

Africa Relief and Community Development, Inc.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

PRECISION ACCOUNTING INTL, LLC
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PRECISION ACCOUNTING

Independent Auditor's Report

Board of Trustees
Africa Relief and Community Development, Inc.
445 Georges RD
North Brunswick, NJ 08902

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Africa Relief and Community Development, Inc., and subsidiaries (ARCD), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

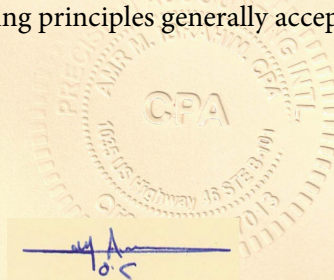
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 ARCD as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Clifton, New Jersey
May 13, 2022
Amr M. Ibrahim, CPA, CGMA
NY License# 118772
NJ License# 20CC03974700
CA License# 117646



Africa Relief and Community Development, Inc. and Subsidiaries
Consolidated Statement of Financial Position
As of December 31

| | | 2021 |
|--|-----------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ | 285,006 |
| Contributions receivable, net | | 553,660 |
| Prepaid expenses and other current assets | | 403,155 |
| Property and equipment, net | | 14,921 |
| Other Assets | | 7,500 |
| TOTAL ASSETS | \$ | 1,264,242 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Accounts payable, accrued expenses and other liabilities | \$ | 214,124 |
| Total Liabilities | | 214,124 |
| Net Assets | | |
| Without Donors Restrictions | | (70,766) |
| With Donors Restrictions | | 1,120,885 |
| Total Net Assets | | 1,050,119 |
| TOTAL LIABILITIES AND NET ASSETS | \$ | 1,264,242 |

See notes to financial statements

Africa Relief and Community Development, Inc and Subsidiaries
Consolidated Statement of Activity
January - December 2021

| | 2021 | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support and Revenue | | | |
| Public Support | | | |
| Contributions | \$ 358,442 | \$ 3,616,658 | \$ 3,975,100 |
| Matching Contributions | 19,548 | 0 | 19,548 |
| Contributed Service and Property | - | 463,360 | 463,360 |
| Total Public Support | 377,989 | 4,080,018 | 4,458,008 |
| Revenue | | | |
| Rental Income | 6,000 | - | 6,000 |
| Governmental Revenue | 108,286 | - | 108,286 |
| Total Revenue | 114,286 | - | 114,286 |
| Net Assets Released from Restrictions | 3,009,682 | (3,009,682) | - |
| Gross Public Support and Revenue | 3,501,957 | 1,070,336 | 4,572,293 |
| Expenditures | | | |
| Program Services | | | |
| Water Wells | 997,359 | - | 997,359 |
| Educational Centers | 783,996 | - | 783,996 |
| Healthcare | 529,566 | - | 529,566 |
| Food Aid | 322,489 | - | 322,489 |
| Orphans Sponsorship | 196,895 | - | 196,895 |
| Other Programs | 179,376 | - | 179,376 |
| Total Programs Services | 3,009,682 | - | 3,009,682 |
| Supportive Services | | | |
| Management and General | 150,006 | - | 150,006 |
| Fundraising | 413,035 | - | 413,035 |
| Total Supportive Services | 563,041 | - | 563,041 |
| Total Expenditures | 3,572,723 | - | 3,572,723 |
| Change in Net Assets | (70,766) | 1,070,336 | 999,570 |
| Net Assets | | | |
| Beginning of Year | - | 50,549 | 50,549 |
| End of Year | (\$70,766) | \$ 1,120,885 | \$ 1,050,119 |

