

HAITIAN HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JULY 31, 2021 AND 2020

HAITIAN HEALTH FOUNDATION, INC.

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CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8

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 statements of financial position as of July 31, 2021 and 2020, 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.

Auditor's 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, 2021 and 2020, 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.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
February 11, 2022

HAITIAN HEALTH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,633,719	\$ 2,265,168
Investments	60,522,696	46,493,007
Accounts and grants receivable	11,323	96,552
Prepaid expenses and other assets	35,548	42,071
Property and equipment, net	2,895,887	3,037,348
	<u>\$ 65,099,173</u>	<u>\$ 51,934,146</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 92,709	\$ 95,440
Deferred revenue	5,000	-
Notes payable	-	66,385
	<u>97,709</u>	<u>161,825</u>
NET ASSETS:		
Without donor restrictions	62,569,459	49,558,783
With donor restrictions	2,432,005	2,213,538
	<u>65,001,464</u>	<u>51,772,321</u>
	<u>\$ 65,099,173</u>	<u>\$ 51,934,146</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUE AND SUPPORT:			
Grants and contracts, net	\$ 1,259,724	\$ -	\$ 1,259,724
Contributions	1,728,677	1,872,363	3,601,040
In-kind donations	558,665	-	558,665
Gain on foreign currency	29,645	-	29,645
Program income	87,227	-	87,227
Special events and other income	29,076	-	29,076
Note payable forgiveness	131,385	-	131,385
Interest income and net investment return	14,502,167	-	14,502,167
Net assets released from restrictions	1,653,896	(1,653,896)	-
Total revenue and support	<u>19,980,462</u>	<u>218,467</u>	<u>20,198,929</u>
EXPENSES:			
Program Services:			
Healthcare	4,866,564	-	4,866,564
Education	718,379	-	718,379
Community development	784,814	-	784,814
	<u>6,369,757</u>	<u>-</u>	<u>6,369,757</u>
Supporting Services:			
Management and general	303,653	-	303,653
Fundraising	296,376	-	296,376
	<u>600,029</u>	<u>-</u>	<u>600,029</u>
Total expenses	<u>6,969,786</u>	<u>-</u>	<u>6,969,786</u>
Change in net assets	13,010,676	218,467	13,229,143
NET ASSETS:			
Beginning of year	<u>49,558,783</u>	<u>2,213,538</u>	<u>51,772,321</u>
End of year	<u>\$ 62,569,459</u>	<u>\$ 2,432,005</u>	<u>\$ 65,001,464</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUE AND SUPPORT:			
Grants and contracts	\$ 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>
EXPENSES:			
Program Services:			
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>
Supporting Services:			
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)
NET ASSETS:			
Beginning of year	<u>50,276,039</u>	<u>1,860,569</u>	<u>52,136,608</u>
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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2021

	Program Services				Supporting Services			Total 2021
	Healthcare	Education	Community Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,504,136	\$ 128,272	\$ 225,876	\$ 1,858,284	\$ 156,967	\$ 181,176	\$ 338,143	\$ 2,196,427
Payroll taxes and employee benefits	323,858	19,841	14,298	357,997	19,504	22,787	42,291	400,288
Total Salaries and Related Costs	1,827,994	148,113	240,174	2,216,281	176,471	203,963	380,434	2,596,715
Relief shipments (containers)	52,834	-	24,688	77,522	-	-	-	77,522
Direct assistance	9,635	29,261	2,396	41,292	-	-	-	41,292
Medical & dental care and supplies	904,717	-	-	904,717	-	-	-	904,717
Food and nutrition	613,811	-	-	613,811	-	-	-	613,811
Home & latrine construction	-	-	128,800	128,800	-	-	-	128,800
Goat program	-	-	20,765	20,765	-	-	-	20,765
Education - tuition	-	338,006	-	338,006	-	-	-	338,006
Education - books, uniforms, stipend	-	40,358	-	40,358	-	-	-	40,358
Rent & Utilities	3,026	1,857	14,473	19,356	3,567	2,467	6,034	25,390
Telephone	18,769	1,600	1,639	22,008	900	1,854	2,754	24,762
Fuel	41,849	207	1,049	43,105	-	-	-	43,105
Travel and transportation	147,475	3,670	6,590	157,735	3,442	604	4,046	161,781
Vehicles	278,254	1,509	7,543	287,306	706	-	706	288,012
Office supplies and expenses	26,764	276	5,642	32,682	2,225	100	2,325	35,007
Insurance	4,790	3,593	2,794	11,177	8,500	4,790	13,290	24,467
Dues and subscriptions	149	-	-	149	1,388	1,381	2,769	2,918
Professional fees	22,078	21,464	13,962	57,504	29,895	5,159	35,054	92,558
Printing	22,945	-	306	23,251	827	9,359	10,186	33,437
Repairs and maintenance	97,003	931	34,706	132,640	12,453	-	12,453	145,093
Energy related equipment	3,037	-	-	3,037	-	-	-	3,037
Solar equipment	111,138	-	-	111,138	-	-	-	111,138
Security	194,696	-	-	194,696	-	-	-	194,696
Computer	28,326	4,459	22,796	55,581	8,981	16,739	25,720	81,301
Advertising	-	-	-	-	992	16,445	17,437	17,437
Credit card and bank fees	3,998	73	364	4,435	1,235	12,339	13,574	18,009
Depreciation	114,028	114,028	88,073	316,129	30,858	-	30,858	346,987
In-kind professional services	80,764	8,974	89,591	179,329	21,213	21,176	42,389	221,718
In-kind expenses	258,484	-	78,463	336,947	-	-	-	336,947
Total expenses	\$ 4,866,564	\$ 718,379	\$ 784,814	\$ 6,369,757	\$ 303,653	\$ 296,376	\$ 600,029	\$ 6,969,786

