

# HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2019 and 2018

# HOPE FOR HAITI, INC. AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hope for Haiti, Inc. and Affiliate  
Naples, Florida

We have audited the accompanying consolidated financial statements of Hope for Haiti, Inc. (a nonprofit corporation) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Hope for Haiti, Inc. and Affiliate  
Naples, Florida

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hope for Haiti, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As described in Note 2 to the consolidated financial statements, Hope for Haiti, Inc. and Affiliate has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and No. 2016-18, *Restricted Cash*. ASU No. 2016-14 had a material effect on the presentation of the June 30, 2019 and 2018 consolidated financial statements; ASU No. 2016-18 had an effect on the presentation of the restricted cash in the consolidated statements of cash flows. Our opinion is not modified with respect to these matters.

*Capin Crouse LLP*

Lawrenceville, Georgia  
October 23, 2019

# HOPE FOR HAITI, INC. AND AFFILIATE

## Consolidated Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
<b>ASSETS:</b>		
Cash and cash equivalents:		
Without donor restrictions	\$ 1,231,992	\$ 1,563,439
With donor restrictions	258,917	572,815
Investments	3,031,259	2,938,643
Grant receivable	300,000	-
Other assets–net	24,126	63,401
Property and equipment–net	811,912	880,576
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 5,658,206</u>	<u>\$ 6,018,874</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,826	\$ 23,757
Deferred revenue	-	35,000
	<u>104,826</u>	<u>58,757</u>
Net assets:		
Without donor restrictions	4,621,066	4,766,249
With donor restrictions	932,314	1,193,868
	<u>5,553,380</u>	<u>5,960,117</u>
Total Liabilities and Net Assets	<u>\$ 5,658,206</u>	<u>\$ 6,018,874</u>

See notes to consolidated financial statements

# HOPE FOR HAITI, INC. AND AFFILIATE

## Consolidated Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,430,362	\$ 1,155,000	\$ 2,585,362	\$ 1,607,280	\$ 1,567,793	\$ 3,175,073
Special events	760,821	-	760,821	474,179	-	474,179
Gifts-in-kind	11,676,650	-	11,676,650	9,530,375	-	9,530,375
Investment income	162,304	-	162,304	146,966	-	146,966
Gain on sale of property and equipment	-	-	-	29,500	-	29,500
<b>Total Support and Revenue</b>	<b>14,030,137</b>	<b>1,155,000</b>	<b>15,185,137</b>	<b>11,788,300</b>	<b>1,567,793</b>	<b>13,356,093</b>
<b>RECLASSIFICATIONS:</b>						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,416,554	(1,416,554)	-	2,256,551	(2,256,551)	-
<b>EXPENSES:</b>						
Program services	14,456,091	-	14,456,091	13,972,391	-	13,972,391
Supporting activities:						
Management and general	370,703	-	370,703	381,245	-	381,245
Fundraising	765,080	-	765,080	424,304	-	424,304
	1,135,783	-	1,135,783	805,549	-	805,549
<b>Total Expenses</b>	<b>15,591,874</b>	<b>-</b>	<b>15,591,874</b>	<b>14,777,940</b>	<b>-</b>	<b>14,777,940</b>
Change in Net Assets	(145,183)	(261,554)	(406,737)	(733,089)	(688,758)	(1,421,847)
Net Assets, Beginning of Year	4,766,249	1,193,868	5,960,117	5,499,338	1,882,626	7,381,964
Net Assets, End of Year	<b>\$ 4,621,066</b>	<b>\$ 932,314</b>	<b>\$ 5,553,380</b>	<b>\$ 4,766,249</b>	<b>\$ 1,193,868</b>	<b>\$ 5,960,117</b>

