

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

Report on Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Heart for Africa, Inc. and Consolidated Entity

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, 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 (collectively, the "financial statements").

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report Issued by Other Auditors

We did not audit the financial statements of Heart for Africa Swaziland which statements reflect total assets of \$6,235,941 and \$6,060,795 as of December 31, 2021 and 2020, respectively, and total revenue and support after eliminations of \$1,263,130 and \$995,989 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, 2021 and 2020, and for the years then ended, prior to those conversion adjustments, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization'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 GAAS 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 GAAS, 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 Organization'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 Organization'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.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating information as of and for the year ended December 31, 2021, is presented for purposes of additional analysis of the 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 2021 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the 2021 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. 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 2021 financial statements as a whole.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee
July 8, 2022

Heart for Africa, Inc. and Consolidated Entity

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,658,719	\$ 1,201,982
Receivables, net	34,308	44,794
Investments, at fair value	104,506	12,325
Inventory	65,641	58,765
Total current assets	1,863,174	1,317,866
Property and equipment, net	6,048,187	5,961,336
Total assets	<u>\$ 7,911,361</u>	<u>\$ 7,279,202</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 208,386	\$ 210,359
Net assets		
Without donor restrictions	6,664,734	6,031,780
With donor restrictions	1,038,241	1,037,063
Total net assets	7,702,975	7,068,843
Total liabilities and net assets	<u>\$ 7,911,361</u>	<u>\$ 7,279,202</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, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	\$ 2,086,062	\$ 1,704,066	\$ 3,790,128
Noncash donations	519,851	-	519,851
Special events revenue, less direct costs of \$63,933	212,947	-	212,947
Jewelry and farm sales	731,080	-	731,080
Other income	69,268	-	69,268
	<u>3,619,208</u>	<u>1,704,066</u>	<u>5,323,274</u>
Net assets released from restrictions	1,702,888	(1,702,888)	-
Total revenue and support	<u>5,322,096</u>	<u>1,178</u>	<u>5,323,274</u>
Expenses			
Program services	<u>3,478,495</u>	<u>-</u>	<u>3,478,495</u>
Supporting services:			
Management and general	454,162	-	454,162
Fundraising	<u>231,297</u>	<u>-</u>	<u>231,297</u>
Total supporting services	<u>685,459</u>	<u>-</u>	<u>685,459</u>
Total expenses	<u>4,163,954</u>	<u>-</u>	<u>4,163,954</u>
Change in net assets before currency translation adjustment	1,158,142	1,178	1,159,320
Currency translation adjustment	<u>(525,188)</u>	<u>-</u>	<u>(525,188)</u>
Change in net assets	632,954	1,178	634,132
Net assets, beginning of year	<u>6,031,780</u>	<u>1,037,063</u>	<u>7,068,843</u>
Net assets, end of year	<u>\$ 6,664,734</u>	<u>\$ 1,038,241</u>	<u>\$ 7,702,975</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	<u>201,958</u>	<u>-</u>	<u>201,958</u>
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 Functional Expenses

For the year ended December 31, 2021

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 736,184	\$ 222,757	\$ 160,626	\$ 1,119,567
Project grants	1,515,309	3,795	-	1,519,104
Long-term and short-term volunteers	76,091	-	-	76,091
Legal fees	5,039	3,360	-	8,399
Trip expenses	11,229	-	-	11,229
Accounting and bank fees	-	32,920	-	32,920
Office expenses	22,472	97,803	9,185	129,460
Professional and contract labor	-	45,858	-	45,858
Fundraising and development fees	-	-	36,997	36,997
Direct cost of sales	236,986	-	-	236,986
Occupancy	176,607	1,331	378	178,316
Employee benefits	21,110	13,631	3,828	38,569
Payroll taxes	26,872	10,203	9,714	46,789
Depreciation	309,660	11,739	2,242	323,641
Travel and meetings	20,319	6,601	6,285	33,205
Repairs and maintenance	80,913	-	-	80,913
Motor vehicles and transport	166,449	-	-	166,449
Insurance	5,649	2,145	2,042	9,836
Miscellaneous	67,606	2,019	-	69,625
	<u>\$ 3,478,495</u>	<u>\$ 454,162</u>	<u>\$ 231,297</u>	<u>\$ 4,163,954</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 Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	2021	2020
Operating activities		
Change in net assets before currency translation adjustment	\$ 1,159,320	\$ 586,289
Adjustments to reconcile change in net assets before currency translation adjustment to net cash flows from operating activities:		
Depreciation	323,641	298,423
Loss on sale of property and equipment	135	46
Noncash contribution of investment securities	(372,578)	(226,035)
Gain on sale of investment securities	(6,016)	(1,244)
Changes in operating assets and liabilities:		
Accounts receivable	(31,074)	(10,510)
Inventory	(143,916)	(97,161)
Accounts payable and accrued expenses	9,168	5,866
Net cash flows from operating activities	<u>938,680</u>	<u>555,674</u>
Investing activities		
Proceeds from sale of investment securities	412,836	302,350
Purchase of investment securities	(126,423)	-
Proceeds from sale of property and equipment	1,934	1,138
Purchase of property and equipment	(941,588)	(828,799)
Net cash flows from investing activities	<u>(653,241)</u>	<u>(525,311)</u>
Effect of exchange rate changes on cash and cash equivalents		
	171,298	236,605
Net change in cash and cash equivalents	<u>456,737</u>	<u>266,968</u>
Cash and cash equivalents, beginning of year	<u>1,201,982</u>	<u>935,014</u>
Cash and cash equivalents, end of year	<u>\$ 1,658,719</u>	<u>\$ 1,201,982</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 for 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, 2021 and 2020