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

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
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.

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 13,229,143	\$ (364,287)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	346,987	314,022
Change in allowance for doubtful accounts	-	88,163
Net realized and unrealized gain on investments	(13,606,927)	512,152
Note payable forgiveness	(131,385)	-
(Increase) decrease in operating assets:		
Accounts and grants receivable	85,229	103,371
Prepaid and other assets	6,523	(1,434)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,731)	(309,871)
Deferred revenue	5,000	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(68,161)</u>	<u>342,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,052,879)	(15,302,888)
Proceeds from sale of investments	20,630,117	15,506,266
Purchases of property and equipment	(205,526)	(630,170)
NET CASH USED IN INVESTING ACTIVITIES	<u>(628,288)</u>	<u>(426,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	65,000	66,385
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>65,000</u>	<u>66,385</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(631,449)	(18,291)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>2,265,168</u>	<u>2,283,459</u>
End of year	<u>\$ 1,633,719</u>	<u>\$ 2,265,168</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 1 – ORGANIZATION:

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

HHF 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 both July 31, 2021 and 2020, there were board designated net assets of \$16,650,000 (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 assets 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, 2021 AND 2020

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

Recognition of Revenue and Support:

In 2021, HHF adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and additional ASUs issued to clarify the guidance in ASU 2014-09 (collectively, the new revenue standard). HHF adopted the new revenue standard utilizing the modified retrospective transition method. The adoption of the new revenue standard did not have a material impact on previously reported amounts or amounts recognized for 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. HHF 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. 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 HHF.

Contributions - Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. 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. 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.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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

Recognition of Revenue and Support (continued):

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. HHF received donated goods and services which totaled \$558,665 and \$645,765 for the years ended July 31, 2021 and 2020, respectively. No amounts have been recorded in the financial statements for donated volunteer services which do not require specialized skills.

Program income - The majority of patients coming to HHF receive health services for free. However, for those who do pay, the price is nominal, and determined by a two-level scale based on patient's financial capacity to pay. 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, 2021 no allowance for doubtful accounts was recorded and as of July 31, 2020 there was an allowance for doubtful accounts of \$88,163.

Property and Equipment:

Property and equipment of HHF 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.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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

Property and Equipment (continued):

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, HHF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HHF reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of Long-Lived Assets:

HHF 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, 2021 or 2020.

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:

HHF has a number of financial instruments and none are held for trading purposes. HHF estimates that the fair value of all financial instruments as of July 31, 2021 and 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. HHF, 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 HHF could realize in a current market exchange.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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

Foreign Currency:

Transactions between HHF'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 gain (loss) for the years ended July 31, 2021 and 2020 was \$29,645 and (\$76,673), respectively.

Income Taxes:

HHF 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. HHF'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.

Employee Benefit Plans:

HHF maintains a voluntary SIMPLE IRA plan for full-time employees in Connecticut. For the year ended July 31, 2021 and 2020 HHF contributed \$5,961 and \$4,802, respectively, to the plan. HHF also strictly adheres to all of the government regulations for employees located in Haiti, including vacation, sick and maternity leave. In addition, HHF makes all payments towards the Haitian equivalent of workers' compensation and social security benefits.

Reclassifications:

Certain balances from 2020 have been reclassified to conform with the 2021 presentation. Such reclassifications have no material effect on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through February 11, 2022, the date the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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, HHF had approximately \$765,500 and \$657,200 (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, 2021 and 2020 HHF's cash balances exceeded the federally insured limits. However, HHF 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, 2021 and 2020, cash and cash equivalents exceeded the FDIC insured limit by approximately \$1,466,200 and \$2,027,500, respectively.

