

**FATHER'S HEART INTERNATIONAL**  
**dba FATHER'S HEART AFRICA**  
Reno, Nevada  
December 31, 2009

INDEPENDENT ACCOUNTANT'S REPORT  
and  
FINANCIAL STATEMENTS

December 31, 2009 and 2008

**Schafer Accountancy Corporation**  
Fresno, California

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# Schafer Accountancy Corporation

Certified Public Accountants  
7080 N. Whitney Ave., Suite 103  
Fresno, California 93720

## **INDEPENDENT ACCOUNTANT'S REPORT**

Board of Trustees  
Father's Heart International  
dba Father's Heart Africa  
Reno, Nevada

We have reviewed the accompanying statements of financial position of Father's Heart International, dba Father's Heart Africa (a Nevada non-profit corporation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, in accordance with standards established the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Father's Heart International, dba Father's Heart Africa

A review consists principally of inquires of company personal and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



September 13, 2010

**FATHER'S HEART INTERNATIONAL  
dba FATHER'S HEART AFRICA**

**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2009 and 2008

| <b>ASSETS</b>                         |  |                   |                   |
|---------------------------------------|--|-------------------|-------------------|
|                                       |  | <u>2009</u>       | <u>2008</u>       |
| <b>Assets</b>                         |  |                   |                   |
| Cash                                  |  | \$ 13,948         | \$ 26,936         |
| Loan receivable                       |  | 1,979             | 612               |
| Property and equipment, net           |  | <u>707,282</u>    | <u>772,424</u>    |
| Total                                 |  | <u>\$ 723,209</u> | <u>\$ 799,972</u> |
| <br>                                  |  |                   |                   |
| <b>LIABILITIES AND NET ASSETS</b>     |  |                   |                   |
| <b>Liabilities</b>                    |  |                   |                   |
| Accounts payable                      |  | \$ 4,067          | \$ 5,162          |
| Loan payable- Officer                 |  | <u>48,000</u>     | <u>63,000</u>     |
|                                       |  | <u>52,067</u>     | <u>68,162</u>     |
| <br>                                  |  |                   |                   |
| <b>Net assets</b>                     |  |                   |                   |
| Temporarily restricted                |  |                   |                   |
| Time restricted                       |  | <u>26,288</u>     | <u>24,397</u>     |
| <br>                                  |  |                   |                   |
| Unrestricted                          |  |                   |                   |
| Undesignated (Deficit)                |  | (62,428)          | (65,011)          |
| Represented by property and equipment |  | <u>707,282</u>    | <u>772,424</u>    |
| Total Unrestricted                    |  | <u>644,854</u>    | <u>707,413</u>    |
| <br>                                  |  |                   |                   |
| Total net assets                      |  | <u>671,142</u>    | <u>731,810</u>    |
| <br>                                  |  |                   |                   |
| Total Liabilities and<br>Net Assets   |  | <u>\$ 723,209</u> | <u>\$ 799,972</u> |

See independent accountant's report and notes to financial statements.

**FATHER'S HEART INTERNATIONAL  
dba FATHER'S HEART AFRICA**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Years Ended December 31, 2009 and 2008

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| <b>Changes in Unrestricted Net Assets</b>                |                   |                   |
| Support and revenues                                     |                   |                   |
| Contributions  | \$ 85,175         | \$ 152,888        |
| Interest income  | --                | 2                 |
| Gain on sale of assets                                   | 13,932            | --                |
| Other  | <u>13,626</u>     | <u>8,500</u>      |
| Unrestricted revenue and other support                   | 112,733           | 161,390           |
| Net assets released from restrictions                    |                   |                   |
| Satisfaction of time restriction                         | <u>131,475</u>    | <u>193,769</u>    |
| Total revenue and other support                          | <u>244,208</u>    | <u>355,159</u>    |
| <br>Expenses   |                   |                   |
| Program services:  |                   |                   |
| Father's Heart Africa                                    | <u>282,952</u>    | <u>358,560</u>    |
| Supporting services:                                     |                   |                   |
| General and administrative                               | 20,276            | 19,972            |
| Fundraising  | <u>3,539</u>      | <u>3,846</u>      |
|  | <u>23,815</u>     | <u>23,818</u>     |
| Total expenses   | <u>306,767</u>    | <u>382,378</u>    |
| Increase Decrease in Unrestricted Net Assets             | <u>(62,559)</u>   | <u>(27,219)</u>   |
| <br><b>Changes in Temporarily Restricted Net Assets:</b> |                   |                   |
| Contributions  | 133,366           | 163,158           |
| Net assets released from restrictions                    | <u>(131,475)</u>  | <u>(193,769)</u>  |
| Increase (Decrease) in temporarily restricted net assets | <u>1,891</u>      | <u>(30,611)</u>   |
| <br><b>Change in Net Assets</b>                          | <u>(60,668)</u>   | <u>(57,830)</u>   |
| <b>Net Assets, beginning</b>                             | <u>731,810</u>    | <u>789,640</u>    |
| <b>Net Assets, end</b>                                   | <u>\$ 671,142</u> | <u>\$ 731,810</u> |

See independent accountant's report and notes to the financial statements.