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.

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.

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 Directors.

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.

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.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

Receivables:

Receivables consist of accounts receivable for product sales, which are recognized as revenue when earned, and grant receivables. The Organization does not require collateral for accounts receivable. Accounts receivable is reported net of an allowance for doubtful accounts of \$0 and \$46,624 as of December 31, 2021 and 2020, 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 customers and existing economic conditions. As accounts are deemed uncollectible, they are written off to the allowance for doubtful accounts.

Investments:

Investment securities are carried at fair value. Market values are determined based on quoted prices in active markets for identical assets. Realized gains and losses on sales of securities are recognized on the trade date using the specific identification method. Unrealized gain or loss is the difference between cost and fair value of investments held at the measurement date. Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

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.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

Revenue recognition and support, continued:

Product sales:

Product sales generally consist of jewelry, home and garden products and farm produce sales. Revenue from product sales is recognized at a point in time when the goods are shipped, or for certain products, when delivered to the customer. Product sales totaled \$731,080 and \$596,995 and direct cost of sales totaled \$236,986 and \$235,531 for 2021 and 2020, respectively. Included in this amount are shipping and handling costs, which are treated as fulfillment costs, totaling \$14,720 and \$16,145 for 2021 and 2020.

Special events revenue:

The Organization records special events revenue at the time of the event, net of direct cost of benefits to attendees. The Organization held the following special events during the years ended December 31, 2021 and 2020, to inform supporters about current operations and increase donor exposure:

		2021	
		Revenue	Direct costs
Golf Tournament		\$ 52,080	\$ 15,327
Celebrate HOPE		<u>224,800</u>	<u>48,606</u>
		<u>\$ 276,880</u>	<u>\$ 63,933</u>
		2020	
		Revenue	Direct costs
Golf Tournament		\$ 40,496	\$ 11,382
Celebrate HOPE		<u>108,282</u>	<u>25,530</u>
		<u>\$ 148,778</u>	<u>\$ 36,912</u>

Noncash donations:

Contributed 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.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

Noncash donations, continued:

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.

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.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 measurement requirements for those assets. The amendments will be effective for the Organization on January 1, 2022. 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.

Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through July 8, 2022, 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, 2021 and 2020, reduced by amounts not available to meet general expenditures within one year:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,658,719	\$ 1,201,982
Receivables	34,308	44,794
Investments	<u>104,506</u>	<u>12,325</u>
Total financial assets	1,797,533	1,259,101
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,038,241</u>	<u>1,037,063</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 759,292</u>	<u>\$ 222,038</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Program supplies	\$ 147,273	\$ 142,557
Stocks	<u>372,578</u>	<u>226,035</u>
	<u>\$ 519,851</u>	<u>\$ 368,592</u>

Note 4. Property and Equipment

Property and equipment consist of the following major classifications:

	<u>2021</u>	<u>2020</u>
Land	\$ 966,069	\$ 1,050,750
Building	5,159,414	4,356,254
Farm machinery	570,516	611,608
Software	2,007	2,182
Motor vehicles	460,882	454,660
Computer equipment	41,466	40,471
Furniture and equipment	693,990	695,859
Fire bowser	3,825	4,161
Biological assets	85,833	92,173
Satellite equipment	1,260	1,370
Construction in progress	<u>7,660</u>	<u>443,718</u>
	7,992,922	7,753,206
Accumulated depreciation	<u>(1,944,735)</u>	<u>(1,791,870)</u>
	<u>\$ 6,048,187</u>	<u>\$ 5,961,336</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Project Canaan	\$ 965,476	\$ 947,473
Long-term and short-term volunteers	26,881	30,292
Mission trips	45,884	59,298
	<u>\$ 1,038,241</u>	<u>\$ 1,037,063</u>

