

**HOPE FOR HAITI, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**C O N T E N T S**

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January 02, 2017

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

### **Independent Auditor's Report**

We have audited the accompanying consolidated financial statements of Hope for Haiti, Inc. and affiliate (a not-for-profit Organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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.

#### **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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hill, Barth & King LLC*  
Certified Public Accountants

# HOPE FOR HAITI, INC. AND AFFILIATE

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 2,582,676	\$ 2,079,659
Investments - NOTE B	1,856,351	3,106,447
Prepaid expenses and deposits	3,539	17,735
TOTAL CURRENT ASSETS	<u>4,442,566</u>	<u>5,203,841</u>
<b><u>PROPERTY AND EQUIPMENT, NET - NOTE C</u></b>	<u>784,625</u>	<u>625,436</u>
TOTAL ASSETS	<u>\$ 5,227,191</u>	<u>\$ 5,829,277</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 32,529	\$ 135,590
 <b><u>NET ASSETS</u></b>		
Unrestricted	3,857,064	4,584,679
Temporarily restricted - NOTE E	1,337,598	1,109,008
TOTAL NET ASSETS	<u>5,194,662</u>	<u>5,693,687</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,227,191</u>	<u>\$ 5,829,277</u>

See accompanying notes to consolidated financial statements

## HOPE FOR HAITI, INC. AND AFFILIATE

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT AND REVENUES</u></b>						
Contributions	\$ 2,061,935	\$ 835,354	\$ 2,897,289	\$ 1,307,646	\$ 39,726	\$ 1,347,372
Special event, net - NOTE D	449,454	0	449,454	818,952	1,082,982	1,901,934
Gifts-in-kind - NOTE F	11,010,821	0	11,010,821	9,872,598	0	9,872,598
Investment return	(2,667)	0	(2,667)	110,936	0	110,936
Net assets released from donor restrictions	606,764	(606,764)	0	904,362	(904,362)	0
TOTAL SUPPORT AND REVENUES	<b>14,126,307</b>	<b>228,590</b>	<b>14,354,897</b>	13,014,494	218,346	13,232,840
<b><u>EXPENSES</u></b>						
Program services	14,031,581	0	14,031,581	12,993,735	0	12,993,735
Supporting services:						
General and administrative	490,088	0	490,088	363,725	0	363,725
Fundraising	332,253	0	332,253	181,646	0	181,646
TOTAL SUPPORTING SERVICES	822,341	0	822,341	545,371	0	545,371
TOTAL EXPENSES	<b>14,853,922</b>	<b>0</b>	<b>14,853,922</b>	13,539,106	0	13,539,106
INCREASE (DECREASE) IN NET ASSETS	(727,615)	228,590	(499,025)	(524,612)	218,346	(306,266)
<b><u>NET ASSETS</u></b>						
Beginning of year	4,584,679	1,109,008	5,693,687	5,109,291	890,662	5,999,953
End of year	<b>\$ 3,857,064</b>	<b>\$ 1,337,598</b>	<b>\$ 5,194,662</b>	\$ 4,584,679	\$ 1,109,008	\$ 5,693,687

