

HAITIAN HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JULY 31, 2020 AND 2019

HAITIAN HEALTH FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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## Independent Auditor's Report

To the Board of Directors of  
Haitian Health Foundation, Inc.

We have audited the accompanying financial statements of Haitian Health Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Haitian Health Foundation, Inc. as of July 31, 2019, were audited by other auditors whose report dated May 8, 2020, expressed an unmodified opinion on those statements.

*Mahoney Sabol + Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
March 8, 2021

HAITIAN HEALTH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2020 AND 2019

|                                       | <u>2020</u>          | <u>2019</u>          |
|---------------------------------------|----------------------|----------------------|
| <u>ASSETS</u>                         |                      |                      |
| Cash and cash equivalents             | \$ 2,265,168         | \$ 2,283,459         |
| Investments                           | 46,493,007           | 47,208,537           |
| Accounts and grants receivable, net   | 121,123              | 312,657              |
| Prepaid expenses and other assets     | 17,500               | 16,066               |
| Property and equipment, net           | <u>3,037,348</u>     | <u>2,721,200</u>     |
|                                       | <u>\$ 51,934,146</u> | <u>\$ 52,541,919</u> |
| <u>LIABILITIES AND NET ASSETS</u>     |                      |                      |
| LIABILITIES:                          |                      |                      |
| Accounts payable and accrued expenses | \$ 95,440            | \$ 405,311           |
| Notes payable                         | <u>66,385</u>        | <u>-</u>             |
|                                       | 161,825              | 405,311              |
| NET ASSETS:                           |                      |                      |
| Without donor restrictions            | 49,558,783           | 50,276,039           |
| With donor restrictions               | <u>2,213,538</u>     | <u>1,860,569</u>     |
|                                       | <u>51,772,321</u>    | <u>52,136,608</u>    |
|                                       | <u>\$ 51,934,146</u> | <u>\$ 52,541,919</u> |

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2020

|   | Net Assets<br>without Donor<br>Restrictions | Net Assets with<br>Donor<br>Restrictions | Total                |
|---|---|--|----------------------|
| <b>REVENUE AND SUPPORT:</b>               |   |  |                      |
| Grants and contracts, net                 | \$ 675,814                                  | \$ -                                     | \$ 675,814           |
| Contributions                             | 1,260,416                                   | 1,520,945                                | 2,781,361            |
| In-kind donations                         | 645,765                                     | -  | 645,765              |
| Loss on foreign currency                  | (76,673)                                    | -  | (76,673)             |
| Program income                            | 105,070                                     | -  | 105,070              |
| Special events and other income           | 20,289                                      | -  | 20,289               |
| Interest income and net investment return | 451,896                                     | -  | 451,896              |
| Net assets released from restrictions     | 1,167,976                                   | (1,167,976)                              | -                    |
| Total revenue and support                 | <u>4,250,553</u>                            | <u>352,969</u>                           | <u>4,603,522</u>     |
| <b>EXPENSES:</b>                          |   |  |                      |
| <b>Program Services:</b>                  |   |  |                      |
| Healthcare                                | 3,114,225                                   | -  | 3,114,225            |
| Education                                 | 420,196                                     | -  | 420,196              |
| Community development                     | 687,776                                     | -  | 687,776              |
| Technical assistance                      | 196,256                                     | -  | 196,256              |
|   | <u>4,418,453</u>                            | <u>-</u>                                 | <u>4,418,453</u>     |
| <b>Supporting Services:</b>               |   |  |                      |
| Management and general                    | 290,275                                     | -  | 290,275              |
| Fundraising                               | 259,081                                     | -  | 259,081              |
|   | <u>549,356</u>                              | <u>-</u>                                 | <u>549,356</u>       |
| Total expenses                            | <u>4,967,809</u>                            | <u>-</u>                                 | <u>4,967,809</u>     |
| Change in net assets                      | (717,256)                                   | 352,969                                  | (364,287)            |
| <b>NET ASSETS:</b>                        |   |  |                      |
| Beginning of year                         | 50,276,039                                  | 1,860,569                                | 52,136,608           |
| End of year                               | <u>\$ 49,558,783</u>                        | <u>\$ 2,213,538</u>                      | <u>\$ 51,772,321</u> |

