

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2017

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 statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows, for the year 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 financial position of Hope for Haiti, Inc. and Affiliate as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
November 2, 2017

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2017

ASSETS:

Cash and cash equivalents	\$ 3,316,984
Investments	2,015,638
Prepaid expenses	56,309
Gift-in-kind inventory	1,195,425
Property and equipment, net	<u>881,562</u>

Total Assets \$ 7,465,918

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and accrued expenses	<u>\$ 83,954</u>
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Net assets:

Unrestricted	6,578,273
Temporarily restricted	<u>803,691</u>
	<u>7,381,964</u>

Total Liabilities and Net Assets \$ 7,465,918

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 1,499,703	\$ 3,016,898	\$ 4,516,601
Special events, net	508,329	-	508,329
Gifts-in-kind	21,544,091	-	21,544,091
Investment income, net	201,272	-	201,272
Total Support and Revenue	23,753,395	3,016,898	26,770,293
RECLASSIFICATIONS:			
Net assets released from restrictions:			
Satisfaction of purpose restrictions	3,550,805	(3,550,805)	-
EXPENSES:			
Program services	23,962,191	-	23,962,191
Supporting activities:			
Management and general	333,820	-	333,820
Fundraising	286,980	-	286,980
	620,800	-	620,800
Total Expenses	24,582,991	-	24,582,991
Change in Net Assets	2,721,209	(533,907)	2,187,302
Net Assets, Beginning of Year	3,857,064	1,337,598	5,194,662
Net Assets, End of Year	\$ 6,578,273	\$ 803,691	\$ 7,381,964

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Supporting Activities				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Activities	
Gifts-in-kind distribution:					
Emergency relief	\$ 11,414,813	\$ -	\$ -	\$ -	\$ 11,414,813
Healthcare	8,879,801	-	-	-	8,879,801
Water	31,050	-	-	-	31,050
Education	11,002	-	-	-	11,002
Infrastructure	6,000	-	-	-	6,000
Economy	6,000	-	-	-	6,000
Programs:					
Healthcare	1,112,394	-	-	-	1,112,394
Education	577,586	-	-	-	577,586
Water	10,689	-	-	-	10,689
Economy	279,634	-	-	-	279,634
Infrastructure	144,154	-	-	-	144,154
Haiti operations	504,672	-	-	-	504,672
Hurricane Matthew programs	673,570	-	-	-	673,570
Salaries and wages	163,088	145,921	120,170	266,091	429,179
Payroll taxes and employee benefits	31,400	28,095	23,138	51,233	82,633
Depreciation	89,948	11,479	8,609	20,088	110,036
Occupancy	4,978	4,454	3,668	8,122	13,100
Office expense	1,590	103,365	54,068	157,433	159,023
Postage and shipping	911	1,063	13,205	14,268	15,179
Professional fees	2,740	21,574	9,931	31,505	34,245
Marketing and public relations	-	-	46,710	46,710	46,710
Repairs and maintenance	-	4,022	-	4,022	4,022
Telephone	3,824	3,421	2,817	6,238	10,062
Travel expense	12,347	10,426	4,664	15,090	27,437
Total Expenses	\$ 23,962,191	\$ 333,820	\$ 286,980	\$ 620,800	\$ 24,582,991
Percentage of Total Expenses	97.47%	1.36%	1.17%	2.53%	100.00%

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 2,187,302
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	110,036
Donated securities	(28,935)
Gifts-in-kind	(21,544,091)
Distributions of gifts-in-kind	20,348,666
Realized/unrealized gains on investments	(136,195)
Changes in operating assets and liabilities:	
Prepaid expenses	(52,770)
Accounts payable and accrued expenses	51,425
Net Cash Provided by Operating Activities	<u>935,438</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(206,973)
Purchases of investments	(51,692)
Proceeds from sales of investments	57,535
Net Cash Used by Investing Activities	<u>(201,130)</u>

Net Change in Cash and Cash Equivalents 734,308

Cash and Cash Equivalents, Beginning of Year 2,582,676

Cash and Cash Equivalents, End of Year \$ 3,316,984

See notes to consolidated financial statements

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

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 29 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. The Organization 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). 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 2016-2017, the Organization subsidized the salaries of 416 primary and secondary teachers (equal to \$222,000) at our 24 partner schools in southern Haiti, impacting the lives of 7,292 students.

Healthcare and nutrition—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 2016-2017, the Organization shipped medications and medical supplies valued at \$20,348,666 USD that went toward supporting a healthcare network of 21 providers, in particular, the Organization's Infirmary St. Etienne that served 13,181 patients.

Clean water—The objective of our Water Program is to improve clean water access for people living in southern Haiti, especially children. From 2016-2017, the Organization provided over 100,000 Haitian people with access to clean water through 22 sites, including 66,060 gallons filtered at our 11 U.V. filtration sites and increased response in the immediate aftermath of Hurricane Matthew.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

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 2016-2017, the Organization’s Infrastructure Program was dominated by Hurricane Matthew relief and recovery as our team completed multiple disaster response projects—focused at the school and household level. We also completed other projects such as building computer labs, school improvements and construction, reforestation and emergency response.

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 2016-2017, the Organization supported Haitian entrepreneurs and communities through small-business loans, microcredit programs, a cooking school, 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. The amounts held at the bank may, at times, exceed federally insured deposit levels. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

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 year ended June 30, 2017, funds held in this separate account totaled \$567,100.

