

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

***Report on Consolidated Financial Statements***

***For the years ended December 31, 2015 and 2014***

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# Heart for Africa, Inc. and Consolidated Entity

## Contents

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	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4-5
Consolidated Statements of Functional Expenses .....	6-7
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements .....	9-15
<b>Supplementary Information</b>	
Consolidating Statement of Financial Position .....	16
Consolidating Statement of Activities .....	17

## **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 (the Organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heart for Africa, Inc. and its consolidated entity as of December 31, 2015 and 2014, 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 on Supplementary 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.

*Elliott David Decosimo, LLC*

Chattanooga, Tennessee  
July 5, 2016

## Heart for Africa, Inc. and Consolidated Entity

### Consolidated Statements of Financial Position

As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and cash equivalents	\$ 638,813	\$ 715,291
Accounts receivable	24,396	5,979
Prepaid expenses	33,198	11,602
Inventory	56,130	50,589
Total current assets	<u>752,537</u>	<u>783,461</u>
<b><i>Property and equipment, net</i></b>	3,243,036	3,545,235
<b><i>Investments, at fair value</i></b>	-	21,374
Total assets	<u>\$ 3,995,573</u>	<u>\$ 4,350,070</u>
<b>Liabilities and Net Assets</b>		
<b><i>Liabilities</i></b>		
Accounts payable and accrued expenses	<u>\$ 111,881</u>	<u>\$ 101,771</u>
<b><i>Net assets</i></b>		
Unrestricted	3,392,725	3,613,176
Temporarily restricted	490,967	635,123
Total net assets	<u>3,883,692</u>	<u>4,248,299</u>
Total liabilities and net assets	<u>\$ 3,995,573</u>	<u>\$ 4,350,070</u>

See Notes to Consolidated Financial Statements

## Heart for Africa, Inc. and Consolidated Entity

### Consolidated Statement of Activities

For the year ended December 31, 2015

	Unrestricted	Temporarily restricted	Total
<b>Revenue and support</b>			
Contributions	\$ 1,035,387	\$ 1,583,749	\$ 2,619,136
Noncash donations	92,937	-	92,937
Special events revenue, less direct costs of \$22,185	103,518	-	103,518
Jewelry and farm sales	510,768	-	510,768
Investment income	1,853	-	1,853
Other income	31,383	-	31,383
	<u>1,775,846</u>	<u>1,583,749</u>	<u>3,359,595</u>
Net assets released from restrictions	1,727,905	(1,727,905)	-
Total revenue and support	<u>3,503,751</u>	<u>(144,156)</u>	<u>3,359,595</u>
<b>Expenses</b>			
Program services	<u>2,275,454</u>	<u>-</u>	<u>2,275,454</u>
Supporting services:			
Management and general	329,519	-	329,519
Fundraising	<u>116,295</u>	<u>-</u>	<u>116,295</u>
Total supporting services	<u>445,814</u>	<u>-</u>	<u>445,814</u>
Total expenses	<u>2,721,268</u>	<u>-</u>	<u>2,721,268</u>
Change in net assets before currency translation adjustment	782,483	(144,156)	638,327
<b>Currency translation adjustment</b>	<u>(1,002,934)</u>	<u>-</u>	<u>(1,002,934)</u>
Change in net assets	(220,451)	(144,156)	(364,607)
<b>Net assets, beginning of year</b>	<u>3,613,176</u>	<u>635,123</u>	<u>4,248,299</u>
<b>Net assets, end of year</b>	<u>\$ 3,392,725</u>	<u>\$ 490,967</u>	<u>\$ 3,883,692</u>