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2019

|   | Net Assets<br>without Donor<br>Restrictions | Net Assets with<br>Donor<br>Restrictions | Total                |
|---|---|--|----------------------|
| <b>REVENUE AND SUPPORT:</b>               |   |  |                      |
| Grants and contracts                      | \$ 2,705,193                                | \$ -                                     | \$ 2,705,193         |
| Contributions                             | 1,269,904                                   | 1,222,712                                | 2,492,616            |
| In-kind donations                         | 603,596                                     | -  | 603,596              |
| Loss on foreign currency                  | (80,350)                                    | -  | (80,350)             |
| Program income                            | 73,059                                      | -  | 73,059               |
| Special events and other income           | 145,745                                     | -  | 145,745              |
| Interest income and net investment return | 457,871                                     | -  | 457,871              |
| Net assets released from restrictions     | 1,370,411                                   | (1,370,411)                              | -                    |
| Total revenue and support                 | <u>6,545,429</u>                            | <u>(147,699)</u>                         | <u>6,397,730</u>     |
| <b>EXPENSES:</b>                          |   |  |                      |
| <b>Program Services:</b>                  |   |  |                      |
| Healthcare                                | 3,361,563                                   | -  | 3,361,563            |
| Education                                 | 520,988                                     | -  | 520,988              |
| Community development                     | 976,928                                     | -  | 976,928              |
| Technical assistance                      | 1,796,284                                   | -  | 1,796,284            |
|   | <u>6,655,763</u>                            | <u>-</u>                                 | <u>6,655,763</u>     |
| <b>Supporting Services:</b>               |   |  |                      |
| Management and general                    | 301,603                                     | -  | 301,603              |
| Fundraising                               | 299,314                                     | -  | 299,314              |
|   | <u>600,917</u>                              | <u>-</u>                                 | <u>600,917</u>       |
| Total expenses                            | <u>7,256,680</u>                            | <u>-</u>                                 | <u>7,256,680</u>     |
| Change in net assets                      | (711,251)                                   | (147,699)                                | (858,950)            |
| <b>NET ASSETS:</b>                        |   |  |                      |
| Beginning of year                         | <u>50,987,290</u>                           | <u>2,008,268</u>                         | <u>52,995,558</u>    |
| End of year                               | <u>\$ 50,276,039</u>                        | <u>\$ 1,860,569</u>                      | <u>\$ 52,136,608</u> |

See notes to financial statements.

