

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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.

Capin Crouse LLP

Lawrenceville, Georgia
November 9, 2021

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents:		
Without donor restrictions	\$ 1,572,235	\$ 1,595,948
With donor restrictions	164,771	333,048
Investments	3,781,855	2,905,745
Other assets–net	34,104	44,448
Inventory	453,988	234,778
Property and equipment–net	<u>726,742</u>	<u>854,697</u>
Total Assets	<u>\$ 6,733,695</u>	<u>\$ 5,968,664</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 95,113</u>	<u>\$ 91,406</u>
Net assets:		
Without donor restrictions	5,876,283	5,069,309
With donor restrictions	<u>762,299</u>	<u>807,949</u>
Total net assets	<u>6,638,582</u>	<u>5,877,258</u>
Total Liabilities and Net Assets	<u>\$ 6,733,695</u>	<u>\$ 5,968,664</u>

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,810,659	\$ 1,924,116	\$ 3,734,775	\$ 1,029,256	\$ 2,306,429	\$ 3,335,685
Special events	-	-	-	581,801	-	581,801
Gifts-in-kind	26,045,311	-	26,045,311	18,276,445	-	18,276,445
Investment income	630,561	-	630,561	191,724	-	191,724
Other	61,802	-	61,802	4,000	-	4,000
Total Support and Revenue	28,548,333	1,924,116	30,472,449	20,083,226	2,306,429	22,389,655
RECLASSIFICATIONS:						
Net assets released from restrictions due to:						
Satisfaction of purpose restrictions	1,969,766	(1,969,766)	-	2,430,794	(2,430,794)	-
EXPENSES:						
Program services	28,675,916	-	28,675,916	20,892,299	-	20,892,299
Supporting activities:						
Management and general	404,936	-	404,936	406,317	-	406,317
Fundraising	630,273	-	630,273	767,161	-	767,161
	1,035,209	-	1,035,209	1,173,478	-	1,173,478
Total Expenses	29,711,125	-	29,711,125	22,065,777	-	22,065,777
Change in Net Assets	806,974	(45,650)	761,324	448,243	(124,365)	323,878
Net Assets, Beginning of Year	5,069,309	807,949	5,877,258	4,621,066	932,314	5,553,380
Net Assets, End of Year	\$ 5,876,283	\$ 762,299	\$ 6,638,582	\$ 5,069,309	\$ 807,949	\$ 5,877,258

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services						Supporting Activities				
	Education	Water	Healthcare	Economy	Infrastructure	Haiti Ops	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Gifts-in-kind:											
Medications and medical supplies	\$ -	\$ -	\$ 25,432,756	\$ -	\$ -	\$ -	\$ 25,432,756	\$ -	\$ -	\$ -	\$ 25,432,756
Other	-	-	108,393	-	-	-	108,393	68,262	42,939	111,201	219,594
	-	-	25,541,149	-	-	-	25,541,149	68,262	42,939	111,201	25,652,350
Salaries and related benefits	51,100	26,274	535,676	101,981	-	448,719	1,163,750	245,229	416,146	661,375	1,825,125
Office expenses	171,473	-	71,840	18,439	-	82,828	344,580	32,902	101,315	134,217	478,797
Supplies and materials	4,342	48,091	12,757	800	-	515	66,505	-	-	-	66,505
Medication and medical supplies	-	-	504,247	-	-	-	504,247	-	-	-	504,247
Teacher training and salary subsidies	175,462	-	-	-	-	-	175,462	-	-	-	175,462
Construction projects	82,000	-	-	-	-	-	82,000	-	-	-	82,000
Bad debt expense	-	-	-	5,259	-	-	5,259	-	-	-	5,259
Travel	14,284	16,716	26,274	1,461	-	6,545	65,280	949	797	1,746	67,026
Promotions	-	-	-	-	-	-	-	7,689	37,870	45,559	45,559
Grants	-	-	-	59,722	-	-	59,722	-	-	-	59,722
Depreciation	-	-	-	-	-	111,110	111,110	11,427	3,333	14,760	125,870
Professional fees	29,351	158,261	56,067	4,512	-	10,138	258,329	27,361	6,861	34,222	292,551
Repairs and maintenance	-	-	35,320	-	-	3,796	39,116	1,514	2,569	4,083	43,199
Occupancy	-	-	-	-	-	1,687	1,687	5,060	8,586	13,646	15,333
Telephone	1,320	732	6,496	1,485	-	5,131	15,164	2,921	4,956	7,877	23,041
Postage and shipping	-	-	-	-	-	260	260	1,622	4,901	6,523	6,783
Cost of goods distributed	-	96,526	77,226	-	-	-	173,752	-	-	-	173,752
School–recreation and scholarships	44,280	-	17,917	-	-	-	62,197	-	-	-	62,197
Other Expenses	-	-	-	-	-	6,347	6,347	-	-	-	6,347
Total Expenses	\$ 573,612	\$ 346,600	\$ 26,884,969	\$ 193,659	\$ -	\$ 677,076	\$ 28,675,916	\$ 404,936	\$ 630,273	\$ 1,035,209	\$ 29,711,125