See notes to consolidated financial statements

## HOPE FOR HAITI, INC. AND AFFILIATE

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services						Supporting Activities				Total Expenses
	Education	Water	Healthcare	Economy	Infrastructure	Haiti Ops	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Gifts-in-kind:											
Medications and medical supplies	\$ -	\$ -	\$ 11,422,096	\$ -	\$ -	\$ -	\$ 11,422,096	\$ -	\$ -	\$ -	\$ 11,422,096
Other	327	35,994	62,643	-	96,679	-	195,643	32,000	26,911	58,911	254,554
	327	35,994	11,484,739	-	96,679	-	11,617,739	32,000	26,911	58,911	11,676,650
Salaries and related benefits	49,106	-	407,512	90,332	66,189	460,429	1,073,568	212,136	359,989	572,125	1,645,693
Office expenses	7,818	-	70,928	8,120	583	108,741	196,190	45,222	79,138	124,360	320,550
Supplies and materials	81	53,303	22,989	4,575	20,181	8,788	109,917	-	-	-	109,917
Medication and medical supplies	-	-	178,328	-	31,546	-	209,874	-	-	-	209,874
Teacher training and salary subsidies	241,618	-	-	-	-	-	241,618	-	-	-	241,618
Construction projects	-	2,989	-	-	274,236	-	277,225	-	-	-	277,225
Bad debt expense	-	-	-	217,771	-	-	217,771	-	-	-	217,771
Travel	8,860	7,932	44,814	17,348	12,663	86,354	177,971	9,461	6,899	16,360	194,331
Promotions	-	-	-	-	-	-	-	9,805	257,439	267,244	267,244
School programs (recreation, scholarship, lunch)	52,887	-	12,410	-	-	-	65,297	-	-	-	65,297
Grants	-	-	-	53,340	-	-	53,340	-	-	-	53,340
Depreciation	-	-	-	-	-	109,172	109,172	12,266	1,227	13,493	122,665
Professional fees	50	299	6,025	11,976	10,459	4,552	33,361	39,601	9,900	49,501	82,862
Laboratory fees/surgical procedures	-	-	34,735	-	-	-	34,735	-	-	-	34,735
Repairs and maintenance	-	578	12,285	-	4,154	6,892	23,909	1,776	3,014	4,790	28,699
Occupancy	-	-	-	-	-	1,737	1,737	5,211	8,843	14,054	15,791
Telephone	910	-	3,526	1,147	569	6,442	12,594	2,860	4,853	7,713	20,307
Postage and shipping	-	-	-	-	-	73	73	365	6,867	7,232	7,305
<b>Total Expenses</b>	<b>\$ 361,657</b>	<b>\$ 101,095</b>	<b>\$ 12,278,291</b>	<b>\$ 404,609</b>	<b>\$ 517,259</b>	<b>\$ 793,180</b>	<b>\$ 14,456,091</b>	<b>\$ 370,703</b>	<b>\$ 765,080</b>	<b>\$ 1,135,783</b>	<b>\$ 15,591,874</b>

See notes to consolidated financial statements

## HOPE FOR HAITI, INC. AND AFFILIATE

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services						Supporting Activities				Total Expenses
	Education	Water	Healthcare	Economy	Infrastructure	Haiti Ops	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Gifts-in-kind:											
Medications and medical supplies	\$ -	\$ -	\$ 9,770,026	\$ -	\$ -	\$ -	\$ 9,770,026	\$ -	\$ -	\$ -	\$ 9,770,026
Other	25,909	5,000	84,362	5,000	830,502	5,000	955,773	-	-	-	955,773
	25,909	5,000	9,854,388	5,000	830,502	5,000	10,725,799	-	-	-	10,725,799
Salaries and related benefits	65,163	-	365,369	63,462	113,062	475,933	1,082,989	182,672	150,435	333,107	1,416,096
Office expenses	986	-	57,490	10,451	5,879	170,134	244,940	112,848	83,151	195,999	440,939
Supplies and materials	2,771	5,006	193,220	4,937	115,603	6,944	328,481	-	-	-	328,481
Medication and medical supplies	-	-	171,409	-	79,338	-	250,747	-	-	-	250,747
Teacher training and salary subsidies	249,979	-	-	-	-	-	249,979	-	-	-	249,979
Construction projects	12,635	1,860	-	-	184,106	-	198,601	-	-	-	198,601
Bad debt expense	-	-	-	196,972	-	-	196,972	-	-	-	196,972
Travel	7,115	393	42,973	10,801	34,410	73,093	168,785	7,681	9,729	17,410	186,195
Promotions	-	-	-	-	-	-	-	-	150,670	150,670	150,670
School programs (recreation, scholarship, lunch)	128,052	-	-	-	-	-	128,052	-	-	-	128,052
Grants	-	-	-	121,546	-	-	121,546	-	-	-	121,546
Depreciation	-	-	-	-	-	94,974	94,974	10,916	3,275	14,191	109,165
Professional fees	613	-	3,679	20,795	21,563	5,495	52,145	41,265	12,326	53,591	105,736
Laboratory fees/surgical procedures	-	-	98,311	-	-	-	98,311	-	-	-	98,311
Repairs and maintenance	-	-	9,460	581	5,562	5,194	20,797	16,282	-	16,282	37,079
Occupancy	-	-	-	-	-	5,144	5,144	4,602	3,790	8,392	13,536
Telephone	-	-	-	-	-	4,129	4,129	3,695	3,043	6,738	10,867
Postage and shipping	-	-	-	-	-	-	-	1,284	7,885	9,169	9,169
<b>Total Expenses</b>	<b>\$ 493,223</b>	<b>\$ 12,259</b>	<b>\$ 10,796,299</b>	<b>\$ 434,545</b>	<b>\$ 1,390,025</b>	<b>\$ 846,040</b>	<b>\$ 13,972,391</b>	<b>\$ 381,245</b>	<b>\$ 424,304</b>	<b>\$ 805,549</b>	<b>\$ 14,777,940</b>