See notes to financial statements

Africa Relief and Community Development, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year ended December 31, 2021

| | 2021 | | | | | | | Total Program Services | Supporting Services | | | Total |
|--|------------------|------------------------|----------------|----------------|------------------------|-------------------|------------------|---------------------------|---------------------|----------------|------------------------------|-------|
| | Program Services | | | | | | | | | | Total Supporting Services | |
| | Water Wells | Educational Centers | Healthcare | Food Aid | Orphans Sponsorship | Other Programs | | Management and General | Fundraising | | | |
| Salaries, Payroll Taxes and other employee benefits | 45,631 | 37,085 | 24,229 | 14,755 | 9,008 | 8,207 | 138,916 | 57,994 | 152,253 | 210,246 | 349,162 | |
| Occupancy Expenses | 5,501 | 4,448 | 2,921 | 1,779 | 1,086 | 989 | 16,725 | 14,460 | 19,917 | 34,377 | 51,102 | |
| Office/General Administrative Expenditures | 6,898 | 8,965 | 3,663 | 6,275 | 3,652 | 1,241 | 30,694 | 24,180 | 68,125 | 92,305 | 122,999 | |
| Professional Fees | 679 | 724 | 152 | 597 | 167 | 5,993 | 8,312 | 48,828 | 129,439 | 178,267 | 186,579 | |
| Programs Expenses | 928,312 | 724,700 | 493,113 | 295,740 | 180,940 | 161,087 | 2,783,892 | - | - | - | 2,783,892 | |
| Travel | 9,957 | 7,748 | 5,287 | 3,219 | 1,966 | 1,791 | 29,968 | - | 41,808 | 41,808 | 71,776 | |
| Total expenses before Depreciation and other expenses | 996,978 | 783,672 | 529,364 | 322,366 | 196,819 | 179,308 | 3,008,506 | 145,461 | 411,542 | 557,003 | 3,565,509 | |
| Total Depreciation and other expenses | 382 | 325 | 203 | 123 | 75 | 69 | 1,176 | 4,545 | 1,493 | 6,038 | 7,214 | |
| Total Expenses | 997,359 | 783,996 | 529,566 | 322,489 | 196,895 | 179,376 | 3,009,682 | 150,006 | 413,035 | 563,041 | 3,572,723 | |

See notes to financial statements

Africa Relief and Community Development, Inc.
Consolidated Statement of Cash Flow
Year Ended December 31, 2021

| | 2021 |
|--|-------------------|
| Cash Flows from Operating Activities | |
| Change in Net Assets | \$ 999,570 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Depreciation | 3,391 |
| Changes in Security Deposits | (7,500) |
| Changes in operating assets and liabilities | |
| Decrease (increase) in Contributions receivable | (553,660) |
| Decrease (increase) in Prepaid expenses and other assets | (403,155) |
| Increase (decrease) in Accounts payable and accrued expenses | 178,751 |
| Net cash provided by (used in) operating activities | (782,173) |
| Cash Flows from Investing Activities | |
| Decrease (Increase) in Fixed Assets Purchases - Leasehold Improvement | (6,755) |
| Decrease (Increase) in Fixed Assets Purchases - Furniture and Fixtures | (8,308) |
| Decrease (Increase) in Fixed Assets Purchases - Equipment | (3,250) |
| Net cash provided by (used in) financing activities | (18,313) |
| Cash Flows from Financing Activities | |
| Increase (decrease) in Loans payable | (23,250) |
| Net cash provided by (used in) financing activities | (23,250) |
| Net (decrease) increase in cash and cash equivalent | 175,834 |
| Cash and cash equivalents | |
| Beginning of year | 109,172 |
| End of year | \$ 285,006 |
| See notes to financial statements | |

Notes to consolidated financial statements

Note 1. Nature of Organization

Africa Relief and Community Development, Inc. (ARCD) is a not-for-profit organization that works to improve lives in developing communities in Africa. ARCD's thematic programs are devoted to water wells, Educational Centers, Healthcare, Food Aid, Orphans and Students Sponsorships, Livelihood and Sustainable Development and other programs.

ARCD obtains primarily financial support from the public, primarily individuals and foundations, but also estates, trusts and businesses. ARCD does seek and accept financial support from government or government-funded agencies.