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	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	\$ -	\$ -	\$ 18,021,464	\$ -	\$ -	\$ -	\$ 18,021,464	\$ -	\$ -	\$ -	\$ 18,021,464
Other	26,608	-	53,890	-	19,958	-	100,456	58,327	18,972	77,299	177,755
	26,608	-	18,075,354	-	19,958	-	18,121,920	58,327	18,972	77,299	18,199,219
Salaries and related benefits	49,964	16,270	386,418	95,553	15,791	451,176	1,015,172	242,250	411,091	653,341	1,668,513
Office expenses	29,759	1,319	45,496	24,852	173	64,430	166,029	32,275	99,383	131,658	297,687
Supplies and materials	53,394	4,900	45,405	385	934	724	105,742	-	-	-	105,742
Medication and medical supplies	-	-	331,962	-	-	-	331,962	-	-	-	331,962
Teacher training and salary subsidies	122,828	-	-	-	-	-	122,828	-	-	-	122,828
Construction projects	-	19,075	-	-	196,086	-	215,161	-	-	-	215,161
Bad debt expense	-	-	-	22,309	-	-	22,309	-	-	-	22,309
Travel	6,421	9,417	32,036	8,685	2,937	41,825	101,321	9,734	8,183	17,917	119,238
Promotions	-	-	-	-	-	-	-	8,840	197,135	205,975	205,975
Grants	36,691	241,538	41,725	100,576	-	-	420,530	-	-	-	420,530
Depreciation	-	-	-	-	-	98,392	98,392	11,309	3,393	14,702	113,094
Professional fees	9,561	43,460	55,551	8,717	-	6,118	123,407	32,294	8,098	40,392	163,799
Repairs and maintenance	-	-	32,766	-	-	1,218	33,984	1,428	2,423	3,851	37,835
Occupancy	-	-	-	-	-	1,717	1,717	5,151	8,741	13,892	15,609
Telephone	1,190	-	3,761	1,109	691	4,862	11,613	3,386	5,745	9,131	20,744
Postage and shipping	-	-	-	-	-	212	212	1,323	3,997	5,320	5,532
Total Expenses	\$ 336,416	\$ 335,979	\$ 19,050,474	\$ 262,186	\$ 236,570	\$ 670,674	\$ 20,892,299	\$ 406,317	\$ 767,161	\$ 1,173,478	\$ 22,065,777

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 761,324	\$ 323,878
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	125,871	113,094
Gifts-in-kind	(26,045,311)	(18,276,445)
Distributions of gifts-in-kind	25,652,350	18,199,219
Realized/unrealized gains on investments	(563,901)	(97,300)
Gain on sales of property and equipment	(3,415)	(4,000)
Noncash contribution	-	(162,900)
Changes in operating assets and liabilities:		
Grant receivable	-	300,000
Other assets	10,344	(20,322)
Inventory	173,751	(157,552)
Accounts payable and accrued expenses	3,707	(13,420)
Net Cash Provided by Operating Activities	114,720	204,252
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(155,879)
Proceeds from sales of property and equipment	5,499	4,000
Purchases of investments	(1,148,825)	(714,534)
Proceeds from sales of investments	836,616	937,348
Net Cash Provided (Used) by Investing Activities	(306,710)	70,935
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of note payable	-	162,900
Net Change in Cash and Cash Equivalents	(191,990)	438,087
Cash and Cash Equivalents, Beginning of Year	1,928,996	1,490,909
Cash and Cash Equivalents, End of Year	\$ 1,737,006	\$ 1,928,996

(continued)

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows:		
Cash and cash equivalents—without donor restrictions	\$ 1,572,235	\$ 1,595,948
Cash and cash equivalents—with donor restrictions	<u>164,771</u>	<u>333,048</u>
	<u>\$ 1,737,006</u>	<u>\$ 1,928,996</u>

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 over 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.

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's main source of revenue comes from contributions from the public.

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 2020-2021, the Organization subsidized the salaries 429 primary and secondary teachers at our 24 partner schools in southern Haiti, impacting the lives of 6,505 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 2020-2021, the Organization shipped medications and medical supplies that went toward supporting a healthcare network of 38 providers, in particular, the Organization's Infirmary St. Etienne that provided over 30,715 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 2020-2021, the Organization provided over Haitian people with access to clean water through the distribution of 4,902 Sawyer Filtration Systems implemented in schools, healthcare facilities, community centers, businesses and households. Collectively, the systems provide a minimum of 24,510 gallons of clean water filtered daily.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 2020-2021, the Organization's Infrastructure Program constructed two sanitation blocks that included toilets, urinals, handwashing stations and water catchments systems for two partner schools.