HAITIAN HEALTH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2020

|                                      | Program Services |            |                       |                      |                        | Supporting Services    |             |                           | Total 2020   |
|--------------------------------------|------------------|------------|-----------------------|----------------------|------------------------|------------------------|-------------|---------------------------|--------------|
|                                      | Healthcare       | Education  | Community Development | Technical Assistance | Total Program Services | Management and General | Fundraising | Total Supporting Services |              |
| Salaries                             | \$ 1,144,479     | \$ 113,498 | \$ 208,107            | \$ 131,653           | \$ 1,597,737           | \$ 135,973             | \$ 158,894  | \$ 294,867                | \$ 1,892,604 |
| Payroll taxes and employee benefits  | 127,705          | 12,769     | 11,266                | 10,391               | 162,131                | 21,006                 | 18,923      | 39,929                    | 202,060      |
| Total Salaries and Related Costs     | 1,272,184        | 126,267    | 219,373               | 142,044              | 1,759,868              | 156,979                | 177,817     | 334,796                   | 2,094,664    |
| Relief shipments (containers)        | 20,433           | -          | 12,107                | -                    | 32,540                 | -                      | -           | -                         | 32,540       |
| Direct assistance                    | 8,857            | 5,299      | 4,610                 | -                    | 18,766                 | -                      | -           | -                         | 18,766       |
| Medical & dental care and supplies   | 397,713          | -          | -                     | 4,779                | 402,492                | -                      | -           | -                         | 402,492      |
| Food and nutrition                   | 381,702          | 3,480      | -                     | -                    | 385,182                | -                      | -           | -                         | 385,182      |
| Home & latrine construction          | -                | -          | 118,385               | -                    | 118,385                | -                      | -           | -                         | 118,385      |
| Goat program                         | -                | -          | -                     | -                    | -                      | -                      | -           | -                         | -            |
| Community development                | -                | -          | 2,421                 | -                    | 2,421                  | -                      | -           | -                         | 2,421        |
| Education - tuition                  | -                | 66,762     | -                     | -                    | 66,762                 | -                      | -           | -                         | 66,762       |
| Education - books, uniforms, stipend | -                | 59,122     | -                     | -                    | 59,122                 | -                      | -           | -                         | 59,122       |
| Rent & Utilities                     | 3,312            | 1,612      | 13,912                | 874                  | 19,710                 | 2,781                  | 2,131       | 4,912                     | 24,622       |
| Telephone                            | 12,480           | 1,511      | 2,508                 | 3,971                | 20,470                 | 1,294                  | 1,919       | 3,213                     | 23,683       |
| Fuel                                 | 24,508           | 207        | 4,359                 | 6,127                | 35,201                 | -                      | -           | -                         | 35,201       |
| Travel and transportation            | 44,968           | 1,460      | 5,951                 | 1,379                | 53,758                 | 11,190                 | 139         | 11,329                    | 65,087       |
| Vehicles                             | 79,238           | 898        | 5,446                 | 3,852                | 89,434                 | 3,822                  | -           | 3,822                     | 93,256       |
| Office supplies and expenses         | 21,288           | 113        | 7,708                 | (1,601)              | 27,508                 | 2,475                  | 1,674       | 4,149                     | 31,657       |
| Insurance                            | 5,022            | 3,767      | 2,742                 | -                    | 11,531                 | 8,148                  | 5,022       | 13,170                    | 24,701       |
| Dues and subscriptions               | 180              | -          | 149                   | -                    | 329                    | 2,030                  | 1,461       | 3,491                     | 3,820        |
| Professional fees                    | 28,682           | 22,153     | 14,895                | -                    | 65,730                 | 30,905                 | 169         | 31,074                    | 96,804       |
| Printing                             | 227              | -          | -                     | 271                  | 498                    | 218                    | 13,928      | 14,146                    | 14,644       |
| Repairs and maintenance              | 86,047           | 1,027      | 16,776                | 1                    | 103,851                | 9,893                  | 182         | 10,075                    | 113,926      |
| Energy related equipment             | 575              | -          | 2,254                 | -                    | 2,829                  | -                      | -           | -                         | 2,829        |
| Solar equipment                      | 8,878            | -          | -                     | -                    | 8,878                  | -                      | -           | -                         | 8,878        |
| Security                             | 168,180          | 225        | 14,590                | 31,000               | 213,995                | 180                    | -           | 180                       | 214,175      |
| Computer                             | 10,415           | 4,020      | 8,131                 | 2,856                | 25,422                 | 8,589                  | 15,251      | 23,840                    | 49,262       |
| Advertising                          | 36               | -          | -                     | -                    | 36                     | 208                    | 10,086      | 10,294                    | 10,330       |
| Credit card and bank fees            | 3,751            | 147        | 383                   | 703                  | 4,984                  | 302                    | 9,526       | 9,828                     | 14,812       |
| Depreciation                         | 113,266          | 113,266    | 56,633                | -                    | 283,165                | 30,857                 | -           | 30,857                    | 314,022      |
| In-kind professional services        | 79,740           | 8,860      | 77,838                | -                    | 166,438                | 20,404                 | 19,776      | 40,180                    | 206,618      |
| In-kind expenses                     | 342,543          | -          | 96,605                | -                    | 439,148                | -                      | -           | -                         | 439,148      |
| Total expenses                       | \$ 3,114,225     | \$ 420,196 | \$ 687,776            | \$ 196,256           | \$ 4,418,453           | \$ 290,275             | \$ 259,081  | \$ 549,356                | \$ 4,967,809 |

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2019

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

See notes to financial statements.



