



One Heart Worldwide

Financial Statements

**For the years ended
December 31, 2021 and 2020**

With Independent Auditors' Report Thereon

ONE HEART WORLDWIDE

(A California Not-For-Profit Corporation)
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors One Heart Worldwide

Opinion

We have audited the accompanying financial statements of One Heart Worldwide (a California nonprofit organization), which comprise the statement of financial position as December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Heart Worldwide as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of One Heart Worldwide and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about One Heart Worldwide's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

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Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 One Heart Worldwide's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about One Heart Worldwide's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited One Heart Worldwide's financial statements as of and for the year ended December 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Danville, California
September 13, 2022***

Regalia & Associates

One Heart Worldwide

Statements of Financial Position December 31, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 1,765,572	\$ 2,179,482
Accounts and grants receivable	275,149	490,159
Prepaid expenses and other assets	29,114	41,135
Total current assets	<u>2,069,835</u>	<u>2,710,776</u>
Noncurrent assets:		
Accounts and grants receivable	114,916	100,000
Property and Equipment, Net	6,336	8,376
Right of use asset - premises	56,207	58,560
Total noncurrent assets	<u>177,459</u>	<u>166,936</u>
Total assets	<u>\$ 2,247,294</u>	<u>\$ 2,877,712</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 62,700	\$ 177,380
Accrued payroll liabilities	129,683	156,137
Refundable advances	-	130,000
Lease payable - current portion	25,327	19,247
Total current liabilities	<u>217,710</u>	<u>482,764</u>
Noncurrent liabilities:		
Lease payable - noncurrent portion	<u>30,880</u>	39,313
Net assets:		
Without donor restrictions	1,116,390	1,521,241
With donor restrictions	882,314	834,394
Total net assets	<u>1,998,704</u>	<u>2,355,635</u>
Total liabilities and net assets	<u>\$ 2,247,294</u>	<u>\$ 2,877,712</u>

One Heart Worldwide

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021

(with Summarized Financial Information for the Year Ended December 31, 2020)

<i>Changes in net assets:</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue and support:				
Program fees and other earned income				
Contributed income:				
Foundation and corporate grants	\$ 1,451,549	\$ 976,160	\$ 2,427,709	\$ 3,245,749
Government grants	130,000		130,000	-
Individual donations	318,867		318,867	148,795
Special events	-	-	-	28,047
In-kind contributions	22,068,046	-	22,068,046	637,896
Net assets released from restrictions	928,240	(928,240)	-	-
Total contributed income	24,896,702	47,920	24,944,622	4,060,487
Earned revenue:				
Exchange gains (loss)	(6,148)	-	(6,148)	2,516
Interest income	1,333	-	1,333	157
Other income	-	-	-	1
Total earned revenue	(4,815)	-	(4,815)	2,674
Total revenue and support	24,891,887	47,920	24,939,807	4,063,161
Expenses:				
Program expenses	25,034,470	-	25,034,470	2,995,556
General and administrative	177,196	-	177,196	359,598
Fundraising	85,072	-	85,072	78,450
Total expenses	25,296,738	-	25,296,738	3,433,604
Increase (decrease) in net assets	(404,851)	47,920	(356,931)	629,557
Net assets at beginning of year	1,521,241	834,394	2,355,635	1,726,078
Net assets at end of year	\$ 1,116,390	\$ 882,314	\$ 1,998,704	\$ 2,355,635

One Heart Worldwide

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (356,931)	\$ 629,557
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	33,303	3,115
Changes in:		
Accounts and grants receivable	200,094	(34,554)
Prepaid expenses and other assets	12,021	23,328
Accounts payable and accrued liabilities	(244,680)	173,920
Accrued payroll liabilities	(26,454)	74,071
Cash provided by (used for) operating activities	(382,647)	869,437
<i>Investing activities:</i>		
Acquisition of property and equipment	(31,263)	(1,574)
Recording of right of use asset - premises	2,353	(28,822)
Cash used for investing activities	(28,910)	(30,396)
<i>Financing activities:</i>		
Principal payments applied to lease payable	(2,353)	28,822
Cash provided by (used for) financing activities	(2,353)	28,822
Net increase (decrease) in cash and cash equivalents	(413,910)	867,863
Cash and cash equivalents at beginning of year	2,179,482	1,311,618
Cash and cash equivalents at end of year	\$ 1,765,572	\$ 2,179,481
<i>Additional cash flow information:</i>		
State registration taxes paid	\$ 150	\$ 150
Interest and finance charges paid	\$ -	\$ -

