$ 52,956	\$ 57,664	\$ 958,627

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

HEAL AFRICA USA

For the year ended December 31, 2020

	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	-	-	36,760
Travel	2,425	78	-	2,503
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 CASH FLOWS

HEAL AFRICA USA

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (23,273)	\$ 213,570
Net Increase (Decrease) in Cash	(23,273)	213,570
Cash and Cash Equivalents, beginning of year	785,322	571,752
Cash and Cash Equivalents, end of year	<u>\$ 762,049</u>	<u>\$ 785,322</u>

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.

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.

During the year ended December 31, 2020, 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 statement of activities.

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

Revenue Recognition (Continued)

On February 8, 2021, the Organization received loan proceeds in the amount of \$25,900 under the Paycheck Protection Program (PPP2). Proceeds of the loan used for qualifying expenses may be forgiven under the terms of the PPP. The Organization used the proceeds for purposes consistent with the PPP requirements and received full forgiveness of the PPP loan recognizing it as grant income during the year ended December 31, 2021.

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.

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2021 and 2020

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

Concentration Risk

The Organization receives a substantial portion of its revenue from four and three major donors throughout the years ended December 31, 2021 and 2020, respectively. These donors made up 79% and 85% of the total revenues received during the years ended December 31, 2021 and 2020, respectively.

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 May 24, 2022, which is the date the financial statements were available to be issued.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 762,049	\$ 785,322
All financial assets are available to meet general expenditures over the next twelve months	<u>\$ 762,049</u>	<u>\$ 785,322</u>

NOTES TO FINANCIAL STATEMENTS

HEAL AFRICA USA

For the years ended December 31, 2021 and 2020

Note C – Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2021 and 2020, respectively.

	2021	2020
Education - Mungungu	\$ 16,020	\$ -
Education- Tuungane School	5,885	-
Fistula Surgeries	103,356	103,356
Health - Mercy Fund	1,197	14
Health Care	15,002	-
Medical Education - residency	1,621	2,210
New hospital	90,000	180,000
Personnel Support: Bizi	510	-
Personnel Support: Dr Jo	10,465	-
Provide	281	26
The Lyn Lusi Memorial Fund	900	-
Women - Wamama	2,007	473
Total	\$ 247,244	\$ 286,079

Note D – Retirement Plan Contribution

The executive director is eligible to participate in a post-retirement contribution plan. The Organization contributed \$2,496 and \$2,464 to this plan for the benefit of the executive director for each of the years ended December 31, 2021 and 2020, respectively.