**FATHER'S HEART INTERNATIONAL**  
**dba FATHER'S HEART AFRICA**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2009 and 2008

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |                      |                      |
| Change in net assets   | \$ (60,668)          | \$ (57,830)          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                      |                      |
| Depreciation   | 24,887               | 27,576               |
| Gain on sale of property   | (13,932)             | --                   |
| Changes in operating assets  |                      |                      |
| Loans receivable   | (1,367)              | --                   |
| Accounts payable   | <u>(1,095)</u>       | <u>4,228</u>         |
| Net cash provided by operating activities  | <u>(52,175)</u>      | <u>(26,026)</u>      |
| <br><b>Cash flows from investing activities</b>  |                      |                      |
| Proceeds from sale of property   | 50,537               | --                   |
| Disposition of equipment   | 3,650                |                      |
| Purchase of furniture and equipment  | <u>--</u>            | <u>(5,552)</u>       |
| Net cash used in investing activities  | <u>54,187</u>        | <u>(5,552)</u>       |
| <br><b>Cash flows from financing activities</b>  |                      |                      |
| Principal payment of loan payable  | (15,000)             | --                   |
| Proceeds from short-term borrowing   | <u>--</u>            | <u>--</u>            |
| Net cash used in financing activities  | <u>(15,000)</u>      | <u>--</u>            |
| <br><b>Net increase (decrease) in cash</b>   | <br>(12,988)         | <br>(31,578)         |
| <br><b>Cash, beginning</b>   | <br><u>26,936</u>    | <br><u>58,514</u>    |
| <br><b>Cash, end</b>   | <br><u>\$ 13,948</u> | <br><u>\$ 26,936</u> |

\* \* \* \* \*

**Supplemental Disclosure**

|                           |                        |                        |
|---------------------------|------------------------|------------------------|
| Cash used to pay interest | \$ <u>          --</u> | \$ <u>          --</u> |
|---------------------------|------------------------|------------------------|

See independent accountant's report and notes to the financial statements.

# FATHER'S HEART INTERNATIONAL dba FATHER'S HEART AFRICA

## NOTES TO FINANCIAL STATEMENTS

### **1. Organization**

Father's Heart International, dba Father's Heart Africa is a Nevada not-for-profit religious corporation. The purpose of the organization is to provide Christian care and support to people in Zambia, Africa. This is accomplished through child-sponsorship programs, food programs and educational programs that deliver elementary level education to the community. Legal control of Father's Heart International, dba Father's Heart Africa is vested in its officers. The Organization's primary source of revenue is support from contributions from individuals.

### **2. Significant Accounting Policies**

#### Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles.

#### Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Cash and Cash Equivalents

The Organizations considers highly liquid investments with a maturity of three months or less to be cash equivalents.

#### Investment in Property and Equipment

Investment in property and equipment includes equipment, furnishings and vehicles. Property acquired by purchase is recorded at cost; property acquired by gift is sold immediately and the sale proceeds are recorded as income. Repairs and maintenance are recorded as expenditures are incurred. Depreciation is provided using the straight-line method over the following estimated useful lives:

|                           |          |
|---------------------------|----------|
| Buildings                 | 50 years |
| Equipment and furnishings | 20 years |
| Vehicles                  | 10 years |

#### Income Taxes

Father's Heart International, dba Father's Heart Africa is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.

**FATHER'S HEART INTERNATIONAL**  
**dba FATHER'S HEART AFRICA**  
**NOTES TO FINANCIAL STATEMENTS**

Donor Restricted Support

In order to observe restrictions placed on certain resources it receives, Father's Heart International, dba Father's Heart Africa records such contributions as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted resources are essentially contributions received that are not subject to any donor restrictions. Restricted contributions are contributions for specific purposes for which the donor has specified certain restrictions as to its use. Temporarily restricted support is reclassified to unrestricted net assets upon satisfaction of the restriction by payment.

Financial Statement Presentation

Father's Heart International, dba Father's Heart Africa has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

Father's Heart International, dba Father's Heart Africa has also adopted SFAS No. 116, "Accounting for contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Donor restricted contributions are recorded as unrestricted if the restrictions are met in the same reporting period in which the contributions are received.