One Heart Worldwide

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021

(with Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Program fees and other earned income				
Contributed income:				
Foundation and corporate grants	\$ 1,451,549	\$ 976,160	\$ 2,427,709	\$ 3,245,749
Government grants	130,000		130,000	-
Individual donations	318,867		318,867	148,795
Special events	-	-	-	28,047
In-kind contributions	22,068,046	-	22,068,046	637,896
Net assets released from restrictions	928,240	(928,240)	-	-
Total contributed income	24,896,702	47,920	24,944,622	4,060,487
Earned revenue:				
Exchange gains (loss)	(6,148)	-	(6,148)	2,516
Interest income	1,333	-	1,333	157
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Total expenses	25,296,738	-	25,296,738	3,433,604
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Net assets at beginning of year	1,521,241	834,394	2,355,635	1,726,078
Net assets at end of year	\$ 1,116,390	\$ 882,314	\$ 1,998,704	\$ 2,355,635

**Notes to Financial Statements
December 31, 2021 and 2020**

1. Organization

One Heart Worldwide was organized as a nonprofit corporation in 2004 and maintains its corporate offices in San Diego, California. One Heart Worldwide strives to provide simple training and medical supplies necessary to prevent birthing-related deaths in selected less developed regions of the world.

The mission of One Heart Worldwide is to decrease maternal and neonatal mortality and morbidity in remote, rural areas of the world.

During the year ended December 31, 2021, the Organization's programs were focused in regions of Nepal. One Heart Worldwide works with local communities and health providers to develop a culturally appropriate Network of Safety around mothers and infants to ensure that mothers and infants survive delivery and the first months of life.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of One Heart Worldwide have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the One Heart Worldwide ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – One Heart Worldwide's cash consists of cash on deposit with banks. Cash equivalents represent savings, cash deposits and money market accounts with maturity dates of three months or less from the date of inception.

Concentrations of Credit Risk – Financial instruments that potentially subject One Heart Worldwide to concentrations of credit risk consist principally of cash and cash equivalents and deposits. One Heart Worldwide maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. One Heart Worldwide manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, One Heart Worldwide has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of the One Heart Worldwide mission.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Comparative Financial Information - The One Heart Worldwide financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Accounts and Grants Receivable – One Heart Worldwide records contributions receivable that are expected to be collected within one year at net realizable value. When material, contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue on the statement of activities. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). One Heart Worldwide groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

**Notes to Financial Statements
December 31, 2021 and 2020**

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment - One Heart Worldwide's policy is to record property and equipment purchases at cost or, if donated, at fair market value on the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. One Heart Worldwide reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. One Heart Worldwide has determined that no long-lived assets were impaired during the years ended December 31, 2021 and 2020.

Income Taxes – One Heart Worldwide is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. One Heart Worldwide has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. One Heart Worldwide has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

One Heart Worldwide has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted to do so as of December 31, 2021 and 2020.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) 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 can be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. These reclassifications had no impact on previously reported net assets.

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

A transfer of funds with a conditional promise to contribute is accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income (such as special events), and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions received are 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Donated Services and In-Kind Contributions – In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958.605.30-11*. Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Contributions Made - One Heart Worldwide recognizes grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the board of directors approves a specific grant, or when management, pursuant to grant-authorization policies established by the board of directors, approves a grant. Unconditional grants approved but not yet disbursed are reported as grants payable in the statement of financial position. Conditional grants approved but contingent upon fulfillment of certain specified conditions by the grantee are not recorded until the conditions have been met. Revocable grants are recorded when grants are distributed to the grantee.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires One Heart Worldwide to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, professional services) have been allocated based on time and effort using One Heart Worldwide's payroll allocations. Other expenses (depreciation and amortization, insurance, and occupancy) have been allocated in accordance with the specific services received from vendors.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the 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.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of September 13, 2022 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that One Heart Worldwide has the ability to continue as a going concern.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

In September 17, 2020, the FASB issued *Accounting Standards Update (ASU) 2020-07; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by non-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires that an organization disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of nonfinancial assets recognized:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used
 - The organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with requirements in *Topic 820, Fair Value Measurement*, at initial recognition
 - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,765,572 and \$2,179,482 at December 31, 2021 and 2020, respectively, consist of deposits in local financial institutions. The balances reflect funds on deposit in various checking accounts that have a maturity date of 90 days or less. One Heart Worldwide attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. All funds reside in various noninterest-bearing domestic and foreign bank accounts.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets of \$29,114 and \$41,135 at December 31, 2021 and 2020, respectively, consist primarily of expenditures related to projects under construction, all of which benefit the subsequent fiscal years.