See Notes to Consolidated Financial Statements

## Heart for Africa, Inc. and Consolidated Entity

### Consolidated Statement of Activities

For the year ended December 31, 2014

	Unrestricted	Temporarily restricted	Total
<b>Revenue and support</b>			
Contributions	\$ 1,103,315	\$ 1,310,857	\$ 2,414,172
Noncash donations	193,228	-	193,228
Special events revenue, less direct costs of \$22,816	115,812	-	115,812
Jewelry and farm sales	259,167	-	259,167
Investment income	1,321	-	1,321
Other income	20,203	-	20,203
	<u>1,693,046</u>	<u>1,310,857</u>	<u>3,003,903</u>
Net assets released from restrictions	1,549,803	(1,549,803)	-
Total revenue and support	<u>3,242,849</u>	<u>(238,946)</u>	<u>3,003,903</u>
<b>Expenses</b>			
Program services	<u>1,928,910</u>	<u>-</u>	<u>1,928,910</u>
Supporting services:			
Management and general	346,510	-	346,510
Fundraising	<u>94,167</u>	<u>-</u>	<u>94,167</u>
Total supporting services	<u>440,677</u>	<u>-</u>	<u>440,677</u>
Total expenses	<u>2,369,587</u>	<u>-</u>	<u>2,369,587</u>
Change in net assets before currency translation adjustment	873,262	(238,946)	634,316
<b>Currency translation adjustment</b>	<u>(362,934)</u>	<u>-</u>	<u>(362,934)</u>
Change in net assets	510,328	(238,946)	271,382
<b>Net assets, beginning of year</b>	<u>3,102,848</u>	<u>874,069</u>	<u>3,976,917</u>
<b>Net assets, end of year</b>	<u>\$ 3,613,176</u>	<u>\$ 635,123</u>	<u>\$ 4,248,299</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, 2015

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 442,241	\$ 152,476	\$ 57,379	\$ 652,096
Project grants	947,480	13,719	-	961,199
Long-term and short-term volunteers	353,735	-	-	353,735
Trip expenses	129,836	-	-	129,836
Accounting and bank fees	-	68,195	-	68,195
Office expenses	6,273	33,941	2,606	42,820
Fundraising and development fees	-	-	47,572	47,572
Occupancy	56,354	4,429	204	60,987
Employee benefits	12,673	17,236	1,328	31,237
Payroll taxes	18,110	8,408	5,822	32,340
Depreciation	155,615	17,726	396	173,737
Travel and meetings	59,809	8,864	988	69,661
Repair and maintenance	31,066	-	-	31,066
Motor vehicle and transport	48,632	2,808	-	51,440
Miscellaneous	13,630	1,717	-	15,347
	<u>\$ 2,275,454</u>	<u>\$ 329,519</u>	<u>\$ 116,295</u>	<u>\$ 2,721,268</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, 2014

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 407,910	\$ 146,754	\$ 48,612	\$ 603,276
Child sponsorship	5,846	-	-	5,846
Project grants	672,468	19,496	-	691,964
Long-term and short-term volunteers	262,091	-	-	262,091
Trip expenses	192,380	-	-	192,380
Accounting and bank fees	-	61,612	-	61,612
Office expenses	7,178	32,575	2,588	42,341
Fundraising and development fees	-	-	28,370	28,370
Occupancy	23,405	17,168	1,509	42,082
Employee benefits	11,238	14,532	2,991	28,761
Payroll taxes	26,394	12,218	8,497	47,109
Depreciation	149,266	18,869	399	168,534
Travel and meetings	86,671	14,607	1,201	102,479
Repair and maintenance	34,123	-	-	34,123
Motor vehicle and transport	36,953	6,607	-	43,560
Miscellaneous	12,987	2,072	-	15,059
	<u>\$ 1,928,910</u>	<u>\$ 346,510</u>	<u>\$ 94,167</u>	<u>\$ 2,369,587</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating activities</b>		
Change in net assets before currency translation adjustment	\$ 638,327	\$ 634,316
Adjustments to reconcile change in net assets before currency translation adjustment to net cash flows from operating activities:		
Depreciation	173,737	168,534
Noncash capital additions donated	(26,199)	(141,770)
Proceeds from sale of donated investments	15,734	-
Contribution received through donated stock	(15,421)	(32,565)
Change in fair value of investments	-	(117)
(Gain) loss on disposal of property and equipment	621	(7,170)
Gain on sale of investments	(667)	-
Changes in operating assets and liabilities:		
Accounts receivable	(23,668)	6,713
Prepaid expenses	(26,335)	8,469
Inventory	(5,541)	(40,856)
Accounts payable and accrued expenses	23,030	74
Net cash flows from operating activities	<u>753,618</u>	<u>595,628</u>
<b>Investing activities</b>		
Purchase of property and equipment	(825,864)	(620,660)
Proceeds from sale of property and equipment	1,159	25,361
Proceeds from sale of donated investments	21,728	-
Purchase of investments	-	13,857
Net cash flows from investing activities	<u>(802,977)</u>	<u>(581,442)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
Net change in cash and cash equivalents	<u>(27,119)</u>	<u>(6,933)</u>
	<u>(76,478)</u>	<u>7,253</u>
<b>Cash and cash equivalents, beginning of year</b>	715,291	708,038
<b>Cash and cash equivalents, end of year</b>	<u>\$ 638,813</u>	<u>\$ 715,291</u>