**3. Property and Equipment**

Property and equipment is comprised as follows:

|                          | <u>2009</u>       | <u>2008</u>       |
|--------------------------|-------------------|-------------------|
| Land                     | \$ 604,370        | \$ 640,975        |
| Building                 | 63,729            | 63,729            |
| Furniture and equipment  | 77,778            | 81,428            |
| Vehicles                 | <u>90,576</u>     | <u>90,576</u>     |
|                          | 836,453           | 876,708           |
| Accumulated depreciation | <u>(129,171)</u>  | <u>(104,284)</u>  |
|                          | <u>\$ 707,282</u> | <u>\$ 772,424</u> |

**4. Name Change**

During the year the organization changed its name to Father's Heart Africa.

**5. Loan Payable- Officer**

The organization borrowed \$48,000 for an officer of the corporation. There are no repayment terms and the loan does not bear interest.



**FATHER'S HEART INTERNATIONAL**  
**dba FATHER'S HEART AFRICA**  
NOTES TO FINANCIAL STATEMENTS

**6. Functional Expenses**

A schedule of functional expenses follows:

|                         | December 31, 2009 |                  |                 |                   |
|-------------------------|-------------------|------------------|-----------------|-------------------|
|                         | Program           | Administrative   | Fundraising     | Total             |
| Payroll expense         | \$ 41,100         | \$ 10,960        | \$ 2,740        | \$ 54,800         |
| Missions                | 67,110            | --               | --              | 67,110            |
| Hospitality             | 4,300             | --               | --              | 4,300             |
| Special programs        | 36,139            | --               | --              | 36,139            |
| Travel                  | 29,176            | --               | --              | 29,176            |
| Independent contractors | 29,264            | --               | --              | 29,264            |
| Supplies and materials  | 2,460             | 615              | --              | 3,075             |
| Freight                 | 17,006            | --               | --              | 17,006            |
| Office expense          | 3,383             | 902              | 226             | 4,511             |
| Professional fees       | 4,358             | 956              | --              | 5,314             |
| Insurance               | 3,447             | 862              | --              | 4,309             |
| Repairs and maintenance | 1,891             | --               | --              | 1,891             |
| Utilities               | 1,751             | 309              | --              | 2,060             |
| Rent                    | 5,192             | --               | --              | 5,192             |
| Advertising             | --                | --               | 573             | 573               |
| Property tax            | 6,121             | 1,530            | --              | 7,651             |
| Printing                | 1,014             | 254              | --              | 1,268             |
| Other                   | 6,593             | 1,648            | --              | 8,241             |
| Depreciation            | 22,647            | 2,240            | --              | 24,887            |
| Total expense           | <u>\$ 282,952</u> | <u>\$ 20,276</u> | <u>\$ 3,539</u> | <u>\$ 306,767</u> |

**FATHER'S HEART INTERNATIONAL**  
**dba FATHER'S HEART AFRICA**  
NOTES TO FINANCIAL STATEMENTS

**5. Functional Expenses (continued)**

A schedule of functional expenses follows:

|                         | December 31, 2008 |                  |                 |                   |
|-------------------------|-------------------|------------------|-----------------|-------------------|
| Payroll expense         | \$ 35,358         | \$ 9,429         | \$ 2,357        | \$ 47,144         |
| Missions                | 113,177           | --               | --              | 113,177           |
| Hospitality             | 1,188             | --               | --              | 1,188             |
| Special programs        | 81,620            | --               | --              | 81,620            |
| Travel                  | 20,062            | --               | --              | 20,062            |
| Food expense            | 14,135            | --               | --              | 14,135            |
| Supplies and materials  | 5,644             | 1,239            | --              | 6,883             |
| Freight                 | 8,758             | --               | --              | 8,758             |
| Office expense          | 7,741             | 2,064            | 516             | 10,321            |
| Professional fees       | 3,085             | 677              | --              | 3,762             |
| Insurance               | 5,341             | 1,335            | --              | 6,676             |
| Repairs and maintenance | 3,920             | --               | --              | 3,920             |
| Utilities               | 3,994             | 705              | --              | 4,699             |
| Rent                    | 20,839            | --               | --              | 20,839            |
| Advertising             | --                | --               | 973             | 973               |
| Other                   | 6,289             | 1,572            | --              | 7,861             |
| Depreciation            | 25,126            | 2,450            | --              | 27,576            |
| Printing                | 2,283             | 501              | --              | 2,784             |
| Total expense           | <u>\$ 358,560</u> | <u>\$ 19,972</u> | <u>\$ 3,846</u> | <u>\$ 382,378</u> |