One Heart Worldwide

Notes to Financial Statements December 31, 2021 and 2020

5. Accounts and Grants Receivable

Accounts and grants receivable of \$390,065 and \$590,159 at December 31, 2021 and 2020, respectively, represent funds due from various individuals, foundations, and other organization. Accounts and grants receivable are expected to be collected as follows at December 31:

	2021	2020
Year ending December 31, 2020	\$ -	\$ 490,159
Year ending December 31, 2021	275,149	100,000
Year ending December 31, 2022	114,916	-
Total accounts and grants receivable	390,065	590,159
Less: accounts and grants receivable – current	(275,149)	(490,159)
Accounts and grants receivable – noncurrent	\$ 114,916	\$ 100,000

Accounts and grants receivable represent amounts which were committed by various individuals, corporations, foundations, and government agencies. One Heart Worldwide uses the direct write-off method with regards to receivables deemed uncollectible.

The long-term portions of grants and pledges receivable at December 31, 2021 have not been discounted to reflect the net present value of the future cash in-flows because the estimated discount is not material. During the years ended December 31, 2021 and 2020, One Heart Worldwide had no bad debt write-offs. Management has evaluated the receivables as of December 31, 2021 and determined that such amounts are fully collectible based on a variety of factors (including the financial strength of the donors involved).

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts and grants receivable	\$ 390,065	\$ -	\$ 275,149	\$ 114,916

Composition of assets utilizing fair value measurements at December 31, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts and grants receivable	\$ 590,159	\$ -	\$ 490,159	\$ 100,000

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

One Heart Worldwide

Notes to Financial Statements December 31, 2021 and 2020

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Furniture and Fixtures	\$ 2,792	\$ 2,792
Equipment	21,000	21,000
Computer	37,210	37,210
Less: accumulated depreciation	(54,666)	(52,626)
Property and equipment, net	<u>\$ 6,336</u>	<u>\$ 8,376</u>

Depreciation expense amounted to \$2,040 and \$3,115 for the years ended December 31, 2021 and 2020, respectively.

8. In-Kind Contributions

One Heart Worldwide recognizes donated services which create and enhance non-financial assets or that require specialized skills (such as professional services which would otherwise need to be purchased if not provided by donation). There are also unpaid volunteers who have made significant contributions of time to various departments or programs of One Heart Worldwide. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under *ASC 958.605.30-11 "Revenue Recognition of Not-For-Profit Entities."*

During the years ended December 31, 2021 and 2020, One Heart Worldwide was the recipient of certain in-kind contributions which satisfied the provisions of *ASC 958.605.30-11* and these donated services, materials, and facilities were recorded at their estimated fair market values as program and supporting revenues and expenses. The values of these contributions as reflected on the statement of activities and changes in net assets are as follows for the years ended December 31:

	2021	2020
In-kind professional services	\$ -	\$ 52,900
Medical supplies, equipment, and medicine	22,068,046	584,996
Total in-kind donations received	<u>\$ 22,068,046</u>	<u>\$ 637,896</u>

9. Retirement Plan

One Heart Worldwide offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). This plan covers eligible employees who have satisfied plan requirements for eligibility. During the years ended December 31, 2021 and 2020, One Heart Worldwide made employer-matching contributions of \$38,986 and \$37,800, respectively.

One Heart Worldwide

Notes to Financial Statements December 31, 2021 and 2020

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, One Heart Worldwide is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$129,683 and \$156,137 at December 31, 2021 and 2020, respectively, and are included with accrued payroll related expenses on the statements of financial position.

11. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$1,116,390 and \$1,521,241 at December 31, 2021 and 2020, respectively, and represent the cumulative operating surpluses of One Heart Worldwide since its inception.

