

**Heart for Africa, Inc. and
Consolidated Entity**

Report on Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

Heart for Africa, Inc. and Consolidated Entity

Contents

Page

Independent Auditor's Report	1-2
---	------------

Consolidated Financial Statements

Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4-5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-17

Consolidating Information

Consolidating Statement of Financial Position	18
Consolidating Statement of Activities and Changes in Net Assets	19

Independent Auditor's Report

To the Board of Directors
Heart for Africa, Inc.
Roswell, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Heart for Africa, Inc. and its consolidated entity, Heart for Africa Swaziland (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Heart for Africa Swaziland which statements reflect total assets of \$6,060,795 and \$5,833,900 as of December 31, 2020 and 2019, respectively, and total revenue and support after eliminations of \$995,989 and \$1,171,637 for the years then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were issued by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Heart for Africa Swaziland, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Heart for Africa Swaziland as of December 31, 2020 and 2019, and for the years then ended, prior to those conversion adjustments, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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, which insofar as it relates to Heart for Africa Swaziland, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Chattanooga, Tennessee
June 8, 2021

Heart for Africa, Inc. and Consolidated Entity

Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,201,982	\$ 935,014
Accounts receivable, net	44,794	55,468
Investments, at fair value	12,325	87,396
Inventory	58,765	82,012
Total current assets	1,317,866	1,159,890
Property and equipment, net	5,961,336	5,723,094
Total assets	<u>\$ 7,279,202</u>	<u>\$ 6,882,984</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 210,359</u>	<u>\$ 212,003</u>
Net assets		
Without donor restrictions	6,031,780	5,885,987
With donor restrictions	1,037,063	784,994
Total net assets	7,068,843	6,670,981
Total liabilities and net assets	<u>\$ 7,279,202</u>	<u>\$ 6,882,984</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity
Consolidated Statement of Activities and Changes in Net Assets
For the year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	\$ 1,441,013	\$ 1,634,702	\$ 3,075,715
Noncash donations	368,592	-	368,592
Special events revenue, less direct costs of \$36,912	111,866	-	111,866
Jewelry and farm sales	596,995	-	596,995
Other income	55,461	-	55,461
	<u>2,573,927</u>	<u>1,634,702</u>	<u>4,208,629</u>
Net assets released from restrictions	1,382,633	(1,382,633)	-
Total revenue and support	<u>3,956,560</u>	<u>252,069</u>	<u>4,208,629</u>
Expenses			
Program services	<u>3,014,770</u>	<u>-</u>	<u>3,014,770</u>
Supporting services:			
Management and general	405,612	-	405,612
Fundraising	201,958	-	201,958
Total supporting services	<u>607,570</u>	<u>-</u>	<u>607,570</u>
Total expenses	<u>3,622,340</u>	<u>-</u>	<u>3,622,340</u>
Change in net assets before currency translation adjustment	334,220	252,069	586,289
Currency translation adjustment	<u>(188,427)</u>	<u>-</u>	<u>(188,427)</u>
Change in net assets	145,793	252,069	397,862
Net assets, beginning of year	<u>5,885,987</u>	<u>784,994</u>	<u>6,670,981</u>
Net assets, end of year	<u>\$ 6,031,780</u>	<u>\$ 1,037,063</u>	<u>\$ 7,068,843</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity
Consolidated Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	\$ 1,580,086	\$ 1,430,698	\$ 3,010,784
Noncash donations	194,958	-	194,958
Special events revenue, less direct costs of \$19,275	123,677	-	123,677
Jewelry and farm sales	856,322	-	856,322
Other income	196,477	-	196,477
	<u>2,951,520</u>	<u>1,430,698</u>	<u>4,382,218</u>
Net assets released from restrictions	1,157,600	(1,157,600)	-
Total revenue and support	<u>4,109,120</u>	<u>273,098</u>	<u>4,382,218</u>
Expenses			
Program services	<u>3,140,366</u>	<u>-</u>	<u>3,140,366</u>
Supporting services:			
Management and general	370,934	-	370,934
Fundraising	187,557	-	187,557
Total supporting services	<u>558,491</u>	<u>-</u>	<u>558,491</u>
Total expenses	<u>3,698,857</u>	<u>-</u>	<u>3,698,857</u>
Change in net assets before currency translation adjustment	410,263	273,098	683,361
Currency translation adjustment	<u>160,598</u>	<u>-</u>	<u>160,598</u>
Change in net assets	<u>570,861</u>	<u>273,098</u>	<u>843,959</u>
Net assets, beginning of year	<u>5,315,126</u>	<u>511,896</u>	<u>5,827,022</u>
Net assets, end of year	<u>\$ 5,885,987</u>	<u>\$ 784,994</u>	<u>\$ 6,670,981</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity**Consolidated Statement of Functional Expenses****For the year ended December 31, 2020**

