



Changing Lives - One Person at a Time

Haitian Health Foundation, Inc.

**Financial Statements
(Together with Independent Auditors' Report)**

July 31, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

HAITIAN HEALTH FOUNDATION, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
JULY 31, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-14

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Haitian Health Foundation, Inc.

We have audited the accompanying financial statements of Haitian Health Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Haitian Health Foundation, Inc. as of July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2L to the financial statements, during the year ended July 31, 2019, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
May 8, 2020

**HAITIAN HEALTH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JULY 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 10A)	\$ 2,283,459	\$ 1,790,670
Investments (Notes 2D, 2E and 4)	47,208,537	48,599,907
Accounts and grants receivable (Note 2F)	312,657	121,621
Prepaid expenses and other assets	16,066	37,789
Property and equipment, net (Notes 2G and 5)	2,721,200	2,711,137
TOTAL ASSETS	\$ 52,541,919	\$ 53,261,124
LIABILITIES		
Accounts payable and accrued expenses	\$ 405,311	\$ 265,566
TOTAL LIABILITIES	405,311	265,566
CONTINGENCIES (Note 6)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Undesignated	33,826,039	34,537,290
Board designated (Note 7B)	16,450,000	16,450,000
Total without donor restrictions	50,276,039	50,987,290
With donor restrictions (Note 7A)	1,860,569	2,008,268
TOTAL NET ASSETS	52,136,608	52,995,558
TOTAL LIABILITIES AND NET ASSETS	\$ 52,541,919	\$ 53,261,124

The accompanying notes are an integral part of these financial statements.

HAITIAN HEALTH FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	Year Ended July 31, 2019			Year Ended July 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
SUPPORT AND REVENUE:						
Grants and contracts (Note 2H)	\$ 2,705,193	\$ -	\$ 2,705,193	\$ 1,441,418	\$ 125,000	\$ 1,566,418
Contributions (Note 2I)	1,269,904	1,222,712	2,492,616	1,748,684	834,051	2,582,735
In-kind donations (Note 2J)	370,577	-	370,577	355,844	-	355,844
In-kind professional services (Notes 2J and 9)	233,019	-	233,019	307,237	-	307,237
Investment activity, net (Notes 4 and 9)	457,871	-	457,871	6,655,609	-	6,655,609
Foreign currency translation adjustment (Note 10B)	(80,350)	-	(80,350)	6,657	-	6,657
Other income, including special events	145,745	-	145,745	150,490	-	150,490
Other program income	73,059	-	73,059	114,640	-	114,640
Net assets released from restrictions (Note 7A)	1,370,411	(1,370,411)	-	1,325,088	(1,325,088)	-
TOTAL SUPPORT AND REVENUE	<u>6,545,429</u>	<u>(147,699)</u>	<u>6,397,730</u>	<u>12,105,667</u>	<u>(366,037)</u>	<u>11,739,630</u>
EXPENSES (Note 2K):						
Program Services:						
Healthcare	3,361,563	-	3,361,563	2,415,919	-	2,415,919
Education	520,988	-	520,988	513,956	-	513,956
Community development	976,928	-	976,928	1,067,411	-	1,067,411
Technical assistance	1,796,284	-	1,796,284	511,095	-	511,095
	<u>6,655,763</u>	<u>-</u>	<u>6,655,763</u>	<u>4,508,381</u>	<u>-</u>	<u>4,508,381</u>
Supporting Services:						
Management and general	301,603	-	301,603	286,530	-	286,530
Fundraising	299,314	-	299,314	290,702	-	290,702
	<u>600,917</u>	<u>-</u>	<u>600,917</u>	<u>577,232</u>	<u>-</u>	<u>577,232</u>
TOTAL EXPENSES	<u>7,256,680</u>	<u>-</u>	<u>7,256,680</u>	<u>5,085,613</u>	<u>-</u>	<u>5,085,613</u>
CHANGE IN NET ASSETS	(711,251)	(147,699)	(858,950)	7,020,054	(366,037)	6,654,017
Net assets - Beginning of year	50,987,290	2,008,268	52,995,558	43,967,236	2,374,305	46,341,541
NET ASSETS - END OF YEAR	<u>\$ 50,276,039</u>	<u>\$ 1,860,569</u>	<u>\$ 52,136,608</u>	<u>\$ 50,987,290</u>	<u>\$ 2,008,268</u>	<u>\$ 52,995,558</u>

The accompanying notes are an integral part of these financial statements.

