

HEALTH BUILDERS INTERNATIONAL

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**

HEALTH BUILDERS INTERNATIONAL

FOR THE YEAR ENDED
JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Changes in Cash	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-11

Ketcham & Tupper, LLC
P.O. Box 2610
Westfield, NJ 07091

Independent Auditor's Report

Board of Trustees of
Health Builders International
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of Health Builders International which comprise the statements of financial position as of June 30, 2019 and the related statements of activities, net assets, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Health Builders International as of June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Health Builders International's 2018 financial statements, and in our report dated November 25, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ketcham & Associates, LLC

November 8, 2019

HEALTH BUILDERS INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

**FOR THE YEAR ENDED
JUNE 30, 2019
with comparative results for 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and cash equivalents	63,595	204,279
Pledges receivable	60,000	80,000
Prepaid expense	5,986	8,056
Security deposits	-	338
Total Current Assets	129,581	292,673
 <u>Equipment</u>		
Cost	122,356	122,356
Accumulated depreciation	(99,446)	(77,715)
Net Equipment	22,910	44,641
Total Assets	152,491	337,314

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	22,485	27,428
Total Current Liabilities	22,485	27,428
 <u>Non-Current Liabilities</u>		
Loan payable	105,769	-
Total Non-Current Liabilities	105,769	-
 <u>Net Assets</u>		
Without Donor Restrictions	22,678	295,651
With Donor Restrictions		
Purpose Restricted	1,559	14,235
Total Net Assets	24,237	309,886
Total Liabilities and Net Assets	152,491	337,314

The accompanying notes are an integral part of these financial statements

HEALTH BUILDERS INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED
JUNE 30, 2019
with comparative results for 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
Support and revenue				
Contributions				
Individual and business	40,870	16,208	57,078	170,240
Foundation	131,600	-	131,600	221,245
Partners and NGOs	2,087	13,043	15,130	121,500
In-kind	905	311,462	312,367	130,077
Other income	-	-	-	1,802
Investment income	7	-	7	20
Total Support and Revenue	175,469	340,713	516,182	644,884
Net assets release from restrictions	353,389	(353,389)	-	-
Total Support and Revenue	528,858	(12,676)	516,182	644,884
Expenses				
Program services	650,122	-	650,122	706,983
Management and general	116,715	-	116,715	206,143
Fundraising	36,880	-	36,880	64,974
Total Expense	803,717	-	803,717	978,100
Change in Foreign Currency Conversion	1,886	-	1,886	5,515
Change in Net Assets	(272,973)	(12,676)	(285,649)	(327,701)
Net Assets, Beginning of year	295,651	14,235	309,886	637,587
Net Assets, End of year	22,678	1,559	24,237	309,886

HEALTH BUILDERS INTERNATIONAL

STATEMENT OF CHANGES IN CASH

**FOR THE YEAR ENDED
JUNE 30, 2019
with comparative results for 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	(285,649)	(327,701)
Adjustments to reconcile change in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	21,731	22,231
(Increase) decrease in accounts receivable	-	-
(Increase) decrease in pledges receivable	20,000	(80,000)
(Increase) decrease in prepaid expense	2,070	24,191
(Increase) decrease in security deposit	338	-
Increase (decrease) in accounts payable	(4,943)	(20,267)
Net cash provided (used) by operating activities	(246,453)	(381,546)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans, net of repayments	105,769	-
Net cash provided (used) by financing activities	105,769	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	-
Purchase of equipment	-	30,979
Net cash provided (used) by investing activities	-	30,979
NET CHANGE IN CASH	(140,684)	(350,567)
CASH, BEGINNING OF YEAR	204,279	554,846
CASH, END OF YEAR	63,595	204,279

Supplementary information: There was no cash expended for interest and income taxes for the year ended June 30, 2019 and 2018.

HEALTH BUILDERS INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED
JUNE 30, 2019
with comparative results for 2018

	Total			Supporting Services		2019	2018
	Infrastructure	Management	Programs	Management & General	Fundraising		
Bank charges	15	13	28	2,444	-	2,472	2,406
Depreciation	-	-	-	21,731	-	21,731	22,231
Dues and fees	-	-	-	285	728	1,013	10,410
Insurance	-	-	-	2,736	-	2,736	2,359
Marketing	-	-	-	-	-	-	-
Meetings	-	-	-	1,631	350	1,981	4,055
Occupancy	-	8,200	8,200	9,352	-	17,552	26,156
Office expenses	71	272	343	1,110	-	1,453	3,201
Printing	-	158	158	86	161	405	643
Professional fees	-	-	-	13,750	2,500	16,250	13,750
Program expenses	434,293	14,420	448,713	2,278	-	450,991	327,316
Salary and wages	-	170,576	170,576	52,918	30,908	254,402	519,037
Telephone	-	5,658	5,658	2,324	1,784	9,766	13,048
Travel	637	15,809	16,446	6,070	449	22,965	33,488
	435,016	215,106	650,122	116,715	36,880	803,717	978,100

HEALTH BUILDERS INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

with comparative results for 2018

Note 1 - Nature of Activities

The Organization (the "Organization") is a non-profit whose vision is that all people should have access to high quality healthcare, allowing them to live dignified, healthy, and prosperous lives. The Organization uses business management principles to strengthen health systems and build healthy communities in Rwanda.