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 660,330	\$ 196,596	\$ 147,980	\$ 1,004,906
Project grants	1,290,275	8,250	-	1,298,525
Long-term and short-term volunteers	77,718	-	-	77,718
Legal fees	5,909	3,940	-	9,849
Trip expenses	1,946	-	-	1,946
Accounting and bank fees	-	71,476	-	71,476
Office expenses	19,343	80,589	9,139	109,071
Professional and contract labor	-	2,096	-	2,096
Fundraising and development fees	-	-	24,215	24,215
Direct cost of sales	235,531	-	-	235,531
Occupancy	135,608	1,707	716	138,031
Employee benefits	19,190	11,930	3,559	34,679
Payroll taxes	24,815	9,695	8,600	43,110
Depreciation	285,307	11,010	2,106	298,423
Travel and meetings	21,253	6,361	5,643	33,257
Repairs and maintenance	92,283	-	-	92,283
Motor vehicles and transport	113,244	-	-	113,244
Miscellaneous	32,018	1,962	-	33,980
	<u>\$ 3,014,770</u>	<u>\$ 405,612</u>	<u>\$ 201,958</u>	<u>\$ 3,622,340</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity**Consolidated Statement of Functional Expenses****For the year ended December 31, 2019**

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 612,252	\$ 201,713	\$ 135,076	\$ 949,041
Project grants	1,038,791	1,386	-	1,040,177
Long-term and short-term volunteers	77,641	-	-	77,641
Legal fees	5,116	3,411	-	8,527
Trip expenses	201,345	-	-	201,345
Accounting and bank fees	-	37,224	-	37,224
Office expenses	14,190	83,666	9,406	107,262
Professional and contract labor	-	1,930	-	1,930
Fundraising and development fees	-	-	23,503	23,503
Direct cost of sales	380,608	-	-	380,608
Occupancy	113,411	2,497	477	116,385
Employee benefits	13,908	8,426	2,469	24,803
Payroll taxes	22,403	9,058	7,565	39,026
Depreciation	299,905	11,445	1,963	313,313
Travel and meetings	133,116	8,500	7,098	148,714
Repairs and maintenance	74,587	-	-	74,587
Motor vehicles and transport	120,765	-	-	120,765
Miscellaneous	32,328	1,678	-	34,006
	<u>\$ 3,140,366</u>	<u>\$ 370,934</u>	<u>\$ 187,557</u>	<u>\$ 3,698,857</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity**Consolidated Statements of Cash Flows****For the years ended December 31, 2020 and 2019**