During 2021 and 2020, net assets released from restrictions by incurring expenses to satisfy the restricted purposes consisted of the following:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Project Canaan	\$ 1,570,632	\$ 1,256,228
Long-term and short-term volunteers	89,038	89,493
Mission trips	43,218	36,912
	<u>\$ 1,702,888</u>	<u>\$ 1,382,633</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, 2019	\$ (508,796)
2020 currency translation adjustment	<u>(188,427)</u>
Balance, December 31, 2020	(697,223)
2021 currency translation adjustment	<u>(525,188)</u>
Balance, December 31, 2021	<u>\$ (1,222,411)</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 \$252,673 and \$209,066 for the years ended December 31, 2021 and 2020, respectively.

Note 8. Related Party Transactions

Contributions made by members of the Board of Directors totaled \$245,014 and \$199,161 in 2021 and 2020, respectively.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 9. Uncertainties

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 Organization 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, 2021

	HFA	HFA Swaziland	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 1,539,229	\$ 119,490	\$ -	\$ 1,658,719
Receivables, net	14,401	19,907	-	34,308
Investments, at fair value	104,506	-	-	104,506
Inventory	-	65,641	-	65,641
Total current assets	1,658,136	205,038	-	1,863,174
Property and equipment, net	17,284	6,030,903	-	6,048,187
Total assets	<u>\$ 1,675,420</u>	<u>\$ 6,235,941</u>	<u>\$ -</u>	<u>\$ 7,911,361</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	<u>\$ 81,376</u>	<u>\$ 127,010</u>	<u>\$ -</u>	<u>\$ 208,386</u>
Net assets				
Without donor restrictions	555,803	6,108,931	-	6,664,734
With donor restrictions	1,038,241	-	-	1,038,241
Total net assets	1,594,044	6,108,931	-	7,702,975
Total liabilities and net assets	<u>\$ 1,675,420</u>	<u>\$ 6,235,941</u>	<u>\$ -</u>	<u>\$ 7,911,361</u>

Heart for Africa, Inc. and Consolidated Entity

Consolidating Statement of Activities and Changes in Net Assets

For the year ended December 31, 2021

	HFA			HFA Swaziland				
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Eliminations	Total
Revenue and support								
Contributions	\$ 1,539,800	\$ 1,704,066	\$ 3,243,866	\$ 2,691,080	\$ -	\$ 2,691,080	\$ (2,144,818)	\$ 3,790,128
Noncash donations	372,578	-	372,578	147,273	-	147,273	-	519,851
Special events revenue, less direct costs of \$63,933	212,947	-	212,947	-	-	-	-	212,947
Jewelry and farm sales	218,570	-	218,570	512,510	-	512,510	-	731,080
Other income	12,183	-	12,183	57,085	-	57,085	-	69,268
	2,356,078	1,704,066	4,060,144	3,407,948	-	3,407,948	(2,144,818)	5,323,274
Net assets released from restrictions	1,702,888	(1,702,888)	-	-	-	-	-	-
Total revenue and support	4,058,966	1,178	4,060,144	3,407,948	-	3,407,948	(2,144,818)	5,323,274
Expenses								
Program services	3,051,978	-	3,051,978	2,570,035	-	2,570,035	(2,143,518)	3,478,495
Supporting services:								
Management and general	342,924	-	342,924	111,238	-	111,238	-	454,162
Fundraising	232,597	-	232,597	-	-	-	(1,300)	231,297
Total supporting services	575,521	-	575,521	111,238	-	111,238	(1,300)	685,459
Total expenses	3,627,499	-	3,627,499	2,681,273	-	2,681,273	(2,144,818)	4,163,954
Change in net assets before currency translation adjustment	431,467	1,178	432,645	726,675	-	726,675	-	1,159,320
Currency translation adjustment	-	-	-	(525,188)	-	(525,188)	-	(525,188)
Change in net assets	431,467	1,178	432,645	201,487	-	201,487	-	634,132
Net assets, beginning of year	124,336	1,037,063	1,161,399	5,907,444	-	5,907,444	-	7,068,843
Net assets, end of year	\$ 555,803	\$ 1,038,241	\$ 1,594,044	\$ 6,108,931	\$ -	\$ 6,108,931	\$ -	\$ 7,702,975