HAITIAN HEALTH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2020 AND 2019

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                     |                     |
| Change in net assets  | \$ (364,287)        | \$ (858,950)        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation  | 314,022             | 212,725             |
| Change in allowance for doubtful accounts   | 88,163              | -                   |
| In-kind capital contributions   | -                   | (2,720)             |
| Net realized and unrealized gain on investments   | 512,152             | 463,677             |
| Foreign currency translation adjustment   | -                   | 80,350              |
| (Increase) decrease in operating assets:  |                     |                     |
| Accounts and grants receivable  | 103,371             | (191,036)           |
| Prepaid and other assets  | (1,434)             | 21,723              |
| Increase (decrease) in operating liabilities:   |                     |                     |
| Accounts payable and accrued expenses   | (309,871)           | 139,745             |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES   | <u>342,116</u>      | <u>(134,486)</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                     |                     |
| Purchases of investments  | (15,302,888)        | (4,041,581)         |
| Proceeds from sale of investments   | 15,506,266          | 4,969,274           |
| Purchases of property and equipment   | (630,170)           | (220,068)           |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES   | <u>(426,792)</u>    | <u>707,625</u>      |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                     |                     |
| Proceeds from notes payable   | 66,385              | -                   |
| Effect of exchange rate changes on cash and cash equivalents  | -                   | (80,350)            |
| NET PROVIDED BY (USED IN) FINANCING ACTIVITIES  | <u>66,385</u>       | <u>(80,350)</u>     |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | (18,291)            | 492,789             |
| CASH AND CASH EQUIVALENTS:  |                     |                     |
| Beginning of year   | <u>2,283,459</u>    | <u>1,790,670</u>    |
| End of year   | <u>\$ 2,265,168</u> | <u>\$ 2,283,459</u> |

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 1 – ORGANIZATION:

Haitian Health Foundation, Inc. (HHF or the Foundation) is a non-profit organization founded in 1985 which is headquartered in Norwich, Connecticut. The Foundation provides health care and dental care services, community health education and prevention services, primary and secondary education opportunities; community development interventions and, when needed, emergency relief services to those in Haiti. HHF's mission is to improve the health and well-being of women, children, families and communities living in the greater Jérémie region of Haiti through healthcare, education and community development.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Method of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation:

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (Board) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. At July 31, 2020 and 2019, there were board designated net assets of \$16,650,000 and \$16,450,000, respectively (see Note 9).

*Net Assets with Donor Restrictions* - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recognition of Revenue and Support:

In May 2020, the Financial Accounting Standards Board (FASB) approved a one-year effective date deferral for the implementation of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. As a result, the Foundation will implement ASC Topic 606 during the year ended July 31, 2021.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The Foundation adopted this ASU for the year ended July 31, 2020 using the modified prospective method and there was no cumulative effect of applying the ASU.

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 conditioned on the expenditure of funds in accordance with grant restrictions, and, therefore, revenue is recognized to the extent of grant expenditures. Certain government grants received by a not-for-profit organization are generally considered contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Foundation. Promises to give that are subject to donor-imposed conditions are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions - Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets. 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 statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a rate reflecting the risk involved and is amortized based on the expected receipt date of the gift. Amortization of the discount is included in contribution support.

In-kind donations - Donated goods and services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by HHF. The Foundation received donated goods and services which totaled \$645,765 and \$603,596 for the years ended July 31, 2020 and 2019, respectively. No amounts have been recorded in the financial statements for donated volunteer services which do not require specialized skills.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recognition of Revenue and Support (continued):

*Program income* – HHF will receive nominal payments in exchange for various program services (health clinics, etc.) provided throughout the year. As a result, these transactions are considered to be exchange transactions and revenue is recognized at the point in time when service is provided. Payments received in advance are recorded as deferred revenue.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, on deposit and short-term investment accounts having an original maturity of 90 days or less.

Investments:

Investments are measured at fair value in the statements of financial position. Investment income or expense, including gains and losses (both realized and unrealized) on investments and interest and dividends, are included in the statements of activities as increases or decreases in net assets without donor restriction unless donor or relevant law directs otherwise.