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 2020-2021, the Organization financed 21 micro loans totaling \$31,497 and disbursed 192 grants totaling \$59,722 to Haitian entrepreneurs and communities through small-business loans, grants, and micro-grants.

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, 2021 and 2020, cash balances in excess of federally insured limits totaled \$1,188,430 and \$1,158,525, respectively.

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, 2021 and 2020, funds held in this separate account totaled \$164,771 and \$333,048, respectively.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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.

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.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory consists of donated items as well as purchased goods. Donated inventory is stated at its estimated fair value on the date of receipt and consists of medicines and medical supplies. Purchased inventory is stated at the lower of cost (based on the average cost basis) or net realizable value and consists of emergency response buckets. At June 30, 2021 and 2020, no reserve for obsolescence has been recorded, as management believe all inventory is usable.

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 three 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.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as reclassifications.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

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 and is recognized when earned. For the year ended June 30, 2021, the Organization took meaningful precautions to prevent the spread of the coronavirus. This included the cancellation of all in-person events, fundraising galas, and gatherings of large groups of any kind. For the year ended June 30, 2020, special events revenue is recorded gross of special events related expenses of \$155,984.

Donated inventory (consisting of medicines and medical supplies) is recorded as inventory and contribution support 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 support 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 support 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.

Expenses, including advertising expenses of \$45,558 and \$49,991 incurred for the years ended June 30, 2021 and 2020, respectively, are reported when costs are incurred. 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, and other expenses. Salaries and benefits are allocated based on average estimates of time and effort by employees. Depreciation is 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, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of June 30, 2021 and 2020, 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.

	June 30,	
	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,572,235	\$ 1,595,948
Investments	3,781,855	2,905,745
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,354,090</u>	<u>\$ 4,501,693</u>

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. At June 30, 2021, the Organization has \$762,299 in net assets with donor restrictions for designated purposes. 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,	
	2021	2020
Held at fair value:		
Mutual funds	\$ 979,347	\$ 698,053
Common stock	1,497,477	1,070,609
Corporate bonds	1,305,031	1,137,083
	<u>\$ 3,781,855</u>	<u>\$ 2,905,745</u>

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS, continued:

Investment income (loss) consists of:

	Year Ended June 30,	
	2021	2020
Interest and dividends	\$ 87,620	\$ 109,353
Realized gain (loss)	191,562	(14,782)
Unrealized gain	372,339	112,082
Investment management fees	(20,960)	(14,929)
	\$ 630,561	\$ 191,724

5. OTHER ASSETS—NET:

Other assets—net consist of:

	June 30,	
	2021	2020
Loans receivable:		
Current	\$ 284,930	\$ 352,136
31 - 60 days past due	950	5,898
61 - 90 days past due	6,193	5,866
Over 90 days past due	96,872	56,537
	388,945	420,437
Interest receivable:		
Current	25,432	20,575
31 - 60 days past due	85	247
61 - 90 days past due	553	246
Over 90 days past due	8,646	2,371
	423,661	443,876
Allowance for loan and interest losses	(419,425)	(439,437)
	4,236	4,439
Prepaid expenses	29,868	40,009
	\$ 34,104	\$ 44,448

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. OTHER ASSETS–NET, continued:

Allowance for loan and interest losses consist of:

	June 30,	
	2021	2020
Balance, beginning of year	\$ 439,437	\$ 414,743
Provision for loan and interest losses	19,084	16,678
Recovery of previous loans charged off	(26,441)	(12,813)
Portfolio charge-offs and write down	(12,655)	20,829
Balance, end of year	<u>\$ 419,425</u>	<u>\$ 439,437</u>

At June 30, 2021 and 2020, loans receivable totaling \$388,945 and \$420,437, respectively, and interest receivable totaling \$34,716 and \$23,439, respectively, with allowances in the amount of \$419,425 and \$439,437, respectively, were evaluated collectively for impairment with no impairment being noted. No loans were individually evaluated for impairment.

Status of performing and nonperforming loans is based on payment activity for the years ended June 30, 2021 and 2020. 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, 2021 and 2020, there were 38 and 30 loans considered nonperforming, respectively.

The Organization classifies loans as past due if the loan is more than 30 days past due. There were 38 and 31 loans past due as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the Organization considers the majority of loans made pursuant to the economy program unlikely to be collectible.