HAITIAN HEALTH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2019
(With Comparative Totals for 2018)

	Program Services					Supporting Services				
	Healthcare	Education	Community Development	Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	\$ 1,095,903	\$ 89,672	\$ 159,738	\$ 918,378	\$ 2,263,691	\$ 112,384	\$ 146,462	\$ 258,846	\$ 2,522,537	\$ 1,562,904
Payroll taxes and employee benefits (Note 8)	222,993	17,715	15,000	82,463	338,171	19,325	17,657	36,982	375,153	116,409
Total Salaries and Related Costs	1,318,896	107,387	174,738	1,000,841	2,601,862	131,709	164,119	295,828	2,897,690	1,679,313
Relief shipments	22,023	-	18,660	-	40,683	-	-	-	40,683	70,597
Direct assistance	3,323	23,293	11,745	-	38,361	-	-	-	38,361	76,903
Medical and dental care and supplies	231,862	-	-	151,244	383,106	-	-	-	383,106	247,910
Food and nutrition	567,762	2,229	-	-	569,991	-	-	-	569,991	284,441
Home and latrine construction	-	-	364,835	-	364,835	-	-	-	364,835	361,909
Goat program	-	-	50,457	-	50,457	-	-	-	50,457	58,630
Community development	-	-	3,707	-	3,707	-	-	-	3,707	6,022
Education - tuition	6,888	246,849	-	-	253,737	-	-	-	253,737	238,897
Education - books, uniforms, stipend	14,480	72,299	-	-	86,779	-	-	-	86,779	116,014
Rent and utilities	25,099	2,911	3,887	47,351	79,248	3,067	2,438	5,505	84,753	40,138
Telephone	9,143	1,370	4,636	11,241	26,390	966	1,783	2,749	29,139	18,911
Fuel	59,179	-	12,537	17,819	89,535	-	-	-	89,535	37,223
Travel and transportation	41,474	2,449	12,997	83,237	140,157	4,928	1,063	5,991	146,148	171,146
Vehicles	184,884	2,837	19,020	163,886	370,627	9,323	-	9,323	379,950	202,514
Office supplies and expenses	75,925	646	4,736	75,257	156,564	6,861	14,678	21,539	178,103	80,575
Insurance	4,628	3,471	2,699	-	10,798	7,309	4,628	11,937	22,735	22,674
Dues and subscriptions	-	-	-	-	-	1,863	862	2,725	2,725	1,828
Professional fees	26,766	18,617	10,195	27,039	82,617	39,687	21,000	60,687	143,304	119,403
Printing	13,288	-	650	7,361	21,299	-	24,671	24,671	45,970	33,079
Repairs and maintenance	114,301	853	15,367	46,395	176,916	10,014	1,194	11,208	188,124	181,771
Energy related equipment	13,322	-	2,367	6,271	21,960	-	-	-	21,960	10,350
Solar equipment	21,435	-	-	-	21,435	-	-	-	21,435	1,793
Security	133,239	-	32,467	142,600	308,306	245	-	245	308,551	124,523
Computer	8,969	1,709	9,222	12,879	32,779	13,202	19,295	32,497	65,276	36,452
Advertising	-	-	-	-	-	-	7,740	7,740	7,740	9,572
Credit card and bank fees	4,828	71	475	2,863	8,237	681	9,367	10,048	18,285	17,285
Depreciation (Note 5)	134,418	24,019	24,019	-	182,456	30,269	-	30,269	212,725	172,659
In-kind professional services (Notes 2J and 9)	79,740	9,978	87,274	-	176,992	29,551	26,476	56,027	233,019	307,237
In-kind expenses (Note 2J)	245,691	-	110,238	-	355,929	11,928	-	11,928	367,857	355,844
TOTAL EXPENSES	\$ 3,361,563	\$ 520,988	\$ 976,928	\$ 1,796,284	\$ 6,655,763	\$ 301,603	\$ 299,314	\$ 600,917	\$ 7,256,680	\$ 5,085,613

The accompanying notes are an integral part of these financial statements.