Accounts and Grants Receivable:

Accounts and grants receivable are stated at the original amount due, less any allowance for uncollectible accounts. Allowances for receivables are determined by management based on an assessment of their collectability. Receivables are written off when management believes the amounts will not be collected. As of July 31, 2020 there was an allowance for doubtful account of \$88,163 and as of July 31, 2019 there was no allowance for doubtful accounts recorded.

Property and Equipment:

Property and equipment of the Foundation are recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 – 40 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in operations.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Impairment of Long-Lived Assets:

The Foundation recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There was no impairment loss recognized for the years ended July 31, 2020 or 2019.

Leases:

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to income or expense on a straight-line basis over the original term of the lease.

Fair Value Measurements:

The Foundation has a number of financial instruments and none are held for trading purposes. The Foundation estimates that the fair value of all financial instruments as of July 31, 2020 and 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The Foundation, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange.

Income Taxes:

The Foundation has been determined to be exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation's federal information returns generally remain open for examination by the tax authorities for the prior three years.

Expenses by Function:

The financial statements present expenses by function and natural classification. Expenses directly attributable to a specific function of HHF are reported as expenses of those function areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other support services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Employee Benefit Plans:

The Foundation maintains a voluntary simple IRA plan for full-time employees in Connecticut. For the year ended July 31, 2020 and 2019 HHH contributed \$4,802 and \$3,937, respectively, to the plan. HHH also strictly adheres to all of the government regulations for employees located in Haiti, including vacation, sick and maternity leave. In addition, the Foundation makes all payments towards the Haitian equivalent of workers' compensation and social security benefits.

NOTE 3 – CONCENTRATIONS OF CREDIT AND MARKET RISK:

The following items have been identified as financial instruments or areas exposed to concentrations of credit and market risk:

Cash and Cash Equivalents:

Cash and cash equivalents at each US financial institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). In addition, the Foundation had approximately \$657,200 and \$1,676,000 (translated into US dollars) of cash and cash equivalents held in three foreign banks that were not insured by the FDIC. At various times during the years ended July 31, 2020 and 2019 the Foundation's cash balances exceeded the federally insured limits. However, the Foundation has not experienced any losses on its cash equivalents and management believes its cash deposits are not subject to significant credit risk. At July 31, 2020 and 2019, cash and cash equivalents exceeded the FDIC insured limit by approximately \$2,027,500 and \$2,119,000, respectively.

Investments:

Management considers investments to be sufficiently diversified to minimize to an acceptable level individual investment and industry concentration risks. However, the Foundation's investments are subject to the risks of the securities markets as a whole.

Investments at each brokerage firm are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). At July 31, 2020 and 2019, there were uninsured investment balances of approximately \$46,000,000 and \$46,700,000, respectively.

Foreign Currency:

Transactions between HHH's operations in the United States and in Haiti are subject to foreign exchange rate risk. The assets held in Haitian Gourdes are remeasured at the time of the transfer and at fiscal year-end. The foreign currency loss for the years ended July 31, 2020 and 2019 was (\$76,673) and (\$80,350), respectively.

Contributions and Grants:

HHH receives a percentage of its income from contributions and grants from organizations and donors, therefore, HHH's ability to generate revenue is affected by economic fluctuations in the overall economy.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 4 – INVESTMENTS:

Investments, at fair market value, are summarized as the following at July 31:

|                         | <u>2020</u>          | <u>2019</u>          |
|-------------------------|----------------------|----------------------|
| Money market funds      | \$ 214,453           | \$ 54,484            |
| Fixed-income securities | 12,094,767           | 15,070,559           |
| Equity securities       | <u>34,183,787</u>    | <u>32,083,494</u>    |
|                         | <u>\$ 46,493,007</u> | <u>\$ 47,208,537</u> |

Income from these investments is comprised of the following for the years ended July 31:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Interest and dividends                 | \$ 1,188,994      | \$ 1,154,216      |
| Realized and unrealized gains (losses) | (512,152)         | (463,677)         |
| Investment fees                        | <u>(224,946)</u>  | <u>(232,668)</u>  |
|  | <u>\$ 451,896</u> | <u>\$ 457,871</u> |