See notes to consolidated financial statements

# HOPE FOR HAITI, INC. AND AFFILIATE

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (406,737)	\$ (1,421,847)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	122,665	109,165
Gifts-in-kind	(11,676,650)	(9,530,374)
Distributions of gifts-in-kind	11,676,650	10,725,799
Realized/unrealized gains on investments	(67,710)	(77,537)
Gain on sales of property and equipment	-	(29,500)
Changes in operating assets and liabilities:		
Grant receivable	(300,000)	-
Other assets	39,275	(7,092)
Accounts payable and accrued expenses	81,069	(60,197)
Deferred revenue	(35,000)	35,000
Net Cash Used by Operating Activities	(566,438)	(256,583)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(54,001)	(108,179)
Proceeds from sales of property and equipment	-	29,500
Purchases of investments	(379,906)	(845,468)
Proceeds from sales of investments	355,000	-
Net Cash Used by Investing Activities	(78,907)	(924,147)
Net Change in Cash and Cash Equivalents	(645,345)	(1,180,730)
Cash and Cash Equivalents, Beginning of Year	2,136,254	3,316,984
Cash and Cash Equivalents, End of Year	\$ 1,490,909	\$ 2,136,254
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows:		
Cash and cash equivalents—without donor restrictions	\$ 1,231,992	\$ 1,563,439
Cash and cash equivalents—with donor restrictions	258,917	572,815
	\$ 1,490,909	\$ 2,136,254

See notes to consolidated financial statements

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 1. NATURE OF ORGANIZATION:

Hope for Haiti, Inc. (HFH or the Organization) is an innovative and creative international development organization that has been working in Haiti for 30 years. The Organization partners with private donors to create community-based sustainable change through a grassroots and strategic holistic approach. The Organization is an action-oriented and fast-paced organization that believes in partnership solutions to poverty alleviation. The Organization's vision for the future is one of strategic growth in creating healthy, sustainable communities and has a distinguished and well-established board of directors that provides the Organization with strong governance, oversight, and strategic direction. Building upon a proven track record of success, the Organization stays true to its mission and founding principles, while offering a dynamic and supportive work environment. For more information about the Organization, please visit [www.hopeforhaiti.com](http://www.hopeforhaiti.com).

HFH is a not-for-profit corporation and as such, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Contributions to HFH are deductible from income taxes on the donor's income tax return within the limitations prescribed by the Code. HFH is also classified as a publicly supported organization, which is not a private foundation as defined by Section 170(b) of the Code.

HFH supports Fondasyon Kuehner (Foundation), an affiliated Haitian foundation which commenced operations in August 2011, by providing funding, volunteers, and goods and services. The Foundation was established in the Republic of Haiti to assist in carrying out HFH's mission within the Republic of Haiti by managing all operations and programs on behalf of HFH. The mission of HFH and the Foundation (collectively referred to as the Organization) is to improve the quality of life for the Haitian people, particularly children. The Organization accomplishes this mission primarily through the program services described below:

*Education*—The objective of our Education Program is to improve the access and quality of education in southern Haiti by investing in and partnering with key education partners and institutions. From 2018-2019, the Organization subsidized the salaries of 424 primary and secondary teachers at our 24 partner schools in southern Haiti, impacting the lives of 7,249 students.

*Healthcare*—The objective of our Healthcare Program is to improve the access and quality of healthcare for people living primarily in the Greater South of Haiti. From 2018-2019, the Organization shipped medications and medical supplies that went toward supporting a healthcare network of 25 providers, in particular, the Organization's Infirmary St. Etienne that provided over 15,000 consultations including mobile clinics ran by Infirmary staff.