See accompanying notes to consolidated financial statements

**HOPE FOR HAITI, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2016 and 2015

	2016					2015				
	SUPPORTING SERVICES				TOTAL	SUPPORTING SERVICES				TOTAL
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	SUPPORTING SERVICES		PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	SUPPORTING SERVICES	
<u>EXPENSES</u>										
Depreciation	\$ 56,494	\$ 16,141	\$ 8,071	\$ 24,212	\$ 80,706	\$ 70,470	\$ 20,134	\$ 10,067	\$ 30,201	\$ 100,671
Gifts-in-kind - NOTE F	11,010,821	0	0	0	11,010,821	9,855,833	0	16,765	16,765	9,872,598
Occupancy	4,577	4,096	3,373	7,469	12,046	9,456	2,702	1,351	4,053	13,509
Office expense	1,005	87,431	12,059	99,490	100,495	29,411	102,940	14,706	117,646	147,057
Payroll taxes and employee benefits	48,146	43,078	35,476	78,554	126,700	83,367	23,819	11,910	35,729	119,096
Postage and shipping	132	1,585	11,489	13,074	13,206	1,408	1,126	282	1,408	2,816
Professional fees	7,425	98,652	0	98,652	106,077	6,240	21,840	3,120	24,960	31,200
Programs - NOTE G	2,642,940	0	0	0	2,642,940	2,533,367	0	0	0	2,533,367
Promotions	0	0	65,280	65,280	65,280	0	0	65,112	65,112	65,112
Repairs and maintenance	0	0	0	0	0	0	70,353	0	70,353	70,353
Salaries and wages	249,755	223,465	184,030	407,495	657,250	381,059	108,874	54,437	163,311	544,370
Telephone	3,682	3,294	2,713	6,007	9,689	1,658	5,804	829	6,633	8,291
Travel expense	6,604	12,346	9,762	22,108	28,712	21,466	6,133	3,067	9,200	30,666
<b>TOTAL EXPENSES</b>	<b>\$ 14,031,581</b>	<b>\$ 490,088</b>	<b>\$ 332,253</b>	<b>\$ 822,341</b>	<b>\$ 14,853,922</b>	<b>\$ 12,993,735</b>	<b>\$ 363,725</b>	<b>\$ 181,646</b>	<b>\$ 545,371</b>	<b>\$ 13,539,106</b>

See accompanying notes to consolidated financial statements

## HOPE FOR HAITI, INC. AND AFFILIATE

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES</u>		
Decrease in net assets	\$ (499,025)	\$ (306,266)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	80,706	100,671
Decrease in prepaid expenses and deposits	14,196	36,833
Increase (decrease) in accounts payable and accrued expenses	(103,061)	77,811
NET CASH USED IN OPERATING ACTIVITIES	<u>(507,184)</u>	<u>(90,951)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(239,895)	(100,232)
Purchase of investments	(3,048,595)	(5,225,052)
Proceeds from sale of investments	4,298,691	5,205,688
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,010,201</u>	<u>(119,596)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 503,017	 (210,547)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	2,079,659	2,290,206
End of year	<u>\$ 2,582,676</u>	<u>\$ 2,079,659</u>

See accompanying notes to consolidated financial statements

## HOPE FOR HAITI, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization:**

Hope for Haiti, Inc. is a not-for-profit corporation organized to improve the quality of life for the Haitian people, particularly children. Fondasyon Kuehner, which commenced operations in August 2011 as a Haitian Foundation, was established in the Republic of Haiti and assists Hope for Haiti, Inc. in carrying out its mission within the Republic of Haiti by managing all operations and programs on behalf of Hope for Haiti, Inc.

**Consolidation:**

The accompanying consolidated financial statements include the accounts of Hope for Haiti, Inc. and its commonly controlled affiliate Fondasyon Kuehner (collectively, the Organization). All significant intercompany balances and transactions have been eliminated.

**Financial Statement Presentation:**

FASB ASC 958 Not-for-Profit Entities requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows based on donor-imposed restrictions:

Unrestricted: Net assets not subject to donor-imposed restriction. Such assets are available for any purpose consistent with the Organization's mission.

Temporarily restricted: Net assets subject to specific donor-imposed restriction that must be met by actions of the Organization and/or passage of time. Such assets normally fund specific expenditures of an operating or capital nature.

Permanently restricted: Net assets subject to donor-imposed restriction requiring they be maintained permanently by the Organization. Such assets are normally restricted to long-term investment with income earned and appreciation available for specific or general Organization purposes. The Organization held no permanently restricted net assets at June 30, 2016 and 2015.

**Cash and Cash Equivalents:**

The Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

**Contributed Goods and Services:**

The Organization is consistent in utilizing Thomson Reuters Red Book and other independent published sources for valuation of its in-kind donations. Gifts-in-kind, which consist primarily of medical supplies and related materials, are reflected in the accompanying consolidated financial statements at their estimated fair values of \$11,010,821 and \$9,872,598 for the years ended June 30, 2016 and 2015, respectively.