	2020	2019
Operating activities		
Change in net assets before currency translation adjustment	\$ 586,289	\$ 683,361
Adjustments to reconcile change in net assets before currency translation adjustment to net cash flows from operating activities:		
Depreciation	298,423	313,313
(Gain) loss on sale of property and equipment	46	(1,152)
Noncash contribution of investment securities	(226,035)	(95,432)
Gain on sale of investment securities	(1,244)	(9)
Changes in operating assets and liabilities:		
Accounts receivable	(10,510)	(53,590)
Prepaid expenses	-	1,800
Inventory	(97,161)	(170,976)
Accounts payable and accrued expenses	5,866	73,175
Net cash flows from operating activities	<u>555,674</u>	<u>750,490</u>
Investing activities		
Proceeds from sale of investment securities	302,350	8,045
Proceeds from sale of property and equipment	1,138	4,375
Purchase of property and equipment	(828,799)	(691,065)
Net cash flows from investing activities	<u>(525,311)</u>	<u>(678,645)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>236,605</u>	<u>202,171</u>
Net change in cash and cash equivalents	266,968	274,016
Cash and cash equivalents, beginning of year	<u>935,014</u>	<u>660,998</u>
Cash and cash equivalents, end of year	<u>\$ 1,201,982</u>	<u>\$ 935,014</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Heart for Africa, Inc. and its consolidated entity (the "Organization") is the consolidated financial reporting entity for Heart for Africa, Inc. ("HFA") and Heart for Africa Swaziland ("HFA Swaziland") (formerly known as "Dream for Africa"). HFA was incorporated in 2003 as a Georgia not-for-profit corporation and is exempt from federal income taxes on related activities under section 501(c)(3) of the Internal Revenue Code (the "Code"). Contributions to HFA are tax deductible within the limits prescribed by the Code.

HFA is a faith-based humanitarian organization working to bring hope to Africans by addressing poverty issues such as hunger, orphaned children and education. Working with partners in Africa, HFA supports and encourages self-sustainable homes for orphans and vulnerable children through long-term programs and short-term service trips that deliver quality care, shelter, food, water, clothing, health care, social work, mentoring and education. HFA specializes in bringing people from North America to work in service projects in Swaziland.

HFA has facilitated thousands of westerners traveling to Africa for its volunteer programs. Volunteers traveling to Africa see for themselves the challenges of this continent and have made a commitment to impacting the lives of those they encounter. HFA believes that while it may not be able to save every life in Africa, that one person at a time, people in North America can have a serious impact on the lives of millions on this continent.

In April 2018, King Mswati III renamed Swaziland to Eswatini. HFA Swaziland was incorporated in 2004, in Swaziland, now known as Eswatini, as a not-for-profit organization and holds tax exempt status in Eswatini. HFA Swaziland's mission is to provide seeds to communities, support to orphanages and to train communities and orphanages to grow gardens to alleviate hunger and malnutrition, especially the HIV/AIDS victims. HFA Swaziland is a partner of HFA and HFA financially supports HFA Swaziland as it furthers HFA's vision in Africa.

During 2009, HFA Swaziland made a large purchase of land in Eswatini. This purchase has increased HFA Swaziland's presence and activity in the country. This land is used to carry out a multi-faceted initiative that includes large-scale farming, a children's home and preschool, poultry houses and a dairy farm. The agribusiness development will address food shortage, generate employment, stimulate the local economy, allow for export and provide a sustainable business model to support other orphanages and projects of HFA Swaziland.

Basis of accounting:

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative GAAP.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies, Continued

Principles of consolidation:

The consolidated financial statements include the accounts of Heart for Africa, Inc. and wholly-owned subsidiary, HFA Swaziland. All significant inter-entity balances and transactions have been eliminated.

The 2009 Swaziland land purchase was made through two subsidiaries, Sawubona Khaya (Proprietary) Ltd. and Tintsabeni (Proprietary) Ltd. These subsidiaries are owned 100% by HFA Swaziland and are dormant outside of holding the title to the land.

Financial statement presentation:

The Organization is required to report information regarding its financial position and activities, as necessary, according to two classes of net assets:

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 trustees.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. 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 consolidated statements of activities and changes in net assets as net assets released from restrictions. For contributions restricted to the acquisition of property and equipment, the restrictions are released when the asset is placed in service unless the donor has provided more explicit requirements.