Note 2 - Summary of Significant Accounting Policies

a. **Basis of Presentation** - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

b. **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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

c. **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, where by the donor has stipulated the funds be maintained in perpetuity.

d. **Cash and Cash Equivalents** - The Organization defines cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less.

e. **Contributions** - Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

f. Measure of Operations - The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

g. New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

h. Revenue recognition – The Organization records contributions, including unconditional promises to give, as revenue in the period received or pledged, at their fair value. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted revenue.

i. Pledges Receivable - The Organization accounts for pledges receivable in accordance with the recommendations of the Financial Accounting Standards Board Accounting Standards Codification Topic 958, "Not-For-Profit Entities." Accordingly, pledged contributions are recognized when the donor makes an unconditional promise to give. Pledges receivable over one year are discounted to present value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are anticipated to expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

j. Bad debts – The Organization uses the direct write-off method of accounting for bad debt. No allowance for uncollectible accounts has been provided since it is believed that such an allowance would not be material.

k. Tax Status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509 (a).

Management has evaluated the Organization's tax positions in regards to accounting for uncertainty in income taxes and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

l. In-Kind Support – The Organization records the value of donated goods or specialized services based upon the fair market value at the date of donation. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. For the year ended June 30, 2019 and 2018 the Organization recognized noncash contributions of \$312,367 and \$130,077, respectively. This amount has been reflected as contributions and as an expense in its corresponding category on the Statement of Functional Expenses.

Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

m. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. Functional Allocation of Expense - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Bank charges	Time and Effort
Depreciation	Time and Effort
Dues and fees	Time and Effort
Insurance	Time and Effort
Marketing	Time and Effort
Meetings	Time and Effort
Occupancy	Time and Effort
Office expenses	Time and Effort
Printing	Time and Effort
Professional fees	Time and Effort
Program expenses	Time and Effort
Salary and wages	Time and Effort
Telephone	Time and Effort
Travel	Time and Effort

o. Pending Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the effect the updated standard will have on the financial statements and will select a transition method in due course, which is not expected to have a material impact on the financial statements.

p. Subsequent Events - The Organization has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2019 financial statements through November 8, 2019, the date that the financial statements were available to be issued.

Note 3 – Income Taxes

Generally accepted accounting principles describe how an organization should measure, recognize, present and disclose in its financial statements tax positions that the organization has taken on its information returns. The Organization regularly reviews its tax positions taken and as reflected in its financial statements, with regard to issues affecting tax matters. The Organization has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles.

The Organization’s tax and information returns are generally subject to examination by taxing authorities for three years, including 2016, 2017, and 2018.

Note 4 – Investment Income

Investment income was comprised of the following for the year ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest income	<u>7</u>	<u>20</u>
	<u>7</u>	<u>20</u>

Note 5 – Concentration of Cash

Cash balances maintained by the Organization exceeded federally insured limits during the year ended June 30, 2019. It is the opinion of management that the solvency of the financial institution holding this cash is not of particular concern at this time.

Note 6 - Contingencies

Certain bank accounts maintained by the Organization are denoted in a foreign currency. Accordingly, the Organization is subject to risk of exchange rate fluctuations. As of June 30, 2019 and 2018 the Organization maintained a cash balance of \$9,699 and \$25,063 in a foreign currency, respectively.

Note 7 – Related Organization

The Organization is closely related with Health Builders Rwanda, a foreign nongovernmental organization with a social mission closely aligned with that of the Organization. Health Builders Rwanda is closely related in that certain individuals serve as officers and directors for both organizations. As these organizations are closely related the financial statements have been consolidated such that all the assets, liabilities and financial activities of the foreign entity are included in the provided financials.

Note 8 – Concentration of Public Support

The Organization relies substantially on the financial support of several private foundations. For the year ended June 30, 2019 and 2018 the Organization received \$131,600 and \$221,245 from these sources, respectively.

Note 9 – Fixed Assets

The details of equipment and accumulated depreciation for the year ended June 30, 2019 and 2018 are as follows:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	122,356	122,356
Less Accumulated Depreciation	<u>(99,446)</u>	<u>(77,715)</u>
	<u>22,910</u>	<u>44,641</u>

Depreciation expense for the year ended June 30, 2019 and 2018 was \$21,731 and \$22,231, respectively.

Note 10 – Related Party Transactions

The Organization is the sole shareholder of Rwanda Ventures, Ltd., a foreign for-profit entity based in Rwanda engaged in the support of marginal dairy farmers. The organizations are also closely related in they share similar officers and directors. As of June 30, 2019 the value of this investment is unable to be determined by the Organization and as a result is not reflected on the financial statements. During the fiscal year there were no transactions or transfers between the two entities.

On October 30, 2018 the Organization entered into a loan agreement with an individual who is currently a Board of Director. The agreement is unsecured and does not bear interest over the term of the loan. Repayments are required semiannually commencing on June 30, 2019. The contract is such that if as of December 31, 2021 there remains a balance outstanding the balance will be forgiven and deemed to be a charitable contribution to the Organization.

Note 11 – Term Loan Payable

Term loan payable consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Term loan payable to a related party used to finance the Organization's operations		
Notes payable, non-current portion:	<u>105,769</u>	<u> </u>

Note 12 – Net Assets – With Donor Restrictions

Donor restricted net assets consist for the following purposes as of 2019:

Subject to expenditure for specified purpose:

Program activities:

General 1,559

Total net assets with donor restrictions 1,559

Donor restricted net assets consist for the following purposes as of 2018:

Subject to expenditure for specified purpose:

Program activities:

General 14,235

Total net assets with donor restrictions 14,235

Note 13 – Liquidity

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	62,036
Pledges receivable	<u>60,000</u>
	<u>122,036</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due.

Note 14 - Tax Filing Compliance

The Organization was in compliance with applicable Federal and state regulations as of June 30, 2019 and 2018 relating to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.