The ARCD financial statements as of December 31, 2021, include branches, and charitable affiliates. These entities listed below (official local name included in some instances) were established to support ARCD primarily through the promotion of improving lives in developing communities in Africa by directly or indirectly funding it through fundraising campaigns and collected contributions from the public. These entities, over which ARCD maintains operational control and oversight, are listed below:

- USA: Africa Relief Waqf, Inc.
- Gambia: Branch of Africa Relief and Community Development, Inc.

Note 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Africa Relief and Community Development, Inc., and branches and charitable affiliates. All intercompany balances and transactions have been eliminated in consolidation. The functional currencies of the branches are translated into ARCD's reporting currency, United States Dollars.

Note 3. Summary of Significant Accounting Policies

Basis of presentation: The consolidated financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. In the consolidated statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial statement presentation: The classification of ARCD's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets, without donor restrictions and with donor restrictions, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 3. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: ARCD consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Contributions receivable and allowances: ARCD reports unconditional promises to give as contributions. Promises to give are initially reported at fair value in the period the donor's commitments are received. If amounts are expected to be collected within one year, they are recorded at net realized value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discounts is included in contributions revenue.

ARCD uses the allowance method for uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis and evaluation of specific promises made. While management uses the best information available to make its evaluation. Future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Fixed assets: Fixed assets are recorded at cost when purchased. Fixed assets in the United States (U.S.) costing in excess of \$2,500, are capitalized at cost. The capitalization thresholds of fixed assets in ARCD foreign offices vary based on local rules and policies. Depreciation is computed on an accelerated basis or on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

| | <u>Years</u> |
|--------------------------------|----------------------------|
| | Remaining term of lease |
| Leasehold improvements | 7 |
| Furniture and fixtures | 5 |
| Office equipment | 5 |
| Computer hardware and software | 5 |

Impairment of long-lived assets: ARCD follows the provisions of ASC 360-10-35, Accounting for the Impairment or Disposal of Long-Lived Assets, which requires ARCD to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended December 31, 2021, there have been no such losses.

Contributed services: Contributed services are recognized as contributions in accordance with the accounting standard relating to accounting for contributions received if the services: (a) create or enhance financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ARCD. In addition, many individuals volunteer their time and perform a variety of tasks that assist ARCD. The services provided by volunteers were not recognized in the consolidated financial statements, because they do not meet the criteria of this standard.

Revenue recognition: The operations of ARCD are financed principally by foundation grants and contributions received from the general public. Grants and contributions are reported at estimated fair value on the date they are received. Unconditional grants and contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence or absence of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Conditional grants and contributions with a barrier and a right of return are not recognized until the conditions are met. Revenue for special events is recognized when the event takes place.

Note 3. Summary of Significant Accounting Policies (Continued)

Risk and uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which ARCD operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to ARCD. Accordingly, management cannot presently estimate the overall operational and financial impact to ARCD.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Reclassification: Certain amounts reported in the prior year in consolidated financial statements have been reclassified to conform to current year’s presentation.

Income taxes: ARCD is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. ARCD has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC. ARCD did not have unrelated business income taxes for the years ended December 31, 2021.

Accounting for uncertainty in income taxes: Under ASC 740, Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. ARCD does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. ARCD has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, ARCD has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended December 31, 2021, there was no interest or penalties recorded or included in the consolidated statement of activities. Under IRS statutes with few exceptions, ARCD is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for three years from the filing date.

Concentration of credit risk: Financial instruments that potentially subject ARCD to concentration of credit risk consist primarily of cash and cash equivalents. At various times, ARCD has cash deposits at financial institutions which exceed the FDIC insurance limits. ARCD believes it is not exposed to any significant credit risk on cash and cash equivalents.

Recently adopted accounting pronouncement: ARCD adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods and services to customers. The adoption of ASU 2014-09 did not have an impact on ARCD’s financial position, activities, net assets or cash flows as of the adoption date or for the year ended December 31, 2021.