HAITIAN HEALTH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2018

	Program Services				Supporting Services				Total
	Healthcare	Education	Community Development	Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 827,396	\$ 73,393	\$ 144,447	\$ 295,445	\$ 1,340,681	\$ 90,009	\$ 132,214	\$ 222,223	\$ 1,562,904
Payroll taxes and employee benefits (Note 8)	32,157	13,724	14,814	23,299	83,994	15,018	17,397	32,415	116,409
Total Salaries and Related Costs	859,553	87,117	159,261	318,744	1,424,675	105,027	149,611	254,638	1,679,313
Relief shipments	42,153	-	28,444	-	70,597	-	-	-	70,597
Direct assistance	53,743	-	23,160	-	76,903	-	-	-	76,903
Medical and dental care and supplies	243,348	-	31	4,531	247,910	-	-	-	247,910
Food and nutrition	272,713	1,784	9,944	-	284,441	-	-	-	284,441
Home and latrine construction	-	-	361,909	-	361,909	-	-	-	361,909
Goat program	-	-	58,630	-	58,630	-	-	-	58,630
Community development	-	-	6,022	-	6,022	-	-	-	6,022
Education - tuition	473	238,424	-	-	238,897	-	-	-	238,897
Education - books, uniforms, stipend	621	114,143	1,250	-	116,014	-	-	-	116,014
Rent and utilities	9,231	1,796	2,137	22,016	35,180	2,741	2,217	4,958	40,138
Telephone	5,476	1,032	8,331	1,489	16,328	1,152	1,431	2,583	18,911
Fuel	31,740	403	1,019	4,061	37,223	-	-	-	37,223
Travel and transportation	74,752	8,391	11,476	60,566	155,185	15,072	889	15,961	171,146
Vehicles	154,395	10,526	22,696	6,166	193,783	8,731	-	8,731	202,514
Office supplies and expenses	32,773	346	2,441	28,884	64,444	8,180	7,951	16,131	80,575
Insurance	4,493	3,369	2,621	-	10,483	7,698	4,493	12,191	22,674
Dues and subscriptions	32	-	-	-	32	1,017	779	1,796	1,828
Professional fees	31,399	10,403	7,919	8,284	58,005	41,273	20,125	61,398	119,403
Printing	-	-	3,924	216	4,140	1,104	27,835	28,939	33,079
Repairs and maintenance	76,512	4,585	65,855	13,103	160,055	21,716	-	21,716	181,771
Energy related equipment	6,795	-	3,555	-	10,350	-	-	-	10,350
Solar equipment	731	-	1,062	-	1,793	-	-	-	1,793
Security	77,783	3,146	6,125	37,469	124,523	-	-	-	124,523
Computer	6,603	1,184	2,751	4,461	14,999	3,470	17,983	21,453	36,452
Advertising	-	-	-	180	180	1,639	7,753	9,392	9,572
Credit card and bank fees	2,644	131	353	925	4,053	725	12,507	13,232	17,285
Depreciation (Note 5)	102,732	14,676	29,352	-	146,760	25,899	-	25,899	172,659
In-kind professional services (Notes 2J and 9)	112,500	12,500	104,023	-	229,023	41,086	37,128	78,214	307,237
In-kind expenses (Note 2J)	212,724	-	143,120	-	355,844	-	-	-	355,844
TOTAL EXPENSES	\$ 2,415,919	\$ 513,956	\$ 1,067,411	\$ 511,095	\$ 4,508,381	\$ 286,530	\$ 290,702	\$ 577,232	\$ 5,085,613

The accompanying notes are an integral part of these financial statements.