*Water*—The objective of our Water Program is to improve clean water access for people living in southern Haiti, especially children. From 2018-2019, the Organization provided over 100,000 Haitian people with access to clean water through 28 sites, including a minimum of 30,995 gallons of water filtered daily by the families, schools and communities who've received Sawyer Filtration Systems. The water program also addresses WASH (water, hygiene and sanitation) and has constructed and/or improved 10 sanitation blocks at partner schools since Hurricane Matthew.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 1. NATURE OF ORGANIZATION, continued:

*Infrastructure*—The objective of the Infrastructure Program is to work with local leaders to implement a community-based and participatory approach to infrastructure improvements focused on healthcare, education, water sanitation, technology, environment and agriculture, market access, and disaster preparedness. From 2018-2019, the Organization's Infrastructure Program completed all Hurricane Matthew projects and returned to regular development programming which in infrastructure included the construction of 9 classrooms at 2 schools, 500 KM of road improved, and a standing stock of 1,250 emergency buckets.

*Economy*—The objective of our Economy Program is to increase the Organization's economy portfolio, with a focus on education, access to loans and grants, and job training in communities in southern Haiti. From 2018-2019, the Organization supported Haitian entrepreneurs and communities through small-business loans, microcredit programs, household surveys measuring poverty likelihoods, and community and vocational training.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the balances and financial activities of HFH and the Foundation. All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

#### USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, checking, savings, and money market accounts, with original maturities of three months or less. While at times deposits may exceed federally insured limits, the Organization has not experienced any losses on these accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. For the years ended June 30, 2019 and 2018, cash balances in excess of federally insured limits totaled \$1,155,672 and \$1,892,548, respectively.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS, continued

The Organization is required to hold certain donor contributions in a separate bank account, for the purposes outlined in the executed grant agreement between the Organization and donor. For the years ended June 30, 2019 and 2018, funds held in this separate account totaled \$258,917 and \$572,815, respectively.

#### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment income without donor restrictions in the accompanying consolidated statements of activities unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy.

#### GRANT RECEIVABLE

Grant receivable consists primarily of an amount due the Organization for grant from a foundation wherein the foundation has unconditionally promised to contribute funds to the Organization in future periods. The allowance for doubtful grants receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall grant receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the foundations, financial condition of the foundations, other known facts and circumstances and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. As of June 30, 2019, no allowance for doubtful accounts had been recorded as the total grant receivable amount was received subsequent to year end.

#### OTHER ASSETS—NET

Other assets—net consists of various prepaid items as well as loans receivable, net of an allowance for uncollectible amounts.

Loans receivable—net consist of loans to various Haitian businesses, organizations, or individuals (entities) that live, work, and play within the communities the Organization serves. It is vital that the entities supported are focused on not only economic activity but also enhance community sustainability or development and environmental sensitivity (social business). Loans are unsecured; however, HFH does provide interest rate reductions based upon the availability of collateral in securing the loan. Collateral that is able to be secured as part of the financing transaction will result in a reduction in the loan interest rate, not to exceed 150 basis points.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### OTHER ASSETS–NET, continued

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known.

A loan is considered impaired when, based upon current information and events, it is probable that HFH will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Delinquent and impaired loans continue to accrue interest. Payments on delinquent and impaired loans are recorded first as interest income and then as a reduction in principal. The accrual of interest income is discontinued when, in management's judgment, the scheduled interest may not be collectable within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

#### PROPERTY AND EQUIPMENT–NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. The Organization generally capitalizes and reports property and equipment acquisitions in excess of \$2,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by class of net assets:

*Without donor restrictions* are currently available at the discretion of the board for use in operations or designated by the board for specific use. Equity in property and equipment represents amounts invested in property and equipment net of accumulated depreciation.

*With donor restrictions* are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned, while support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Organization. Special event revenue received in advance of the event is recorded as deferred revenue in the accompanying consolidated statements of financial position.

The Organization reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Special events consist of revenue generated from the Organization's annual gala events. For the years ended June 30, 2019 and 2018, special events revenue is recorded gross of special events related expenses of \$201,880 and \$91,261, respectively.

Donated inventory (consisting of medicines and medical supplies) is recorded as inventory and contribution revenue at its estimated fair value at the date of donation, taking into consideration inventory condition and utility for use. All donated inventory is received from private organizations and is considered to be support without donor restrictions unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution, or used in the Organization's programs.