Accounts receivable:

Accounts receivables consist of product sales which are recognized as revenue when earned. The Organization does not require collateral for accounts receivable. Accounts receivable is reported net of an allowance for doubtful accounts of \$46,624 and \$48,907 as of December 31, 2020 and 2019, respectively. The allowance for doubtful accounts is maintained at a level adequate to absorb probable losses and is provided based on management's judgment including factors such as prior collection history, known financial status of customer and existing economic conditions. As accounts are deemed uncollectible, they are written off to the allowance for doubtful accounts.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies, Continued

Cash and cash equivalents:

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains cash and cash equivalent accounts at various financial institutions which may exceed federally insured amounts at times and which may exceed consolidated statement of financial position amounts due to outstanding checks.

Investments:

Investments consist of donated equity securities which are stated at fair value. It is the Organization's policy to convert, nearly immediately, donated financial assets to cash. Equity securities totaling \$12,325 as of December 31, 2020, were converted to cash on January 15, 2021. The fair value of investments is based on unadjusted quoted prices in active markets for identical assets.

Inventory:

Inventory of African jewelry and other handmade African items are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is defined as the estimated selling price in the ordinary course of business, less predictable cost of completion.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Expenditures for equipment in excess of \$500 are capitalized at cost. Depreciation is provided over the estimated useful life of an asset ranging from 3 to 39 years using the straight-line method. When assets are sold or otherwise retired from service, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statement of activities and changes in net assets. The cost of maintenance and repairs is charged to expense as incurred.

Revenue recognition and support:

Heart for Africa, Inc. is primarily supported by contributions, African-made product sales and special events.

Contributions:

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Product sales:

Product sales generally consist of jewelry, home and garden products and farm produce sales. Revenue from product sales are recognized at a point in time when the goods are shipped, or for certain products, when delivered to the customer. Product sales totaled \$596,995 and \$856,322 and direct cost of sales totaled \$235,531 and \$380,608 for 2020 and 2019, respectively. Included in this amount are shipping and handling costs, which are treated as fulfillment costs, totaling \$16,145 and \$18,865 for 2020 and 2019.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies, Continued

Revenue recognition and support, continued:

Special events revenue:

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Organization held the following special events during the years ended December 31, 2020 and 2019, to inform supporters about current operations and increase donor exposure:

	2020	
	Revenue	Direct costs
Golf Tournament	\$ 40,496	\$ 11,382
Celebrate HOPE	108,282	25,530
	<u>\$ 148,778</u>	<u>\$ 36,912</u>
	2019	
	Revenue	Direct costs
Golf Tournament	\$ 45,355	\$ 11,996
Celebrate HOPE	97,597	7,279
	<u>\$ 142,952</u>	<u>\$ 19,275</u>

Noncash donations:

Contributed services, materials, investment securities and equipment are reflected as contributions at their estimated fair values at the date of receipt. Donated volunteer services requiring specific expertise are recognized as contributions at their estimated fair values at the date of donation in the period the services are provided. In addition, a large number of volunteers have donated significant amounts of time to assist with various programs, special events and committee assignments, which do not meet the criteria for recognition and, therefore, are not reflected in the consolidated financial statements.

From time to time, HFA will receive noncash donations of goods, supplies and food to be loaded on containers and forwarded to HFA Swaziland. For these containers of noncash donations, HFA acts as the agent as HFA Swaziland is the principal recipient. Such noncash donations are only recognized as revenue by HFA Swaziland.

Cash receipts from the sale of donated financial assets that upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash are classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those receipts are classified as cash inflows from financing activities. Otherwise, cash receipts from the sale of donated financial assets are classified as cash inflows from investing activities.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies, Continued

Functional allocation of expenses:

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management to be on a reasonable and consistent basis.

The Organization classifies expenses as program services or support expenses. Program services are the activities that fulfill the Organization's mission and include husbandry, educational and orphanage expenses. Support expenses are all activities other than program services and include human resources, management and general expenses. All fundraising costs are classified as support expenses.