## HOPE FOR HAITI, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Contributed Goods and Services (Continued):**

Many individuals and businesses have donated significant amounts of time and services to the Organization's fund-raising campaigns, policy making committees, and program operations. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying consolidated financial statements. While the consolidated financial statements do not reflect values for donated services, management estimates volunteers contributed over 3,714 and 3,008 hours of policy, program, administrative and facility support services in the years ended June 30, 2016 and 2015, respectively.

##### **Contributions and Promises to Give:**

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### **Property and Equipment:**

The Organization records property and equipment at cost when purchased or at fair market value when donated. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years and depreciation is recorded as an expense in current operations. Expenditures for additions, repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Fixed assets valued at \$2,000 are capitalized.

##### Organizational Categories:

- Office equipment and software (5 years) – (Computers 3 years)
- Vehicles (5 years)
- Real estate (10 years)
- Furnishings and fixtures (5 years)



## HOPE FOR HAITI, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Advertising:**

The Organization expenses the costs of advertising as incurred. Promotions expense for the years ended June 30, 2016 and 2015 totaled \$65,280 and \$65,112, respectively.

##### **Functional Expenses:**

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated on the best estimate of management.

##### **Use of Estimates:**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

##### **Investments:**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Investments are initially recorded at cost if purchased or, if donated at fair market value on the date received. Realized and unrealized gains and losses are recognized as changes in unrestricted net assets unless restricted by donor, in which case the amounts are reflected as temporarily restricted until expended according to the donors' stipulations.

The Finance Committee ensures the investment policy is consistent with the mission of the Organization. If authorized by the Board of Directors, the Finance Committee can invest in interest-bearing savings accounts, Certificates of Deposit, Money Market funds, interest bearing checking accounts, direct obligations of U.S. government, fixed income securities and equity securities. To insure marketability and liquidity, equity investments are executed through nationally recognized exchanges such as New York Stock Exchange, American Stock Exchange and NASDAQ. Investment management of the reserve fund is in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	25%	45%	35%	45%
Fixed income	55%	65%	55%	65%
Cash equivalents	0%	25%	0%	10%

**HOPE FOR HAITI, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair Value Measurements:**

The Organization measures its assets and liabilities in accordance with FASB ASC 820 Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements.

**Subsequent Events:**

Management evaluated all activity of the Organization through January 02, 2017 the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements or notes.

NOTE B - INVESTMENTS

The following are the major categories of assets measured at fair value on a recurring basis for the years ended June 30, 2016 and 2015, using quoted prices in an active market for identical assets (Level 1). Investments are summarized as follows at June 30:

	2016		2015	
	COST	FAIR VALUE	COST	FAIR VALUE
Mutual funds	\$ 95,266	\$ 95,266	\$ 1,128,777	\$ 1,070,519
Stocks and ETFs	1,043,525	1,169,527	1,830,550	2,035,928
Corporate bonds	592,838	591,558	0	0
TOTALS	\$ 1,731,629	\$ 1,856,351	\$ 2,959,327	\$ 3,106,447

**HOPE FOR HAITI, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	<b>2016</b>	2015
Building	\$ <b>400,000</b>	\$ 400,000
Building Improvements	<b>342,492</b>	35,763
Construction in Progress - Infirmary St. Etienne	<b>0</b>	72,890
Computer equipment	<b>14,851</b>	12,825
Software	<b>122,223</b>	122,223
Vehicles	<b>345,272</b>	341,241
	<b>1,224,838</b>	984,942
Less accumulated depreciation	<b>440,213</b>	359,506
NET PROPERTY AND EQUIPMENT	<b>\$ 784,625</b>	\$ 625,436

Depreciation expense was \$80,706 and \$100,671 for the years ended June 30, 2016 and 2015, respectively.