HAITIAN HEALTH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (858,950)	\$ 6,654,017
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	212,725	172,659
In-kind capital contributions	(2,720)	-
Foreign currency translation adjustment	80,350	(6,657)
Realized and unrealized losses (gains) on investments	463,677	(5,857,855)
Subtotal	(104,918)	962,164
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts and grants receivable	(191,036)	(110,176)
Prepaid expenses and other assets	21,723	(7,120)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	139,745	173,019
Net Cash (Used in) Provided by Operating Activities	(134,486)	1,017,887
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,041,581)	(6,933,490)
Proceeds from sales of investments	4,969,274	6,857,671
Purchases of property and equipment	(220,068)	(365,103)
Net Cash Provided by (Used in) Operating Activities	707,625	(440,922)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Effect of exchange rate changes on cash and cash equivalents	(80,350)	6,657
NET INCREASE IN CASH AND CASH EQUIVALENTS	492,789	583,622
Cash and cash equivalents - Beginning of the year	1,790,670	1,207,048
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,283,459	\$ 1,790,670
Supplemental Disclosure of Cash Flow Information:		
Noncash investing and financing transactions:		
In-kind capital contribution - donation of land	\$ 2,720	\$ -

The accompanying notes are an integral part of these financial statements.

HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Haitian Health Foundation, Inc. (the “Foundation”) is a not-for-profit corporation founded under the laws of the State of Connecticut in 1985. The Foundation has received exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

The Foundation is a nonprofit, health and human services organization which provides services in Haiti, including primary health care and dental care services, including community health education and prevention services, in remote mountainous villages; primary and secondary education; community development interventions, such as building houses and sanitation systems, distributing goats and fruit trees; and, in the event of natural and/or man-made disasters, providing emergency relief. Substantially all of the Foundation’s income is derived from private donations from individuals, foundations, and charitable organizations. Government support includes a community health education and outreach to mountainous, rural villages as well as a government grant which allows the Foundation, through a consortium approach, to share experiences and lessons learned with other agencies through Haiti and provide technical support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. *Basis of Presentation*

The Foundation maintains its net assets under the following classes:

- Without Donor Restrictions – represents resources available for support of the Foundation’s operations over which the Board of Directors has discretionary control.

The Foundation’s Board has designated a portion of the Foundation’s net assets without donor restrictions as Board designated net assets. Board designated net assets consist of amounts reserved by the Board of Directors to fund future projects, to provide emergency cash flow, to protect against loss of funding by donors, and deterioration and obsolescence of property and equipment. The designation is reviewed and adjusted annually by the Board as necessary to reflect activities that have occurred during the year. See Note 7B for additional information related to the Foundation’s Board designated net assets.

- With Donor Restrictions – represents assets resulting from contributions whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, contributions of unconditional promises to give with payments due in future periods are reported as contributions with donor restrictions unless the donor expressly stipulates, or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period.

C. *Cash Equivalents*

The Foundation considers all highly liquid investments with maturities of three months or less when acquired, to be cash equivalents, except for any cash and money market funds held in the Foundation’s investment portfolio for long-term purposes.

HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Investments*

Investments are stated at fair value.

E. *Fair Value Measurements*

Fair value measurements are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Accounts and Grants Receivable*

The Foundation determines whether an allowance for uncollectible accounts and grants receivable should be provided based on prior years' experience and management's analysis of specific accounts and grants made. As of July 31, 2019 and 2018, the Foundation determined that no allowance was necessary.

G. *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Foundation capitalizes acquisitions that have a cost of \$5,000 or more and a useful life of greater than a year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

H. *Grants and Contracts*

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities. Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved.

I. *Contributions*

Contributions are defined as voluntary, nonreciprocal transfers. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

When material, unconditional pledges that are expected to be collected in the future years are discounted to their present value.

J. *Donated Assets and Services*

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. The Foundation recognizes donated services at their estimated fair market value if they create or enhance non-financial assets or require special skills and would typically be purchased if not provided by donation.

K. *Functional Allocation of Expenses*

The costs of providing various programs and other activities of the Foundation have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services. Expenses that have been allocated include Connecticut employee salaries and payroll taxes and benefits which are allocated based on estimates of time and effort. Utilities and overhead, related to the Connecticut operations, are allocated based on the ratio of personnel expenses.

HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *New Accounting Pronouncements*

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* was adopted for the year ended July 31, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. These changes had no impact on the change in net assets for the years ended July 31, 2019 and 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Foundation receives contributions with and without donor restrictions. Over the years, the Foundation has accumulated a reserve comprised of donations, bequests and investment earnings all without donor restrictions. The Foundation’s Board has designated a portion of this reserve for specific future needs or emergencies. These reserves can be altered, returned to the main reserve, or re-designated by action of the Foundation’s Board.

The Foundation maintains liquidity in prudent investment accounts, 100% highly liquid investments, in order to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. General expenditures include operating costs, administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient donations to cover general expenditures not covered by donor-restricted resources.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to assure that mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprised the following as of July 31, 2019:

Cash and cash equivalents	\$ 2,283,459
Accounts and grants receivable	312,657
Investments	47,208,537
Less: Investments and other financial assets not encumbered by donor or Board restrictions	
Board designated net assets	(16,450,000)
Net assets with donor restrictions	<u>(1,860,569)</u>
Total financial assets	<u>\$ 31,494,084</u>

**HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following and were all classified as Level 1 category investments in the fair value hierarchy as of July 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 54,484	\$ 17,112
U.S. Treasury notes	15,070,559	3,117,709
Equity securities	<u>32,083,494</u>	<u>45,465,086</u>
Total investments	<u>\$ 47,208,537</u>	<u>\$ 48,599,907</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

The components of the net return on investments as reported in the accompanying statements of activities included the following for the years ended July 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 1,154,216	\$ 1,026,012
Realized and unrealized (losses)/gains	(463,677)	5,857,855
Investment fees	<u>(232,668)</u>	<u>(228,258)</u>
Total investment activity, net	<u>\$ 457,871</u>	<u>\$ 6,655,609</u>

FASB Accounting Standards Codification (“ASC”) Topic 820, “Fair Value Measurement,” provides the guidance for measuring fair value. That guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds and Equity Securities:

Valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

U.S. Treasury Notes:

Investments in U.S. Treasury notes are valued using market prices in active markets (Level 1).

**HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation's policy is that any transfers between fair value levels during the period occur at the beginning of the period. For the years ended July 31, 2019 and 2018, there were no transfers between fair value levels for assets carried at fair value.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Land	\$ 256,847	\$ 254,127	
Buildings and improvements	4,350,384	3,818,265	5-40 years
Vehicles	851,547	801,207	3-10 years
Furniture and equipment	409,011	396,108	5-7 years
Construction in progress	<u>-</u>	<u>384,955</u>	
Total	5,867,789	5,654,662	
Less: accumulated depreciation	<u>(3,146,589)</u>	<u>(2,943,525)</u>	
Net book value	<u>\$ 2,721,200</u>	<u>\$ 2,711,137</u>	

Construction in progress as of July 31, 2018 represented costs incurred to construct a new clinic in Haiti. Such project was completed in August 2018 at a total cost of approximately \$395,000.

Depreciation expense amounted to \$212,725 and \$172,659 for the years ended July 31, 2019 and 2018, respectively.

During the years ended July 31, 2019 and 2018, the Foundation disposed of fully depreciated property and equipment with an original cost of \$9,661 and \$350,869, respectively.

NOTE 6 – CONTINGENCIES

A. Contingencies

Pursuant to the Foundation's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the Foundation's books and records relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

**HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 6 – CONTINGENCIES (Continued)

B. *Covid-19*

In March 2020, the World Health Organization declared the outbreak out a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Foundation could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Foundation’s mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Foundation cannot predict the extent to which its financial condition and results of operations will be affected.

