

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

Report on Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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 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, 2019 and 2018, 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 2019 and 2018 financial statements of Heart for Africa Swaziland which statements reflect total assets of \$5,833,900 and \$5,298,451 as of December 31, 2019 and 2018, respectively, and total revenue and support of \$1,171,637 and \$1,354,008 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, 2019 and 2018, and for the years then ended, prior to those conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 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 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Chattanooga, Tennessee
June 9, 2020

Heart for Africa, Inc. and Consolidated Entity

Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 935,014	\$ 660,998
Accounts receivable, net	55,468	37,830
Prepaid expenses	-	1,800
Investments, at fair value	87,396	-
Inventory	82,012	72,756
Total current assets	<u>1,159,890</u>	<u>773,384</u>
<i>Property and equipment, net</i>	<u>5,723,094</u>	<u>5,188,509</u>
Total assets	<u>\$ 6,882,984</u>	<u>\$ 5,961,893</u>
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 212,003</u>	<u>\$ 134,871</u>
<i>Net assets</i>		
Without donor restrictions	5,885,987	5,315,126
With donor restrictions	784,994	511,896
Total net assets	<u>6,670,981</u>	<u>5,827,022</u>
Total liabilities and net assets	<u>\$ 6,882,984</u>	<u>\$ 5,961,893</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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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>3,122,546</u>	-	<u>3,122,546</u>
Supporting services:			
Management and general	388,754	-	388,754
Fundraising	187,557	-	187,557
Total supporting services	<u>576,311</u>	<u>-</u>	<u>576,311</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	570,861	273,098	843,959
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 Activities and Changes in Net Assets
For the year ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 1,344,861	\$ 1,358,313	\$ 2,703,174
Noncash donations	242,673	-	242,673
Special events revenue, less direct costs of \$21,715	74,465	-	74,465
Jewelry and farm sales	948,758	-	948,758
Other income	150,895	-	150,895
	<u>2,761,652</u>	<u>1,358,313</u>	<u>4,119,965</u>
Net assets released from restrictions	1,461,264	(1,461,264)	-
Total revenue and support	<u>4,222,916</u>	<u>(102,951)</u>	<u>4,119,965</u>
Expenses			
Program services	2,968,567	-	2,968,567
Supporting services:			
Management and general	397,645	-	397,645
Fundraising	179,943	-	179,943
Total supporting services	<u>577,588</u>	<u>-</u>	<u>577,588</u>
Total expenses	<u>3,546,155</u>	<u>-</u>	<u>3,546,155</u>
Change in net assets before currency translation adjustment	676,761	(102,951)	573,810
Currency translation adjustment	<u>(809,875)</u>	<u>-</u>	<u>(809,875)</u>
Change in net assets	(133,114)	(102,951)	(236,065)
Net assets, beginning of year	<u>5,448,240</u>	<u>614,847</u>	<u>6,063,087</u>
Net assets, end of year	<u>\$ 5,315,126</u>	<u>\$ 511,896</u>	<u>\$ 5,827,022</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	293,841	17,509	1,963	313,313
Travel and meetings	133,116	8,500	7,098	148,714
Repair and maintenance	74,587	-	-	74,587
Motor vehicle and transport	109,009	11,756	-	120,765
Miscellaneous	32,328	1,678	-	34,006
	<u>\$ 3,122,546</u>	<u>\$ 388,754</u>	<u>\$ 187,557</u>	<u>\$ 3,698,857</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, 2018

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 547,821	\$ 191,059	\$ 123,577	\$ 862,457
Project grants	1,007,431	14,173	-	1,021,604
Long-term and short-term volunteers	154,156	-	-	154,156
Legal Fees	4,966	3,311	-	8,277
Trip expenses	203,442	-	-	203,442
Accounting and bank fees	-	36,335	-	36,335
Office expenses	15,404	80,493	8,187	104,084
Professional and contract labor	-	1,854	-	1,854
Fundraising and development fees	-	-	28,290	28,290
Cost of goods sold	386,270	-	-	386,270
Occupancy	84,773	6,419	4,079	95,271
Employee benefits	10,540	9,072	1,802	21,414
Payroll taxes	18,777	8,161	6,527	33,465
Depreciation	266,138	21,998	1,902	290,038
Travel and meetings	88,881	6,975	5,579	101,435
Repair and maintenance	65,180	-	-	65,180
Motor vehicle and transport	83,721	5,197	-	88,918
Miscellaneous	31,067	12,598	-	43,665
	<u>\$ 2,968,567</u>	<u>\$ 397,645</u>	<u>\$ 179,943</u>	<u>\$ 3,546,155</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets before currency translation adjustment	\$ 683,361	\$ 573,810
Adjustments to reconcile change in net assets before currency translation adjustment to net cash flows from operating activities:		
Depreciation	313,313	290,038
(Gain) loss on sale of equipment	(1,152)	12,598
Noncash contribution of investment securities	(87,396)	-
Changes in operating assets and liabilities:		
Accounts receivable	(53,590)	(12,214)
Prepaid expenses	1,800	3,733
Inventory	(170,976)	3,456
Accounts payable and accrued expenses	73,175	(95,659)
Net cash flows from operating activities	<u>758,535</u>	<u>775,762</u>
Investing activities		
Proceeds from sale of equipment	4,375	-
Purchase of property and equipment	(691,065)	(1,012,046)
Net cash flows from investing activities	<u>(686,690)</u>	<u>(1,012,046)</u>
Effect of exchange rate changes on cash and cash equivalents		
Net change in cash and cash equivalents	<u>202,171</u>	<u>35,379</u>
	274,016	(200,905)
Cash and cash equivalents, beginning of year	<u>660,998</u>	<u>861,903</u>
Cash and cash equivalents, end of year	<u>\$ 935,014</u>	<u>\$ 660,998</u>