NOTE D - SPECIAL EVENTS

Special events revenues and expenses for the Organization's annual Gala consist of the following:

	<b>2016</b>	2015
Revenues	\$ <b>501,307</b>	\$ 2,062,899
Expenses	<b>(51,853)</b>	(160,965)
	<b>\$ 449,454</b>	\$ 1,901,934

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time. Temporarily restricted net assets are comprised of the following at June 30:

	<b>2016</b>	2015
Community development	\$ <b>1,305,545</b>	\$ 1,109,008
Education	<b>32,053</b>	0
	<b>\$ 1,337,598</b>	\$ 1,109,008

## HOPE FOR HAITI, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

#### NOTE F - GIFTS-IN-KIND

For the years ended June 30, 2016 and 2015, the Organization received the following non-cash contributions which were distributed among local communities to help and improve the quality of life of the children and families of Haiti. Gifts-in-kind are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Medications and medical supplies	\$ 10,944,820	\$ 9,801,542
Donated office space	30,000	18,000
Fundraising	0	16,765
Other supplies	36,001	36,291
	<u>\$ 11,010,821</u>	<u>\$ 9,872,598</u>

#### NOTE G - PROGRAMS

The Organization is engaged in several programs to create sustainable communities in Haiti which include Education, Healthcare and Nutrition, Clean Water, Infrastructure, and Economy. For the years ended June 30, 2016 and 2015, the Organization had expenses of \$2,642,940 and \$2,533,367 respectively, for these programs.

The Organization started a program to give grants to help grow businesses in Haiti. The Organization works with a third party that follows approval procedures for the grants. The Organization gave away \$144,257 in grants as of June 30, 2016.

#### NOTE H - RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's investment balances and the amount reported in the consolidated statements of financial position.

## HOPE FOR HAITI, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

#### NOTE I - CONCENTRATIONS

The Organization maintains its cash and investment balances at several local financial institutions and one foreign institution. Accounts at each domestic institution are insured by the Federal Deposit Insurance Corporation (FDIC) subject to various limits and conditions, while the foreign bank account is not subject to the FDIC insurance protections. The Organization had uninsured cash and investment balances of \$1,967,384 at June 30, 2016.

For the year ended June 30, 2016, the Organization received cash contributions totaling \$2,029,973 from two donors, which represents 60% of its total contributions and special events revenue. For the year ended June 30, 2015, the Organization received \$1,482,167 from two donors, which represents 46% of its total contributions and special events revenue.

For the year ended June 30, 2016, the Organization received non-cash contributions totaling \$8,377,837 from three donors, which represents 76% of its gifts-in-kind. For the year ended June 30, 2015, the Organization received gifts-in-kind totaling \$8,490,514 from two donors, which represents 86% of its gifts-in-kind.

#### NOTE J - CONDITIONAL PROMISES TO GIVE

As of June 30, the Organization is the recipient of conditional promises to give, as follows:

	<u>2016</u>	<u>2015</u>
Promise conditioned on the development of two sustainable school communities in Haiti	\$ 492,188	\$ 773,438
Promise conditioned on the development of a social business project in Haiti	800,000	1,200,000
Promise conditioned on the development of healthcare in Haiti	0	107,700
Promise conditioned on the development of healthcare and infrastructure projects in Haiti	250,000	750,000
Promise conditioned on the development of healthcare in Haiti	2,558,387	3,257,110
	<u>\$ 4,100,575</u>	<u>\$ 6,088,248</u>

These funds are expected to be received through 2020. Also, in accordance with a donor grant agreement, funds received from a conditional promise to give are maintained in a separate bank account, totaling \$1,573,618 at June 30, 2016.

**HOPE FOR HAITI, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016 and 2015

NOTE K – 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 \$350,661 for the year ended June 30, 2016. At June 30, 2016 there were no amounts due to the related party.

The Executive Director of the Organization's major Foundation donor joined the Board of Directors in July, 2015. The contributions from the related party totaled \$1,479,973 for the year ended June 30, 2016.