When the Organization receives donated inventories with specific geographic or purpose restrictions, they are recognized as contributions with donor restrictions. Donor restrictions are satisfied, and donated inventory is released from restriction and reclassified as without donor restriction, when the donated product has been shipped. Donated inventories received with limitations, such as the provision that they cannot be distributed within the United States because the pharmaceuticals have not been approved by The Food and Drug Administration, are not considered donor restrictions; therefore, they are reported as contributions without donor restrictions.

Other gifts-in-kind have been valued according to an average of current market data derived from international pricing to obtain a reasonable fair market value.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

Donated services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services meeting the criteria for recognition in the consolidated financial statements totaled \$9,420 and \$-0- for the years ended June 30, 2019 and 2018, respectively.

Expenses, including advertising expenses of \$65,354 and \$59,280 incurred for the years ended June 30, 2019 and 2018, are reported when costs are incurred. The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and the supporting activities benefited.

#### RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 8).

In 2016, FASB also issued ASU No. 2016-18, *Restricted Cash*. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. The new standard changes the presentation of the restricted cash in the consolidated statements of cash flows. Adoption of this standard had no effect on change in net assets or net assets in total.

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to achieve its vision as well as the conduct of services undertaken to support those activities to be general expenditures.

#### Financial assets:

Cash and cash equivalents	\$ 1,231,992
Investments	3,031,259
Contributions receivable	300,000
Financial assets, at year-end and available to meet cash needs for general expenditures within one year:	<u>\$ 4,563,251</u>

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2019, the Organization has \$43,908 in net assets with donor restrictions for community development. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purpose.

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2019	2018
Held at fair value:		
Mutual funds	\$ 824,102	\$ 800,014
Common stock	846,699	755,467
Corporate bonds	1,360,458	1,383,162
	<u>\$ 3,031,259</u>	<u>\$ 2,938,643</u>

Income (loss) on investments consists of:

	Year Ended June 30,	
	2019	2018
Interest and dividends	\$ 108,845	\$ 69,429
Realized loss	(48,418)	-
Unrealized gain	116,128	90,211
Investment management fees	(14,251)	(12,674)
	<u>\$ 162,304</u>	<u>\$ 146,966</u>

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

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5. OTHER ASSETS–NET:

Other assets–net consist of:

	June 30,	
	2019	2018
Loans receivable:		
Current	\$ 196,022	\$ 196,972
31 - 60 days past due	24,628	-
61 - 90 days past due	36,096	-
Over 90 days past due	157,187	-
	413,933	196,972
Interest receivable:		
Current	4,999	-
	418,932	196,972
Allowance for loan and interest losses	(414,743)	(196,972)
	4,189	-
Prepaid expenses	19,937	63,401
	\$ 24,126	\$ 63,401

Allowance for loan and interest losses consist of:

	June 30,	
	2019	2018
Balance, beginning of year	\$ 196,972	\$ -
Provision for loan and interest losses	217,771	196,972
Portfolio charge-offs and write down	-	-
	-	-
Balance, end of year	\$ 414,743	\$ 196,972

The Organization evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for allowance on a collective basis. At June 30, 2019 and 2018, loans receivable totaling \$414,394 and \$196,972, respectively, and interest receivable totaling \$4,999 and \$-0-, respectively, with allowances in the amount of \$414,743 and \$196,972, respectively, were evaluated collectively for impairment with no impairment being noted. No loans were individually evaluated for impairment.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. OTHER ASSETS–NET, continued:

Status of performing and nonperforming loans is based on payment activity for the years ended June 30, 2019 and 2018. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous month. As of June 30, 2019, there were 17 loans considered nonperforming. As of June 30, 2018, there were no loans considered nonperforming.

The Organization classifies loans as past due if the loan is more than 30 days past due. There were 20 loans past due as of June 30, 2019. There were no loans past due as of June 30, 2018.

As of June 30, 2019, the Organization considers the majority of loans made pursuant to the economy program unlikely to be collectible. As of June 30, 2018, the Organization considered all loans made pursuant to the economy program unlikely to be collectible.