See Notes to Consolidated Financial Statements

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018

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. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 (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 \$48,907 and \$47,530 as of December 31, 2019 and 2018, 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, 2019 and 2018

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 \$87,396 at December 31, 2019 were converted to cash on January 7, 2020. 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 \$856,322 and \$948,758 and direct cost of sales totaled \$380,608 and \$386,270 for 2019 and 2018, respectively. Included in this amount are shipping and handling costs, which are treated as fulfillment costs, totaling \$18,865 and \$22,946 for 2019 and 2018.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, to inform supporters about current operations and increase donor exposure:

	<u>2019</u>	
	<u>Revenue</u>	<u>Direct costs</u>
Golf Tournament	\$ 45,355	\$ 11,996
Celebrate HOPE	<u>97,597</u>	<u>7,279</u>
	<u>\$ 142,952</u>	<u>\$ 19,275</u>
	<u>2018</u>	
	<u>Revenue</u>	<u>Direct costs</u>
Golf Tournament	\$ 23,335	\$ 3,120
Celebrate HOPE	<u>72,845</u>	<u>18,595</u>
	<u>\$ 96,180</u>	<u>\$ 21,715</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, 2019 and 2018

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 statement 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
Motor vehicle and transport	Nature of expenses
Miscellaneous	Nature of expenses

Income taxes:

HFA and HFA Swaziland are exempt from federal and state income taxes.

Adoption of new accounting standards:

On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers ("Topic 606")*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, the FASB updated the Not-for-Profit Entities Topic of the ASC. The amendments clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The Organization adopted the standard as of January 1, 2019. These amendments did not have a material effect on the Organization's consolidated financial statements.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

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.

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 amounts in the prior year consolidated financial statements have been reclassified in order to conform to the current year presentation.

Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through June 9, 2020, the date the consolidated financial statements were available to be issued, as disclosed in Notes 9 and 10.

Note 2. Availability and Liquidity

The following represents the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available to meet general expenditures within one year:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 935,014	\$ 660,998
Accounts receivable	55,468	37,830
Investments	<u>87,396</u>	<u>-</u>
Total financial assets	1,077,878	698,828
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>784,994</u>	<u>511,896</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 292,884</u>	<u>\$ 186,932</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 2. Availability and Liquidity, Continued

As part of Heart for Africa'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 \$11,000 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 Heart for Africa). There is a \$30,000 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>2019</u>	<u>2018</u>
Program supplies	\$ 99,526	\$ 101,078
Stock	<u>95,432</u>	<u>141,595</u>
	<u>\$ 194,958</u>	<u>\$ 242,673</u>

Note 4. Property and Equipment

Property and equipment consist of the following major classifications:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,102,202	\$ 1,071,180
Building	4,318,520	3,757,714
Farm machinery	499,319	416,232
Software	2,289	2,225
Motor vehicles	494,093	388,606
Computer equipment	20,223	13,460
Furniture and equipment	707,875	634,547
Fire bowser	4,364	4,241
Biological assets	95,864	83,294
Satellite equipment	1,437	1,397
Construction in progress	<u>25,021</u>	<u>22,264</u>
	7,271,207	6,395,160
Accumulated depreciation	<u>(1,548,113)</u>	<u>(1,206,651)</u>
	<u>\$ 5,723,094</u>	<u>\$ 5,188,509</u>

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Project Canaan	\$ 721,761	\$ 473,430
Long-term and short-term volunteers	30,391	27,775
Mission trips	<u>32,842</u>	<u>10,691</u>
	<u>\$ 784,994</u>	<u>\$ 511,896</u>

During 2019 and 2018, net assets released from restrictions by incurring expenses to satisfy the restricted purposes consisted of the following:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Project Canaan	\$ 1,053,685	\$ 1,225,634
Long-term and short-term volunteers	91,695	188,389
Mission trips	<u>12,220</u>	<u>47,241</u>
	<u>\$ 1,157,600</u>	<u>\$ 1,461,264</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, 2017	\$ 140,481
2018 currency translation adjustment	<u>(809,875)</u>
Balance, December 31, 2018	(669,394)
2019 currency translation adjustment	<u>160,598</u>
Balance, December 31, 2019	<u>\$ (508,796)</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 \$378,232 and \$390,677 for the years ended December 31, 2019 and 2018, respectively.