See Notes to Consolidated Financial Statements

## Heart for Africa, Inc. and Consolidated Entity

### *Notes to Consolidated Financial Statements*

*December 31, 2015 and 2014*

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#### **Note 1. Nature of Organization and Significant Accounting Policies**

##### *Nature of organization:*

Heart for Africa, Inc. and 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 it 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.

HFA Swaziland was incorporated in 2004 in Swaziland as a not-for-profit organization and holds tax exemption status in Swaziland. Its 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 Swaziland. This purchase has increased HFA Swaziland's presence and activity in Swaziland. 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.

##### *Principles of consolidation:*

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

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## Heart for Africa, Inc. and Consolidated Entity

### *Notes to Consolidated Financial Statements*

*December 31, 2015 and 2014*

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

##### *Subsidiaries in Swaziland:*

The 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. No noncontrolling interest is recorded due to the materiality of assets and lack of current financial activity in the dormant entities.

##### *Financial statement presentation:*

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

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets: Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets: Represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Revenues and support are reported as increases in unrestricted net assets unless they are restricted by donor-imposed stipulations. Expenses are generally reported as decreases in unrestricted net assets.

##### *Net assets released from restrictions:*

Net assets are released from donor restrictions by being used for the Organization's operations as specified by the donors.

##### *Revenue recognition:*

Jewelry and farm sales are recognized when earned, that is when related goods are shipped or directly delivered to the customer.

##### *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 statements of financial position amounts due to outstanding checks.

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## Heart for Africa, Inc. and Consolidated Entity

### *Notes to Consolidated Financial Statements*

*December 31, 2015 and 2014*

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

##### Inventory:

Inventory of African jewelry and other handmade African items are carried at the lower of cost or market.

##### Fair value measurements:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy as described below:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

##### Investments:

Investments consist of equities and are stated at fair value. The change in fair value of investments is included in the consolidated statements of activities under the caption other income. All equity investments are categorized as Level 1 fair value measurements.

##### 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. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

# Heart for Africa, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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

#### Contributions:

Contributions received are recognized as unrestricted, temporarily restricted or permanently restricted support, depending upon the existence or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Temporarily restricted contributions are subject to assessments of 7% to 12%, which are used for management and general expenses. Assessments are classified as unrestricted contributions at the time the contributions are received. Assessments totaled \$207,383 and \$176,966 for the years ended December 31, 2015 and 2014, respectively.

Of the total contributions to HFA, \$262,045 were contributions made by members of the Board of Directors.

#### Functional allocation of expenses:

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on management's estimates.