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 unrestricted investment income in the accompanying consolidated statement of activities unless a donor or law temporarily or permanently 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.

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of donated items, such as medical products and supplies. Gift-in-kind inventory is stated at its estimated fair value on the date of receipt as disclosed below in support and revenue, reclassifications, and expenses.

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:

Unrestricted amounts are currently available at the discretion of the board for use in operations. Equity in property and equipment represent amounts invested in property and equipment net of accumulated depreciation.

Temporarily restricted amounts 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, 2017

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.

Gifts of cash and other assets are reported as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as reclassifications.

The Organization reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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. As of June 30, 2017, special events revenue is recorded net of special events related expense of \$99,116.

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 unrestricted support 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.

The Organization has determined the estimated fair value of donated medicines in accordance with fair value measurement accounting standards using Wholesale Acquisition Cost (WAC). WAC is considered to more closely approximate fair value as it is self-reported by manufacturers. While WAC is not based on actual sales transactions, it is defined in the Social Security Act: "Section 1847A(c)(6)(B) of the Act defines WAC as the manufacturer's list price for the drug to wholesalers or direct purchasers, not including prompt pay or other discounts, rebates, or reductions, for the most recent month for which information is available."

WAC is the undiscounted list price that manufacturers report to publishing companies, such as First DataBank and Thomson Reuters, which use these data to produce pricing compendia. The price wholesalers charge pharmacies for a drug is generally based on WAC. In a similar way, the Organization determines fair value from the WAC values published in Redbook© by Thomson Reuters.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

Other gifts-in-kind and donated medicines which are not listed in Redbook© have been valued according to an average of current market data derived from international pricing to obtain a reasonable fair market value.

The accompanying consolidated financial statements do not recognize the value of donated services as such services do not meet the recognition requirements under the *Contributed Services* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC); however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

Expenses, including advertising expenses of \$47,620 incurred for the year ended June 30, 2017, 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 statement of activities. Accordingly, certain costs have been allocated among the program services and the supporting activities benefited.

3. INVESTMENTS:

Investments as of June 30, 2017, consist of:

Corporate bonds	\$ 575,614
Stocks, mutual funds, and exchange-traded funds	1,440,024
	<hr/>
	\$ 2,015,638
	<hr/>

Investment income for the year ended June 30, 2017 consist of:

Interest and dividends	\$ 59,366
Realized gains, net	39,149
Unrealized gains, net	102,757
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	\$ 201,272
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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.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

3. INVESTMENTS, continued:

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. There were no changes in methods or assumptions from prior year. As of June 30, 2017, all investment balances consist of publicly traded securities and are considered Level 1.

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

Stocks, mutual funds, and exchange-traded funds –the fair values of these financial instruments are based on quoted market prices or dealer quotes.

There were no significant transfers between levels during the year. The Organization’s policy is to recognize transfers in and out of the levels at the end of the year; interim changes in the availability of fair value inputs are not recognized.

4. GIFT-IN-KIND INVENTORY:

Gift-in-kind inventory as of June 30, 2017, consists of:

Donated medicines	\$ 983,536
Donated medical equipment	207,180
Other donated items	4,709
	<hr/>
	\$ 1,195,425
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No allowance for inventory valuation was recorded as of June 30, 2017.

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net as of June 30, 2017, consists of:

Buildings and improvements	\$ 747,471
Computer and office equipment	22,518
Software	122,223
Vehicles	539,598
	<hr/>
	1,431,810
Less accumulated depreciation	<hr/> (550,248)
	<hr/>
Property and equipment, net	\$ 881,562
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HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

6. NET ASSETS:

Net assets as of June 30, 2017, consist of:

Unrestricted net assets:

Undesignated	\$ 5,696,711
Equity in property and equipment	881,562
	<u>6,578,273</u>

Temporarily restricted net assets:

Disaster relief–Hurricane Matthew	803,691
	<u>803,691</u>
	<u>\$ 7,381,964</u>

7. 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 statement of financial position. Of the total future payments, \$3,090,625 will be temporarily restricted for economic development, education, or other specific program services, and \$1,000,000 will be unrestricted, based upon the terms of the executed grant agreements. Future grant receipts are scheduled as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2018	\$ 1,490,625
2019	1,350,000
2020	850,000
2021	400,000
	<u>4,090,625</u>
	<u>\$ 4,090,625</u>

8. CONCENTRATION:

During the year ended June 30, 2017, the Organization received 50% of total contribution support from three donors. Additionally, the Organization received 73% of total gifts-in-kind support from one donor. The organizational implications of these concentrations are recognized by the Organization.

HOPE FOR HAITI, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

9. RELATED PARTY TRANSACTIONS:

The Organization has contracts for program construction services in Haiti owned by an individual related to the Organization. Program expenses incurred under these agreements totaled \$182,536 for the year ended June 30, 2017. As of June 30, 2017, there were no amounts due to the related party.

For the year ended June 30, 2017, three major foundations contributed 50% of total contributions. Of these three foundations, two have members of management on the Organizations' board, and one shares a common board member with the Organization.

10. POST-RETIREMENT BENEFITS:

Effective in August 2016, the Organization began sponsoring a defined contribution retirement plan (the Plan), which covers substantially all full-time employees. Contributions to the Plan are held by the Plan custodian. Employer contributions to the Plan are discretionary. The Organization did not make any contributions to the Plan during the year ended June 30, 2017.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 2, 2017, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.