

**HEART FOR AFRICA (CANADA)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of  
Heart for Africa (Canada)**

### **Opinion**

We have audited the accompanying financial statements of Heart for Africa (Canada) (the "Organization") which comprise the statement of financial position as at December 31, 2021 and the statement of operations, statement of changes in unrestricted net assets and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### **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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

Independent Auditor's Report  
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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Segal LLP*

Chartered Professional Accountants  
Licensed Public Accountants

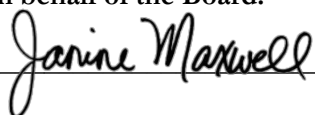
Toronto, Ontario  
June 16, 2022

HEART FOR AFRICA (CANADA)

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| <b>ASSETS</b>                                       |                   |                   |
| <b>Current</b>                                      |                   |                   |
| Cash  | \$ 381,306        | \$ 187,105        |
| <b>Intangible asset, note 3</b>                     | 8,269             | 9,923             |
|   | <u>\$ 389,575</u> | <u>\$ 197,028</u> |
| <b>LIABILITIES</b>                                  |                   |                   |
| <b>Current</b>                                      |                   |                   |
| Accounts payable and accrued liabilities            | \$ 6,781          | \$ 6,001          |
| Deferred revenue - restricted contributions, note 4 | 242,767           | 86,291            |
|   | <u>249,548</u>    | <u>92,292</u>     |
| <b>NET ASSETS</b>                                   |                   |                   |
| Unrestricted net assets                             | 140,027           | 104,736           |
|   | <u>\$ 389,575</u> | <u>\$ 197,028</u> |

Approved on behalf of the Board:

 Director

See accompanying notes to the financial statements

HEART FOR AFRICA (CANADA)

STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Unrestricted net assets, beginning of year       | \$ 104,736        | \$ 88,224         |
| Excess of revenue over expenditures for the year | <u>35,291</u>     | <u>16,512</u>     |
| Unrestricted net assets, end of year             | <u>\$ 140,027</u> | <u>\$ 104,736</u> |

See accompanying notes to the financial statements

**HEART FOR AFRICA (CANADA)**

**STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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|   | 2021                    | 2020                    |
|---|-------------------------|-------------------------|
| <b>Revenue</b>  |                         |                         |
| Donations, note 4                                       | <u>\$ 675,561</u>       | <u>\$ 466,921</u>       |
| <b>Expenditures</b>                                     |                         |                         |
| Orphanage and children's programs, note 5               | 345,722                 | 199,607                 |
| Project Canaan - general, note 5                        | 155,045                 | 118,385                 |
| Project Canaan farm and facility, note 5                | 65,481                  | 103,391                 |
| Management services                                     | 29,153                  | 876                     |
| Fundraising   | 17,982                  | 5,235                   |
| Professional fees                                       | 9,107                   | 13,515                  |
| Travel  | 8,434                   | -                       |
| Office and general                                      | 6,888                   | 4,972                   |
| Bank charges  | 804                     | 1,121                   |
| Depreciation  | <u>1,654</u>            | <u>3,307</u>            |
|   | <u>640,270</u>          | <u>450,409</u>          |
| <b>Excess of revenue over expenditures for the year</b> | <u><u>\$ 35,291</u></u> | <u><u>\$ 16,512</u></u> |

See accompanying notes to the financial statements

HEART FOR AFRICA (CANADA)

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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|   | 2021                     | 2020                     |
|---|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                     |                          |                          |
| Excess of revenue over expenditures for the year                | \$ 35,291                | \$ 16,512                |
| Items not affecting cash:                                       |                          |                          |
| Depreciation of intangible asset                                | <u>1,654</u>             | <u>3,307</u>             |
|   | 36,945                   | 19,819                   |
| Changes in non-cash working capital balances:                   |                          |                          |
| Increase in deferred revenue - restricted contributions         | 156,476                  | 28,973                   |
| Increase (decrease) in accounts payable and accrued liabilities | 780                      | (918)                    |
| Decrease in advances receivable from related party              | <u>-</u>                 | <u>5,625</u>             |
| Cash flows provided from operating activities                   | 194,201                  | 53,499                   |
| Cash, beginning of year   | <u>187,105</u>           | <u>133,606</u>           |
| <b>Cash, end of year</b>  | <u><u>\$ 381,306</u></u> | <u><u>\$ 187,105</u></u> |