Management allocates these expenses as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Project grants	Nature of expenses
Legal fees	Nature of expenses
Office expenses	Nature of expenses
Occupancy	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Depreciation	Nature of assets
Travel and meetings	Time and effort
Miscellaneous	Nature of expenses

Income taxes:

HFA and HFA Swaziland are exempt from federal and state income taxes. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Foreign currency translation:

The functional currency for the Organization's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for consolidated statement of financial position accounts using current exchange rates in effect at the consolidated statement of financial position date, historical rates for net assets and the weighted average exchange rate during the period for revenue and expense accounts. Foreign currency translation adjustments resulting from such translations are reflected in the consolidated statements of activities and changes in net assets.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies, Continued

Recently issued accounting pronouncement:

In September 2020, the FASB issued an accounting standard that will provide clearer financial information about noncash contributions to not-for-profit organizations that receive gifts-in-kind. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets for nonprofits, including additional disclosure rules for recognized contributed services. The amendments will not change the recognition and measurements requirements for those assets. The amendments will be effective for the Organization for the year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

Estimates and uncertainties:

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through June 8, 2021, the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

The following represents the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available to meet general expenditures within one year:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,201,982	\$ 935,014
Accounts receivable	44,794	55,468
Investments	<u>12,325</u>	<u>87,396</u>
Total financial assets	1,259,101	1,077,878
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,037,063</u>	<u>784,994</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 222,038</u>	<u>\$ 292,884</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 2. Availability and Liquidity, Continued

As part of HFA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in an interest-bearing money market account in order to earn interest on funds that are idle. The Organization receives over \$12,500 per month as undesignated funds from their "Hero" donors (these are donors who have elected to provide unrestricted cash support on a monthly basis for HFA). There is a \$100,000 credit card line that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 3. Noncash Donations

The Organization receives noncash donations from various sources. Noncash donations meeting the criteria for recognition are as follows:

	<u>2020</u>	<u>2019</u>
Program supplies	\$ 142,557	\$ 99,526
Stock	<u>226,035</u>	<u>95,432</u>
	<u>\$ 368,592</u>	<u>\$ 194,958</u>

Note 4. Property and Equipment

Property and equipment consist of the following major classifications:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,050,750	\$ 1,102,202
Building	4,356,254	4,318,520
Farm machinery	611,608	499,319
Software	2,182	2,289
Motor vehicles	454,660	494,093
Computer equipment	40,471	20,223
Furniture and equipment	695,859	707,875
Fire bowser	4,161	4,364
Biological assets	92,173	95,864
Satellite equipment	1,370	1,437
Construction in progress	<u>443,718</u>	<u>25,021</u>
	7,753,206	7,271,207
Accumulated depreciation	<u>(1,791,870)</u>	<u>(1,548,113)</u>
	<u>\$ 5,961,336</u>	<u>\$ 5,723,094</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Project Canaan	\$ 947,473	\$ 721,761
Long-term and short-term volunteers	30,292	30,391
Mission trips	<u>59,298</u>	<u>32,842</u>
	<u>\$ 1,037,063</u>	<u>\$ 784,994</u>

During 2020 and 2019, net assets released from restrictions by incurring expenses to satisfy the restricted purposes consisted of the following:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Project Canaan	\$ 1,256,228	\$ 1,053,685
Long-term and short-term volunteers	89,493	91,695
Mission trips	<u>36,912</u>	<u>12,220</u>
	<u>\$ 1,382,633</u>	<u>\$ 1,157,600</u>

Note 6. Cumulative Foreign Currency Translation Adjustment

Cumulative foreign currency translation adjustments included in net assets without donor restrictions for the Organization are as follows:

Balance, December 31, 2018	\$ (669,394)
2019 currency translation adjustment	<u>160,598</u>
Balance, December 31, 2019	(508,796)
2020 currency translation adjustment	<u>(188,427)</u>
Balance, December 31, 2020	<u>\$ (697,223)</u>

Note 7. Administrative Assessments

Contributions with donor restrictions are subject to assessments of 7% to 12%, which are used for management and general expenses. Assessments are classified as contributions without donor restrictions at the time the contributions are received. Assessments totaled \$209,066 and \$189,116 for the years ended December 31, 2020 and 2019, respectively.