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at July 31:

|                                | <u>2020</u>         | <u>2019</u>         |
|--------------------------------|---------------------|---------------------|
| Buildings and improvements     | \$ 4,396,179        | \$ 4,350,384        |
| Vehicles                       | 1,435,922           | 851,547             |
| Furniture and equipment        | 409,011             | 409,011             |
| Land                           | <u>256,847</u>      | <u>256,847</u>      |
|                                | 6,497,959           | 5,867,789           |
| Less: accumulated depreciation | <u>(3,460,611)</u>  | <u>(3,146,589)</u>  |
|                                | <u>\$ 3,037,348</u> | <u>\$ 2,721,200</u> |

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 6 – NOTE PAYABLE:

In April 2020, HHF was granted a loan of \$66,385 from People’s United Bank, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The loan will mature in April 2022, bears interest at a rate of 1% per annum and is payable monthly commencing in August 2021. The loan may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred between the date of funding and October 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Foundation will recognize any extinguishment of the PPP funds upon being legally released from the loan.

Maturities of the note payable for each of the years succeeding July 31, 2020 are as follows:

|      |    |             |
|------|----|-------------|
| 2021 | \$ | -           |
| 2022 |    | 66,385      |
|      |    | <hr/>       |
|      | \$ | 66,385      |
|      |    | <hr/> <hr/> |

NOTE 7 – RELATED PARTY TRANSACTIONS:

A member of the Board of Directors of the Foundation is a Senior Vice President of Wealth Management and a Senior Portfolio Manager in the Portfolio Management Program at UBS, the brokerage that holds all the Foundation’s investments. At July 31, 2020 and 2019 the Foundation had investments of \$46,493,007 and \$47,208,537, respectively, in brokerage accounts at UBS. In addition, HHF paid investment fees of \$224,946 and \$232,668 for the years ended July 31, 2020 and 2019 respectively.

During the years ended July 31, 2020 and 2019, the President and the Director of the Foundation’s Save a Family Program, volunteered their services which were included as an In-kind donation within the statement of activities. Both these individuals are relatives of the Foundation’s Executive Director.

In October 2018, the Foundation issued a promissory note to an employee for a total of \$32,000. The note has a term of six years and bears interest at a rate of 3% per annum. It can be prepaid by the employee at any time without any premium or penalty and as of July 31, 2020 and 2019 the total outstanding balance was \$24,571 and \$29,087, respectively, which are presented in total accounts and grants receivable on the balance sheet. The loan is being paid down in bi-weekly installments of approximately \$248 and will mature in November 2024. Maturities of the promissory note for each of the fiscal years succeeding July 31, 2020 are as follows:

|      |    |             |
|------|----|-------------|
| 2021 | \$ | 5,011       |
| 2022 |    | 5,154       |
| 2023 |    | 5,937       |
| 2024 |    | 5,856       |
| 2025 |    | 2,613       |
|      |    | <hr/>       |
|      | \$ | 24,571      |
|      |    | <hr/> <hr/> |



HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are comprised of the following at July 31:

|                           | <u>2020</u>         | <u>2019</u>         |
|---------------------------|---------------------|---------------------|
| Disaster relief           | \$ 702,129          | \$ 732,044          |
| Happy houses and latrines | 500,969             | 478,411             |
| Save a family             | 444,936             | 268,883             |
| Other programs            | 272,028             | 184,981             |
| COVID-19                  | 206,894             | -                   |
| Nutrition                 | 86,582              | 196,250             |
|                           | <u>\$ 2,213,538</u> | <u>\$ 1,860,569</u> |

Net assets with donor restrictions in the amount of \$1,167,976 and \$1,370,411 were released from restriction during the years ended July 31, 2020 and 2019, respectively, by satisfying purpose restrictions or time restrictions on contributions receivable.