Loans and interest receivable are estimated to mature as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2020	\$ 91,217
2021	71,600
2022	62,150
2023	61,275
2024	56,397
Thereafter	<u>76,293</u>
	<u>\$ 418,932</u>

Concentrations of credit risk exist with respect to individually significant borrowers whose individual balances exceed five percent of the total loan portfolio. At June 30, 2019, five borrowers had individual balances in excess of five percent of the total loan portfolio. The total of the five balances was \$291,354 and this represented 70% of the total portfolio.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30,	
	2019	2018
Buildings and improvements	\$ 747,471	\$ 747,471
Computer and office equipment	57,698	57,698
Software	132,223	122,223
Vehicles	466,998	422,998
	1,404,390	1,350,390
Less accumulated depreciation	(592,478)	(469,814)
Property and equipment–net	\$ 811,912	\$ 880,576

7. NET ASSETS:

Net assets consists of:

	June 30,	
	2019	2018
Without donor restrictions:		
Undesignated	\$ 3,809,154	\$ 3,885,673
Equity in property and equipment	811,912	880,576
	4,621,066	4,766,249
With donor restrictions:		
Community Development	932,314	1,056,002
Disaster relief–Hurricane Matthew	-	137,866
	932,314	1,193,868
	\$ 5,553,380	\$ 5,960,117

8. EXPENSES BY BOTH NATURE AND FUNCTION:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include salaries and benefits, depreciation, interest, and other expenses. Salaries and benefits are allocated based on average estimates of time and effort by employees. Depreciation and interest are allocated based on square footage and the programmatic purpose of the asset being depreciated. Costs of other categories were allocated based on programmatic purpose of the employees directly affected by the expense.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 9. CONDITIONAL GRANTS RECEIVABLE:

The Organization has several multi-year grant agreements with scheduled future payments. Management believes these to be conditional on future expenditures and/or future reporting based on their understanding with the grantors. Therefore, they have not been recorded as receivables in the accompanying consolidated statements of financial position. Of the total future payments, \$1,100,000 will be temporarily restricted for economic development, or healthcare program services, based upon the terms of the executed grant agreements. Future grant receipts are estimated as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2020	\$ 700,000
2021	<u>400,000</u>
	<u><u>\$ 1,100,000</u></u>

### 10. CONCENTRATION:

During the years ended June 30, 2019 and 2018, the Organization received 50% and 57%, respectively, of total contribution support from three donors. Additionally, during the years ended June 30, 2019 and 2018, the Organization received 70% and 80%, respectively, of total gifts-in-kind support from two donors. The Organization's operations and program services could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

### 11. COMMITMENT:

During the year ended June 30, 2019, the Organization entered into an agreement for a construction project. The project has an estimated cost of \$350,000. As of June 30, 2019, approximately \$100,000 of the estimated cost of the project has been completed and paid, with a remaining project commitment of approximately \$250,000 expected to be incurred during the year ending June 30, 2020.

### 12. RELATED PARTY TRANSACTIONS:

The Organization has contracts for program construction services in Haiti with a company owned by an individual related to the Organization. Program expenses incurred under these agreements totaled \$106,745 and \$101,615 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, there were no amounts due to the related party.

For the years ended June 30, 2019 and 2018, three major foundations contributed 50% and 57%, respectively, of total contribution support. Of these three foundations, two have members of management on the Organizations' board, and one shares a common board member with the Organization.

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 13. POST-RETIREMENT BENEFITS:

Effective August 2016, the Organization began sponsoring a defined contribution retirement plan (the Plan), which covers substantially all full-time employees. Employees are eligible to make contributions and receive matching contributions after completing 90 days/ 250 hours of service. Contributions to the Plan are held by the Plan custodian. Employer contributions to the Plan are discretionary. The Organization's contributions to the Plan totaled \$16,012 and \$0- for the years ended June 30, 2019 and 2018, respectively.

### 14. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy at June 30, 2019 and 2018:

	Fair Value Measurements at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds	\$ 824,102	\$ 824,102	\$ -	\$ -
Common stock	846,699	846,699	-	-
Corporate bonds	1,360,458	-	1,360,458	-
	<u>\$ 3,031,259</u>	<u>\$ 1,670,801</u>	<u>\$ 1,360,458</u>	<u>\$ -</u>
	Fair Value Measurements at June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds	\$ 800,014	\$ 800,014	\$ -	\$ -
Common stock	755,467	755,467	-	-
Corporate bonds	1,383,162	-	1,383,162	-
	<u>\$ 2,938,643</u>	<u>\$ 1,555,481</u>	<u>\$ 1,383,162</u>	<u>\$ -</u>

# HOPE FOR HAITI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

14. FAIR VALUE MEASUREMENTS, continued:

Methods and assumptions used by the Organization in estimating fair value are as follows:

*Valuation techniques:* Fair values for stocks and equities are based on quoted market prices in an active market. The fair value of mutual funds is based on the net asset value (NAV) of the underlying investments in the fund. Corporate bond fair value is based on yields currently available on comparable securities of issuers with similar credit ratings.

*Changes in valuation techniques:* None.

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 23, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.