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, 2021 and 2020, five borrowers had individual balances in excess of five percent of the total loan portfolio. The total of the five balances were \$284,906 and \$291,330 and this represented 73% and 69% of the total portfolio at June 30, 2021 and 2020, respectively.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. OTHER ASSETS–NET, continued:

Loans and interest receivable are estimated to mature as follows:

Years Ending June 30,	Amounts
2022	\$ 211,589
2023	70,115
2024	63,378
2025	48,141
2026	28,919
Thereafter	1,519
	\$ 423,661

6. INVENTORY:

Inventory consists of:

	June 30,	
	2021	2020
Purchased	\$ 61,026	\$ 157,552
Donated	392,962	77,226
	\$ 453,988	\$ 234,778

7. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	June 30,	
	2021	2020
Buildings and improvements	\$ 783,351	\$ 783,351
Computer and office equipment	44,874	57,698
Software	117,440	132,223
Vehicles	535,463	548,998
	1,481,128	1,522,270
Less accumulated depreciation	(754,386)	(667,573)
Property and equipment–net	\$ 726,742	\$ 854,697

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

8. NET ASSETS:

Net assets consists of:

	June 30,	
	2021	2020
Without donor restrictions:		
Undesignated	\$ 5,149,541	\$ 4,214,612
Equity in property and equipment	726,742	854,697
	5,876,283	5,069,309
With donor restrictions:		
Community development	487,703	561,632
Education	56,664	136,352
Healthcare	217,932	109,965
	762,299	807,949
	\$ 6,638,582	\$ 5,877,258

9. CONDITIONAL GRANTS RECEIVABLE:

The Organization has two 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. All of the total future payments will be restricted for healthcare or community development, based upon the terms of the executed grant agreements.

Future grant receipts are estimated as follows:

Years Ending June 30,	Amounts
2022	\$ 1,000,000
2023	750,000
2024	750,000
	\$ 2,500,000

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

10. CONCENTRATION:

During the year ended June 30, 2021, two donors gave 48% of the Organization's total contributions. Three donors gave 52% of total contributions during the year ended June 30, 2020. Additionally, during the year ended June 30, 2021, the Organization received 91% of total gifts-in-kind support from one donor. Two donors gave 88% of total gifts-in-kind support during the year ended June 30, 2020. The Organization's operations and program activities could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations. The Organization believes these major donor relationships will be maintained.

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. Through June 30, 2021, approximately \$295,000 of the estimated cost of the project has been completed and paid, with a remaining project commitment of approximately \$55,000 expected to be incurred during the year ending June 30, 2022.

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 \$40,000 and \$195,000 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, there were no amounts due to the related party.

During the year ended June 30, 2021, two major foundations contributed 1% of total contribution support. Both foundations have members of management on the Organizations' board. During the year ended June 30, 2020, three major foundations contributed 27%, respectively, of total contribution support. Of these three foundations, two had members of management on the Organizations' board, and one shared a common board member with the Organization.

13. POST-RETIREMENT BENEFITS:

The Organization sponsors 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 \$16,914 and \$16,361 for the years ended June 30, 2021 and 2020, respectively.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020:

Fair Value Measurements at June 30, 2021				
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds	\$ 979,347	\$ 979,347	\$ -	\$ -
Common stock	1,497,477	1,497,477	-	-
Corporate bonds	1,305,031	1,305,031	-	-
	<u>\$ 3,781,855</u>	<u>\$ 3,781,855</u>	<u>\$ -</u>	<u>\$ -</u>
Fair Value Measurements at June 30, 2020				
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds	\$ 698,053	\$ 698,053	\$ -	\$ -
Common stock	1,070,609	1,070,609	-	-
Corporate bonds	1,137,083	-	1,137,083	-
	<u>\$ 2,905,745</u>	<u>\$ 1,768,662</u>	<u>\$ 1,137,083</u>	<u>\$ -</u>

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.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

14. FAIR VALUE MEASUREMENTS, continued:

Changes in valuation techniques: None.

15. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. As part of the response to the impact of COVID-19, HFH applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. During the year ended June 30, 2020, the Organization was approved for a loan in the amount of approximately \$163,000. In accordance with FASB ASC 958-605, the Organization simultaneously recognized a noncash contribution with donor restrictions and a release for the same amount in the accompanying consolidated statements of activities during the year ended June 30, 2020. The Organization received full loan forgiveness from the SBA during the year ended June 30, 2021.

16. SUBSEQUENT EVENTS:

On August 14th, 2021, the southern region of Haiti was struck by a large earthquake that destroyed the livelihoods of hundreds of thousands of families in southern Haiti. The Organization's team operating in Haiti were affected by the earthquake due to damage to their homes, as well as the Organization's office and infirmary. Since the day of the earthquake, the Organization has been raising funds to support humanitarian efforts related to disaster relief.

Subsequent events have been evaluated through November 9, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.