NOTE 9 – NET ASSETS WITH BOARD RESTRICTIONS:

Net assets with board restrictions are comprised of the following at July 31:

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Natural or other disaster emergency response   | \$ 7,000,000         | \$ 7,000,000         |
| Loss of government funding   | 4,000,000            | 4,000,000            |
| Solar system and other capital maintenance<br>and replacement  | 2,000,000            | 2,000,000            |
| Information and technology   | 1,000,000            | 1,000,000            |
| Purchase of medical, dental and other equipment  | 1,000,000            | 1,000,000            |
| Vehicle fleet and ambulance replacement  | 750,000              | 750,000              |
| Cost of services for five years by founder and<br>Save a Family coordinator, currently<br>provided by volunteers | 700,000              | 700,000              |
| COVID-19   | 200,000              | -                    |
|  | <u>\$ 16,650,000</u> | <u>\$ 16,450,000</u> |

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 10 – FAIR VALUE MEASUREMENTS:

The Foundation follows FASB ASC 820, which established a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is also applied to fair value measurements of derivative contracts that are subject to mark-to-market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price 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.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and established a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HHF has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

The following section describes the valuation methodologies used by HHF to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions.

*Equities* – The fair value of common stocks are based on quoted market prices from active markets.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

*Money Market Funds* - The fair value of money market funds are valued at the daily closing price as reported by the fund.

*Fixed Income Securities* - The fair value of certain government, non-government and foreign securities for which quoted market prices are not available are based on yields currently available on comparable securities of issuers with similar credit ratings.

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the years ended July 31, 2020 and 2019, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

The following table presents information about the Foundation's respective assets and liabilities measured at fair value on a recurring basis at July 31, 2020 and 2019, including the fair value measurements and the level of inputs used in determining those fair values:

July 31, 2020:

|                         | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>         |
|-------------------------|----------------------|----------------|----------------|----------------------|
| Investments:            |                      |                |                |                      |
| Money market funds      | \$ 214,453           | \$ -           | \$ -           | \$ 214,453           |
| Fixed-income securities | 12,094,767           | -              | -              | 12,094,767           |
| Equity securities       | 34,183,787           | -              | -              | 34,183,787           |
|                         | <u>\$ 46,493,007</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 46,493,007</u> |

July 31, 2019:

|                         | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>         |
|-------------------------|----------------------|----------------|----------------|----------------------|
| Investments:            |                      |                |                |                      |
| Money market funds      | \$ 54,484            | \$ -           | \$ -           | \$ 54,484            |
| Fixed-income securities | 15,070,559           | -              | -              | 15,070,559           |
| Equity securities       | 32,083,494           | -              | -              | 32,083,494           |
|                         | <u>\$ 47,208,537</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 47,208,537</u> |

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

NOTE 11 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted for debt service or capital improvements, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action. The following table reflects HHF's financial assets as of July 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year.

|  | <u>2020</u>              | <u>2019</u>              |
|--|--------------------------|--------------------------|
| Financial assets:                                      |                          |                          |
| Cash and cash equivalents                              | \$ 2,265,168             | \$ 2,283,459             |
| Investments  | 46,493,007               | 47,208,537               |
| Accounts and grants receivable                         | 121,123                  | 312,657                  |
|  | <u>48,879,298</u>        | <u>49,804,653</u>        |
| <br>   |                          |                          |
| Less amounts not available to be used within one year: |                          |                          |
| Net assets with donor restrictions                     | (2,213,538)              | (1,860,569)              |
| Board designated net assets                            | (16,650,000)             | (16,450,000)             |
|  | <u>(18,863,538)</u>      | <u>(18,310,569)</u>      |
|  | <br><u>\$ 30,015,760</u> | <br><u>\$ 31,494,084</u> |

NOTE 12 – RISKS AND UNCERTAINTIES:

In early March 2020, there was a global outbreak of COVID-19 that resulted in an economic downturn, changes in global supply and demand, and the temporary closure of non-essential businesses in many states. In connection with the outbreak, HHF continues to monitor its potential impact, which may materially impact the Foundation's finances and operations. Due to the uncertainties surrounding COVID-19, the full impact of the outbreak and the scope of any cumulative adverse impact on HHF's finances and operations cannot be fully determined at this time and largely depends on the ongoing severity, duration and spread of COVID-19.

NOTE 13 – SUBSEQUENT EVENTS:

In November 2020, the Foundation received forgiveness from the Small Business Administration (SBA) for the PPP loan of \$66,385 which was obtained in April 2020 and all accrued interest to date (see Note 6).

Management has evaluated subsequent events through March 8, 2021, the date the financial statements were available to be issued.