#### Special events revenue:

The Organization held the following special events during the years ended December 31, 2015 and 2014, to inform supporters about current operations and increase donor exposure:

	<u>2015</u>	
	<u>Revenue</u>	<u>Direct costs</u>
Golf Tournament	\$ 30,350	\$ 5,787
Carlsbad Marathon	9,279	-
Summit for HOPE	36,011	-
Celebrate HOPE	21,150	15,192
Hawaii Event	18,675	1,206
Cycling for HOPE	10,238	-
	<u>\$ 125,703</u>	<u>\$ 22,185</u>
	<u>2014</u>	
	<u>Revenue</u>	<u>Direct costs</u>
Golf Tournament	\$ 21,001	\$ 5,631
Carlsbad Marathon	4,666	-
Summit for HOPE	62,300	-
Celebrate HOPE	39,961	12,785
Wine and Dine Event	10,700	4,400
	<u>\$ 138,628</u>	<u>\$ 22,816</u>

## Heart for Africa, Inc. and Consolidated Entity

### *Notes to Consolidated Financial Statements*

*December 31, 2015 and 2014*

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

##### Noncash donations:

Contributed services and materials 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.

##### Recent accounting pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization for annual periods beginning after December 15, 2018. The Organization is currently evaluating the effect of this accounting pronouncement on its consolidated financial statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for the fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, activities, and cash flows.

##### 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.

##### Income taxes:

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Similarly, the Organization is registered as a charitable organization in numerous states where it solicits contributions and is exempt from state income taxes.

## Heart for Africa, Inc. and Consolidated Entity

### Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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

##### Estimates and uncertainties:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 in order to conform with the current year presentation.

##### Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through July 5, 2016, the date the consolidated financial statements were available to be issued.

#### Note 2. Property and Equipment

Property and equipment consist of the following major classifications as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,000,585	\$ 1,327,174
Building	1,855,391	1,897,064
Farm machinery	290,520	347,330
Software	2,078	2,757
Motor vehicles	199,943	249,268
Computer equipment	5,737	3,095
Furniture and equipment	352,043	183,372
Fire bowser	3,962	5,255
Biological assets	40,943	25,739
Satellite equipment	1,305	1,731
Construction in progress	<u>25,425</u>	<u>-</u>
	3,777,932	4,042,785
Accumulated depreciation	<u>(534,896)</u>	<u>(497,550)</u>
	<u>\$ 3,243,036</u>	<u>\$ 3,545,235</u>



## Heart for Africa, Inc. and Consolidated Entity

### Notes to Consolidated Financial Statements

December 31, 2015 and 2014

#### Note 3. Noncash Donations

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

	<u>2015</u>	<u>2014</u>
Occupancy	\$ -	\$ 7,473
Capital additions	68,141	141,770
Food	9,375	11,420
Stock	<u>15,421</u>	<u>32,565</u>
	<u>\$ 92,937</u>	<u>\$ 193,228</u>

#### Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Available for program related services for:		
Project Canaan	\$ 390,159	\$ 470,522
Long-term and short-term volunteers	42,187	111,044
Mission trips	<u>58,621</u>	<u>53,557</u>
	<u>\$ 490,967</u>	<u>\$ 635,123</u>

During 2014 and 2015, net assets released from temporary restrictions by incurring expenses to satisfy the restricted purposes consisted of the following:

	<u>2015</u>	<u>2014</u>
Project Canaan	\$ 1,124,792	\$ 665,079
Long-term and short-term volunteers	372,774	247,171
Child sponsorship	-	9,316
Mission trips	<u>230,339</u>	<u>628,237</u>
	<u>\$ 1,727,905</u>	<u>\$ 1,549,803</u>

#### Note 5. Cumulative Foreign Currency Translation Adjustment

Cumulative foreign currency translation adjustments included in unrestricted net assets for the Organization are as follows:

Balance, December 31, 2014	\$ 162,355
2015 currency translation adjustment	<u>(1,002,934)</u>
Balance, December 31, 2015	<u>\$ (840,579)</u>