C. *Uncertainty in Income Taxes*

The Foundation believes it had no uncertain tax positions as of July 31, 2019 and 2018 in accordance with FASB ASC Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 7 – NET ASSETS

A. *Net Assets with Donor Restrictions*

Net assets with donor restrictions consisted of the following as of July 31:

	<u>2019</u>	<u>2018</u>
Disaster Relief	\$ 732,044	\$ 931,385
Happy Houses and Latrines	478,411	717,227
Save A Family	268,883	224,545
Food	196,250	-
Other programs	<u>184,981</u>	<u>135,111</u>
	<u>\$ 1,860,569</u>	<u>\$ 2,008,268</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or the passage of time as follows during the years ended July 31:

	<u>2019</u>	<u>2018</u>
Disaster Relief	\$ 200,050	\$ 87,388
Happy Houses and Latrines	346,050	147,800
Goats	179,700	193,668
Save A Family	228,740	258,273
Center for Hope	106,079	6,926
Other programs	<u>309,792</u>	<u>631,033</u>
	<u>\$ 1,370,411</u>	<u>\$ 1,325,088</u>

HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 7 – NET ASSETS (Continued)

B. *Net Assets Without Donor Restrictions – Board Designated*

Board designated net assets consisted of the following as of July 31, 2019 and 2018:

Loss of government funding	\$ 4,000,000
Natural or other disaster emergency response	7,000,000
Solar system and other capital maintenance and replacement	2,000,000
Information and technology	1,000,000
Cost of services for five years by founder and Save a Family coordinator, currently provided by volunteers	700,000
Purchase of medical, dental and other equipment	1,000,000
Vehicle fleet and ambulance replacement	<u>750,000</u>
	<u>\$ 16,450,000</u>

NOTE 8 – EMPLOYEE BENEFIT PLANS

The Foundation maintains a voluntary Simple IRA plan for full-time employees in Connecticut. The Foundation's contributions to the plan were \$3,937 and \$3,450 for the years ended July 31, 2019 and 2018, respectively.

The Foundation also strictly adheres to all of the government's regulations for employees located in Haiti, including vacation, sick and maternity leave, as well as payments towards the Haitian equivalent of workers' compensation and social security benefits.

NOTE 9 – RELATED-PARTY TRANSACTIONS

The Foundation has policies and procedures in place that assist the Board of Directors in order to identify, disclose and evaluate transactions with directors and key employees. The Foundation has concluded that these transactions are the equivalent of arms-length transactions and meet its business needs.

A member of the Board of Directors of the Foundation is a Senior Vice-President Wealth Management and Senior Portfolio Manager in the Portfolio Management Program at UBS. At July 31, 2019 and 2018, the Foundation had \$47,208,537 and \$48,599,907, respectively, of cash and investments in brokerage accounts at UBS. Investment fees paid to UBS were \$232,668 and \$228,258 for the years ended July 31, 2019 and 2018, respectively.

The Foundation receives monetary and in-kind donations from individuals, businesses and various foundations throughout the year. During the years ended July 31, 2019 and 2018, the President and the Director of the Save a Family Program, who are relatives of the Foundation's Executive Director, also volunteered their services. These amounts are included in contributed services in the accompanying financial statements.

NOTE 10 – CONCENTRATIONS

A. *Concentration of Credit Risk*

Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of July 31, 2019 and 2018, there was approximately \$443,000 and \$856,000, respectively, of cash and cash equivalents held with a bank that exceeded FDIC limits.

As of July 31, 2019 and 2018, the Foundation had approximately \$1,676,000 and \$677,000 (translated into U.S. dollars), respectively, of cash and cash equivalents held in three foreign banks that were not insured by the FDIC.

HAITIAN HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018

NOTE 10 – CONCENTRATIONS (Continued)

B. *International Considerations*

Transactions between the Foundation's operations in the United States and in its clinic in Haiti are subject to exchange risk. Assets held in Haitian gourdes are remeasured at the time of transfer to the Haitian operations and at fiscal year-end. The foreign currency translation adjustment for the years ended July 31, 2019 and 2018 was (\$80,350) and \$6,657, respectively.

Substantially all of the Foundation's programs are conducted in Haiti and are therefore contingent on the ability to operate without undue influence from political, social and economic conditions present in that country.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through May 8, 2020, the date the financial statements were available to be issued.

On March 27, 2020, in the response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity's average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Foundation's employees. The Foundation applied for this loan in the amount of \$66,385 through an SBA authorized lender in April 2020.

As of May 8, 2020, the Foundations investments have declined by 7% of the total assets as of July 31, 2019.