Note 8. Related Party Transactions

Of the total contributions to the Organization, \$199,161 and \$173,986 were contributions made by members of the Board of Directors in 2020 and 2019, respectively.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 9. Covid-19

The World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. During 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and various other acts extending and supplementing the benefits which amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.

Heart for Africa, Inc. and Consolidated Entity**Consolidating Statement of Financial Position****As of December 31, 2020**

	HFA	HFA Swaziland	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 1,151,237	\$ 50,745	\$ -	\$ 1,201,982
Accounts receivable, net	34,455	10,339	-	44,794
Investments, at fair value	12,325	-	-	12,325
Inventory	-	58,765	-	58,765
Total current assets	1,198,017	119,849	-	1,317,866
Property and equipment, net	20,390	5,940,946	-	5,961,336
Total assets	<u>\$ 1,218,407</u>	<u>\$ 6,060,795</u>	<u>\$ -</u>	<u>\$ 7,279,202</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 57,008	\$ 153,351	\$ -	\$ 210,359
Net assets				
Without donor restrictions	124,336	5,907,444	-	6,031,780
With donor restrictions	1,037,063	-	-	1,037,063
Total net assets	1,161,399	5,907,444	-	7,068,843
Total liabilities and net assets	<u>\$ 1,218,407</u>	<u>\$ 6,060,795</u>	<u>\$ -</u>	<u>\$ 7,279,202</u>

Heart for Africa, Inc. and Consolidated Entity
Consolidating Statement of Activities and Changes in Net Assets
For the year ended December 31, 2020

	HFA			HFA Swaziland				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Total
Revenue and support								
Contributions	\$ 1,116,277	\$ 1,634,702	\$ 2,750,979	\$ 2,008,261	\$ -	\$ 2,008,261	\$ (1,683,525)	\$ 3,075,715
Noncash donations	142,557	-	142,557	226,035	-	226,035	-	368,592
Special events revenue, less direct costs of \$36,912	111,866	-	111,866	-	-	-	-	111,866
Jewelry and farm sales	196,584	-	196,584	400,411	-	400,411	-	596,995
Other income	10,654	-	10,654	44,807	-	44,807	-	55,461
	1,577,938	1,634,702	3,212,640	2,679,514	-	2,679,514	(1,683,525)	4,208,629
Net assets released from restrictions	1,382,633	(1,382,633)	-	-	-	-	-	-
Total revenue and support	2,960,571	252,069	3,212,640	2,679,514	-	2,679,514	(1,683,525)	4,208,629
Expenses								
Program services	2,500,964	-	2,500,964	2,197,331	-	2,197,331	(1,683,525)	3,014,770
Supporting services:								
Management and general	326,220	-	326,220	79,392	-	79,392	-	405,612
Fundraising	201,958	-	201,958	-	-	-	-	201,958
Total supporting services	528,178	-	528,178	79,392	-	79,392	-	607,570
Total expenses	3,029,142	-	3,029,142	2,276,723	-	2,276,723	(1,683,525)	3,622,340
Change in net assets before currency translation adjustment	(68,571)	252,069	183,498	402,791	-	402,791	-	586,289
Currency translation adjustment	-	-	-	(188,427)	-	(188,427)	-	(188,427)
Change in net assets	(68,571)	252,069	183,498	214,364	-	214,364	-	397,862
Net assets, beginning of year	192,907	784,994	977,901	5,693,080	-	5,693,080	-	6,670,981
Net assets, end of year	\$ 124,336	\$ 1,037,063	\$ 1,161,399	\$ 5,907,444	\$ -	\$ 5,907,444	\$ -	\$ 7,068,843