See accompanying notes to the financial statements



## HEART FOR AFRICA (CANADA)

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 1. DESCRIPTION OF THE ORGANIZATION

Heart for Africa (Canada) (the "Organization") is a registered charity under the Income Tax Act (Canada) and as such, is a non-taxable entity. The Organization funds improvements to and operations of orphanages in Swaziland, including providing medical supplies and treatment, food and other basic needs of the orphans being cared for.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

##### **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are initially recorded as deferred revenue and only recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### **Financial instruments**

The Organization's financial instruments consist of cash, and accounts payable and accrued liabilities. Cash is carried at fair value. Accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow.

When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

##### **Intangible asset**

Intangible asset consists of a website for use in the Organization. Separately acquired intangible assets are measured at cost on initial recognition. Subsequent to initial recognition, intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses. The Website is amortized over its estimated useful life of 10 years on a straight-line basis.

## HEART FOR AFRICA (CANADA)

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

##### Impairment of long lived assets

Long-lived assets, which are comprised of an intangible asset, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds the fair value.

##### Use of estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The significant areas requiring the use of management estimates are the fair value of non-monetary donations and the useful life of intangible asset. Actual results could differ from those estimates.

#### 3. INTANGIBLE ASSET

|         | Cost             | Accumulated<br>Amortization | 2021<br>Net Book<br>Value | 2020<br>Net Book<br>Value |
|---------|------------------|-----------------------------|---------------------------|---------------------------|
| Website | <u>\$ 13,230</u> | <u>\$ 4,961</u>             | <u>\$ 8,269</u>           | <u>\$ 9,923</u>           |

#### 4. DEFERRED REVENUE - RESTRICTED CONTRIBUTIONS

|                                   | Deferred<br>revenue as at<br>December 31,<br>2020 | Restricted<br>contributions<br>received | Contributions<br>recognized<br>as revenue | Deferred<br>revenue as at<br>December 31,<br>2021 |
|-----------------------------------|---|---|---|---|
| Orphanage and children's programs | \$ 12,828   | \$ 465,914                              | \$ (332,842)                              | \$ 145,900  |
| Project Canaan farm and facility  | 51,730  | 61,750                                  | (65,481)                                  | 47,999  |
| Project Canaan - general          | <u>21,733</u>                                     | <u>82,768</u>                           | <u>(55,633)</u>                           | <u>48,868</u>                                     |
|                                   | <u>\$ 86,291</u>                                  | <u>\$ 610,432</u>                       | <u>\$ (453,956)</u>                       | <u>\$ 242,767</u>                                 |

## HEART FOR AFRICA (CANADA)

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

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#### 5. RELATED PARTY TRANSACTIONS

The Organization works with Heart for Africa (Swaziland), a related organization by virtue of common management, to operate the orphanage and farming programs. The Organization supplied funding for the following programs:

|                                   | 2021       | 2020       |
|-----------------------------------|------------|------------|
| Orphanage and children's programs | \$ 345,722 | \$ 199,607 |
| Project Canaan - general          | \$ 155,045 | \$ 118,385 |
| Project Canaan farm and facility  | \$ 65,481  | \$ 103,391 |

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Transacting in financial instruments exposes the Organization to certain financial risks and uncertainties. These risks include:

##### **Liquidity risk**

Liquidity risk is the risk that the Organization will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on ongoing contributions from donors or raising funds to meet commitments and sustain operations. The Organization controls liquidity risk by management and monitoring of working capital and cash flows. The exposure to this risk has not changed from the prior year.