Net Assets With Donor Restrictions

One Heart Worldwide recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2021	2020
Charitable Foundation	\$ 263,709	\$ -
Mulago	100,000	300,000
International Foundation	-	7,520
Weyerhaeuser Family Foundation	30,000	30,000
Planet Wheeler Foundation	-	200,000
Schooner Foundation	161,750	239,874
Laerdal Foundation	35,000	-
Vitol Foundation	139,135	57,000
Various	152,720	-
Totals	\$ 882,314	\$ 834,394

During the years ended December 31, 2021 and 2020, contributions to net assets with donor restrictions amounted to \$976,160 and \$1,324,900, respectively. Net assets released from restrictions amounted to \$928,240 and \$1,192,291 during the years ended December 31, 2021 and 2020, respectively.

**Notes to Financial Statements
December 31, 2021 and 2020**

12. Right of Use Asset and Leases

As of December 31, 2021 One Heart Worldwide is obligated under several separate operating lease agreements as follows: (a) Bardibas office: long-term lease expiring March 2024; (b) Katmandu office: long-term lease expiring February 2024; and (c) short term leases in various areas in Nepal.

In accordance with *ASU 2016-02, Leases*, One Heart Worldwide is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, at December 31, 2021, One Heart Worldwide has recorded a total lease liability in the amount of \$56,207 (split between current amount of \$25,327 and noncurrent amount of \$30,880) and a corresponding right of use asset for the premises in the amount of \$56,207. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2021 was 4.0%. Total rent expense for the years ended December 31, 2021 and 2020 amounted to \$57,526 and \$92,270, respectively, and is included with rent and utilities on the statement of functional expenses.

Future minimum lease payments under contractual rental obligations as of December 31, 2021 are as follows: **Year ending December 31, 2022: \$29,545; Year ending December 31, 2023: \$24,752; and Year ending December 31, 2024: \$4,379.**

13. SBA and Paycheck Protection Program

During May 2020, One Heart Worldwide received \$130,000 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(1) small business lending program to fund loans of up to \$10 million per borrower that qualifying entities can spend to cover payroll, interest, rent and utilities.

Under the guidance in *FASB ASC 958-605*, management initially recorded the forgivable loan as a refundable advance. One Heart Worldwide expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreements with the SBA. In January 2021, One Heart Worldwide fulfilled all of the required conditions and received forgiveness of the PPP loan, recording the full \$130,000 as contributed income. This amount is reflected as government support on the statement of activities and changes in net assets for the year ended December 31, 2021.

**Notes to Financial Statements
December 31, 2021 and 2020**

14. Liquidity

One Heart Worldwide regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. One Heart Worldwide has various sources of liquidity at its disposal, including cash and equivalents and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, One Heart Worldwide considers all expenditures related to its ongoing activities of promoting healthier lives and prevent disease among underserved populations as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, One Heart Worldwide operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of One Heart Worldwide's cash and shows positive cash generated by operations for years ended December 31, 2021 and 2020.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 1,765,572	\$ 2,179,482
Accounts, grants, and contracts receivable (current portion)	275,149	490,159
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(782,314)	(309,394)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,258,407	\$ 2,360,247

One Heart Worldwide receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, One Heart Worldwide must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of One Heart Worldwide's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. One Heart Worldwide's goal is generally to maintain financial assets to meet 120 days of operating expenses.

15. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which One Heart Worldwide conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements reflect certain economic ramifications which impacted the years ended December 31, 2021 and 2020.

**Notes to Financial Statements
December 31, 2021 and 2020**

16. Contracts

One Heart Worldwide is engaged with a large number of contractors to renovate health facilities in various locations. One Heart Worldwide has assumed financial responsibility ranging from 42% to 73% of the total construction costs under these contracts. As of December 31, 2021, ten of the contracts were still outstanding with the expectation that the projects will be completed during 2022. The total remaining commitments from these contracts are estimated to be \$73,440 at December 31, 2021 but are not reflected on the statements of financial position.

Subsequent to year-end, One Heart Worldwide entered into various contracts to renovate health facilities. As of September 13, 2022 (the date of the Independent Auditors' Report), One Heart Worldwide entered into six different contracts with the total commitment of \$189,197. These amounts are not reflected on the statements of financial position.

17. Commitments and Contingencies

In the normal course of business One Heart Worldwide could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate One Heart Worldwide to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond One Heart Worldwide's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, including executive officers of the organization, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, One Heart Worldwide has evaluated subsequent events through September 13, 2022, the date the financial statements were available to be issued. In the opinion of management, there are no other subsequent events which are required to be disclosed except for the contract commitments which are explained in Note 16,