Note 3. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In February 2016, FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the consolidated statement of activities, as well as the effect on the consolidated statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In June 2020, the FASB issued ASU 2020-05, which defers the effective of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. ARCD is evaluating the impact of this ASU on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update clarifies the presentation and disclosure of contributed nonfinancial assets, including fixed assets and other items. The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The Update is effective for fiscal years beginning June 15, 2021. ARCD is evaluating the impact of this ASU on the consolidated financial statements.

Note 4. Liquidity and Availability of Resources

The following represents ARCD's available financial assets as of December 31 to meet general expenditures over the next 12 months:

| | <u>2021</u> |
|---|----------------|
| Financial assets at December 31: | |
| Cash and cash equivalents | \$ 285,006 |
| Contributions receivable | 553,660 |
| Other receivables | <u>380,498</u> |
| Total financial assets at December 31 | 1,219,164 |
| Less amounts not available for use within one year: | <u>0</u> |
| Financial assets available to meet general expenditures within one year | \$1,219,164 |

ARCD considers its unrestricted cash and cash equivalent balance, contributions, and other receivable that are expected to be collected within 12 months, and contributions restricted by donors that are expected to be spent within 12 months to be available for general operations.

ARCD regularly monitors liquidity required to meet its annual operating needs and other contractual commitments.

Note 5. Fixed Assets, Net

Fixed assets, net as of December 31, consist of the following:

| | <u>2021</u> |
|--------------------------------|----------------|
| Fixed Assets | |
| Leashold Improvements | 6,755 |
| Furniture and Fixtures | 8,308 |
| Equipment | 3,250 |
| Less: Accumulated Depreciation | <u>(3,391)</u> |
| Total Fixed Assets | <u>14,921</u> |

Depreciation expenses for the year ended December 31, 2021 was \$3,391.

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

| | <u>2021</u> |
|---|--------------|
| Donor-imposed restrictions to support ARCD programs | \$ 1,120,885 |

Net assets with donor restrictions that were released from donor restrictions at December 31:

| | <u>2021</u> |
|---|--------------|
| Donor-imposed restrictions to support ARCD programs | \$ 3,009,682 |

Note 7. Functional Allocation of Expenses

The cost of providing services to the various programs and other activities has been summarized on an individual basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on specific identification or allocation rates established by management. Executive director office related salary expenses are allocated among programs and supporting services based on employees' time and effort. The following expenses are allocated consistently based on staff headcount:

- Fringe benefits and other employee costs
- Occupancy costs
- Certain Office/General Administrative Expenses
- Depreciation

All other expenses are charged directly to either program or supporting function.

Note 8. Commitments and Contingencies

Operating leases: Pursuant to facility and equipment lease agreements in the U.S. and various countries, ARCD is obligated for minimum annual rentals to nonrelated parties, as indicated below. No minimum future annual rental payments under the lease agreements expiring through calendar year 2026

Rent expense for the year ended December 31, 2021, amounted to \$19,913.

Note 9. Other Programs

Other programs as presented in the accompanying consolidated statements of activities and functional expenses consist of the following for the year ended December 31:

| | 2021 |
|--|----------------|
| Zakat Al-Maal | 123,299 |
| Zakat Al-Fitr | 27,974 |
| Livelihood and Sustainable Development | 12,252 |
| Students Sponsorship | 9,457 |
| Waqf | 6,394 |
| Total Other Programs Services Expenses | <u>179,376</u> |

Note 10. Subsequent Events

ARCD's management has performed subsequent events procedures through January 27, 2022, which is the date the consolidated financial statements were available for issuance. The following events occurred after December 31, 2021:

- ARCD established a defined retirement contribution plan (the Plan) under Section 403(b) of the IRC. Participating employees make pretax contributions of up to the maximum allowable IRS limitations. All U.S. employees are eligible to participate in the Plan as of their date of hire. Upon participation in the Plan, employees are 100% vested in their contributions. ARCD also makes a discretionary contribution based upon a percentage of an employee's salary, which become 100% vested after 2 years of continuous employment.
- ARCD established a new branch office in Djibouti