Note 8. Related Party Transactions

Of the total contributions to the Organization, \$173,986 and \$129,130 were contributions made by members of the Board of Directors in 2019 and 2018, respectively.

Heart for Africa, Inc. and Consolidated Entity

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Note 9. Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. There has been no immediate impact to the Organization's operations. However, future potential impacts may include disruptions to the Organization's operations or restrictions on its employees' ability to work and impairment of its ability to obtain contributions and volunteers. The future effects of these issues are unknown.

Note 10. Subsequent Event

In April 2020, the Organization obtained a \$141,700 loan through the Payroll Protection Program of the CARES Act, which was signed into law on March 27, 2020. A provision of the program provides that a portion of the loan will be forgiven if certain conditions are met. Management expects the majority of the loan to be forgiven in June 2020. The remaining amount that is not forgiven will convert into a term year with a two year maturity, bearing interest at 1.00%.

Heart for Africa, Inc. and Consolidated Entity

Consolidating Statement of Financial Position

As of December 31, 2019

	HFA	HFA Swaziland	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 898,074	\$ 36,940	\$ -	\$ 935,014
Accounts receivable, net	37,236	18,232	-	55,468
Investments, at fair value	87,396	-	-	87,396
Inventory	-	82,012	-	82,012
Total current assets	1,022,706	137,184	-	1,159,890
Property and equipment, net	26,378	5,696,716	-	5,723,094
Total assets	<u>\$ 1,049,084</u>	<u>\$ 5,833,900</u>	<u>\$ -</u>	<u>\$ 6,882,984</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 71,183	\$ 140,820	\$ -	\$ 212,003
Net assets				
Without donor restrictions	192,907	5,693,080	-	5,885,987
With donor restrictions	784,994	-	-	784,994
Total net assets	977,901	5,693,080	-	6,670,981
Total liabilities and net assets	<u>\$ 1,049,084</u>	<u>\$ 5,833,900</u>	<u>\$ -</u>	<u>\$ 6,882,984</u>

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

	HFA			HFA Swaziland			Eliminations	Total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total		
Revenue and support								
Contributions	\$ 1,292,855	\$ 1,430,698	\$ 2,723,553	\$ 1,703,429	\$ -	\$ 1,703,429	\$ (1,416,198)	\$ 3,010,784
Noncash donations	95,432	-	95,432	99,526	-	99,526	-	194,958
Special events revenue, less direct costs of \$19,275	123,677	-	123,677	-	-	-	-	123,677
Jewelry and farm sales	261,438	-	261,438	594,884	-	594,884	-	856,322
Other income	6,481	-	6,481	189,996	-	189,996	-	196,477
	1,779,883	1,430,698	3,210,581	2,587,835	-	2,587,835	(1,416,198)	4,382,218
Net assets released from restrictions	1,157,600	(1,157,600)	-	-	-	-	-	-
Total revenue and support	2,937,483	273,098	3,210,581	2,587,835	-	2,587,835	(1,416,198)	4,382,218
Expenses								
Program services	2,380,886	-	2,380,886	2,157,858	-	2,157,858	(1,416,198)	3,122,546
Supporting services:								
Management and general	283,980	-	283,980	104,774	-	104,774	-	388,754
Fundraising	187,557	-	187,557	-	-	-	-	187,557
Total supporting services	471,537	-	471,537	104,774	-	104,774	-	576,311
Total expenses	2,852,423	-	2,852,423	2,262,632	-	2,262,632	(1,416,198)	3,698,857
Change in net assets before currency translation adjustment	85,060	273,098	358,158	325,203	-	325,203	-	683,361
Currency translation adjustment	-	-	-	160,598	-	160,598	-	160,598
Change in net assets	85,060	273,098	358,158	485,801	-	485,801	-	843,959
Net assets, beginning of year	107,847	511,896	619,743	5,207,279	-	5,207,279	-	5,827,022
Net assets, end of year	\$ 192,907	\$ 784,994	\$ 977,901	\$ 5,693,080	\$ -	\$ 5,693,080	\$ -	\$ 6,670,981