## Heart for Africa, Inc. and Consolidated Entity

### Consolidating Statement of Financial Position

As of December 31, 2015

	HFA	HFA Swaziland	Eliminations	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 538,876	\$ 99,937	\$ -	\$ 638,813
Accounts receivable	-	24,396	-	24,396
Prepaid expenses	8,261	24,937	-	33,198
Inventory	56,130	-	-	56,130
Total current assets	603,267	149,270	-	752,537
<b>Property and equipment, net</b>	7,298	3,235,738	-	3,243,036
Total assets	<u>\$ 610,565</u>	<u>\$ 3,385,008</u>	<u>\$ -</u>	<u>\$ 3,995,573</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 62,646	\$ 49,235	\$ -	\$ 111,881
<b>Net assets</b>				-
Unrestricted	56,952	3,335,773	-	3,392,725
Temporarily restricted	490,967	-	-	490,967
Total net assets	547,919	3,335,773	-	3,883,692
Total liabilities and net assets	<u>\$ 610,565</u>	<u>\$ 3,385,008</u>	<u>\$ -</u>	<u>\$ 3,995,573</u>

## Heart for Africa, Inc. and Consolidated Entity

### Consolidating Statement of Activities

For the year ended December 31, 2015

	HFA			HFA Swaziland			Eliminations	Total
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total		
<b>Revenue and support</b>								
Contributions	\$ 609,779	\$ 1,583,749	\$ 2,193,528	\$ 1,615,810	\$ -	\$ 1,615,810	\$ (1,190,202)	\$ 2,619,136
Noncash donations	15,422	-	15,422	77,515	-	77,515	-	92,937
Special events revenue, less direct costs of \$22,185	103,518	-	103,518	-	-	-	-	103,518
Jewelry and farm sales	216,396	-	216,396	342,049	-	342,049	(47,677)	510,768
Investment income	864	-	864	989	-	989	-	1,853
Other income	2,875	-	2,875	28,508	-	28,508	-	31,383
	<u>948,854</u>	<u>1,583,749</u>	<u>2,532,603</u>	<u>2,064,871</u>	<u>-</u>	<u>2,064,871</u>	<u>(1,237,879)</u>	<u>3,359,595</u>
Net assets released from restrictions	1,727,905	(1,727,905)	-	-	-	-	-	-
Total revenue and support	<u>2,676,759</u>	<u>(144,156)</u>	<u>2,532,603</u>	<u>2,064,871</u>	<u>-</u>	<u>2,064,871</u>	<u>(1,237,879)</u>	<u>3,359,595</u>
<b>Expenses</b>								
Program services	2,324,730	-	2,324,730	1,188,163	-	1,188,163	(1,237,439)	2,275,454
Supporting services:								
Management and general	202,509	-	202,509	127,450	-	127,450	(440)	329,519
Fundraising	116,295	-	116,295	-	-	-	-	116,295
Total supporting services	<u>318,804</u>	<u>-</u>	<u>318,804</u>	<u>127,450</u>	<u>-</u>	<u>127,450</u>	<u>(440)</u>	<u>445,814</u>
Total expenses	<u>2,643,534</u>	<u>-</u>	<u>2,643,534</u>	<u>1,315,613</u>	<u>-</u>	<u>1,315,613</u>	<u>(1,237,879)</u>	<u>2,721,268</u>
Change in net assets before currency translation adjustment	33,225	(144,156)	(110,931)	749,258	-	749,258	-	638,327
<b>Currency translation adjustment</b>	-	-	-	(1,002,934)	-	(1,002,934)	-	(1,002,934)
Change in net assets	<u>33,225</u>	<u>(144,156)</u>	<u>(110,931)</u>	<u>(253,676)</u>	<u>-</u>	<u>(253,676)</u>	<u>-</u>	<u>(364,607)</u>
<b>Net assets, beginning of year</b>	<u>23,727</u>	<u>635,123</u>	<u>658,850</u>	<u>3,589,449</u>	<u>-</u>	<u>3,589,449</u>	<u>-</u>	<u>4,248,299</u>
<b>Net assets, end of year</b>	<u>\$ 56,952</u>	<u>\$ 490,967</u>	<u>\$ 547,919</u>	<u>\$ 3,335,773</u>	<u>\$ -</u>	<u>\$ 3,335,773</u>	<u>\$ -</u>	<u>\$ 3,883,692</u>