To reduce the risk of banking in Haiti, HHF makes every effort to use the funds quickly once deposited into the accounts from the Norwich office. On a monthly basis, a cash flow request is forwarded to the Norwich office to cover expenses such as payroll, security, utilities, fuel and other operational expenses. HHF periodically reviews the financial stability of its banking partners in Haiti and believes any risk of loss is minimal.

Investments:

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

Investments at the 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, 2021 and 2020, there were uninsured investment balances of approximately \$60,000,000 and \$46,000,000, respectively. The brokerage has also purchased supplemental insurance. The maximum amount payable to all eligible clients, collectively under the supplemental insurance is \$500,000,000.

Contributions and Grants:

HHF receives a percentage of its income from contributions and grants from organizations and donors, therefore, HHF'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, 2021 AND 2020

NOTE 4 – INVESTMENTS:

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

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 30,538	\$ 214,453
Fixed-income securities	6,109,399	12,094,767
Equity securities	54,382,759	34,183,787
	<u>\$ 60,522,696</u>	<u>\$ 46,493,007</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 1,179,187	\$ 1,188,994
Realized and unrealized gains (losses)	13,606,927	(512,152)
Investment fees	(283,947)	(224,946)
	<u>\$ 14,502,167</u>	<u>\$ 451,896</u>

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at July 31:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 4,396,179	\$ 4,396,179
Vehicles	1,575,922	1,435,922
Furniture and equipment	474,536	409,011
Land	256,847	256,847
	<u>6,703,484</u>	<u>6,497,959</u>
Less: accumulated depreciation	(3,807,597)	(3,460,611)
	<u>\$ 2,895,887</u>	<u>\$ 3,037,348</u>

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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 September 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.

In November 2020, HHF received forgiveness from the Small Business Administration (SBA) for the PPP loan of \$66,385 and all accrued interest to date. This amount is included in note payable forgiveness in these financial statements.

In February 2021, HHF was granted a loan of \$65,000 from People’s United Bank, pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, part of the Consolidated Appropriations Act, 2021, (the CAA) enacted December 27, 2020, which extends the Paycheck Protection Program (PPP) to include a second round of funding to qualified businesses. The loan will mature in February 2026, bears interest at a rate of 1.0% per annum and is payable monthly commencing in July 2022. The loan may be prepaid by HHF 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 July 2021. 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 CAA. In July 2021, HHF received forgiveness from the Small Business Administration (SBA) for the PPP loan of \$65,000 and all accrued interest to date. This amount is included in note payable forgiveness in these financial statements.

NOTE 7 – RELATED PARTY TRANSACTIONS:

A member of the Board of Directors of HHF 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 HHF’s investments. At July 31, 2021 and 2020 HHF had investments of \$60,522,696 and \$46,493,007, respectively, in brokerage accounts at UBS. In addition, HHF paid investment fees of \$283,947 and \$224,946 for the years ended July 31, 2021 and 2020 respectively.

During the years ended July 31, 2021 and 2020, the President and the Director of HHF’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 HHF’s Executive Director.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 7 – RELATED PARTY TRANSACTIONS (Continued):

In October 2018, HHF 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, 2021 and 2020 the total outstanding balance was \$19,367 and \$24,571, respectively, which are presented in prepaid expenses and other assets 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, 2021 are as follows:

2022	5,354
2023	5,713
2024	6,096
2025	<u>2,204</u>
	<u>\$ 19,367</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2021</u>	<u>2020</u>
Happy houses and latrines	\$ 767,736	\$ 500,969
Disaster relief	700,962	702,129
Other programs	521,520	272,028
Save a family	369,267	444,936
Nutrition	72,520	86,582
COVID-19	-	<u>206,894</u>
	<u>\$ 2,432,005</u>	<u>\$ 2,213,538</u>

Net assets with donor restrictions in the amount of \$1,653,896 and \$1,167,976 were released from restriction during the years ended July 31, 2021 and 2020, respectively, by satisfying purpose restrictions or time restrictions on contributions receivable.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 9 – NET ASSETS WITH BOARD RESTRICTIONS:

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

	<u>2021</u>	<u>2020</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 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 Save a Family coordinator, currently provided by volunteers	700,000	700,000
COVID-19	200,000	200,000
	<u>\$ 16,650,000</u>	<u>\$ 16,650,000</u>

NOTE 10 – FAIR VALUE MEASUREMENTS:

HHF 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.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

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.

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, 2021 and 2020, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

The following table presents information about HHF’s respective assets and liabilities measured at fair value on a recurring basis at July 31, 2021 and 2020, including the fair value measurements and the level of inputs used in determining those fair values:

July 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 30,538	\$ -	\$ -	\$ 30,538
Fixed-income securities	6,109,399	-	-	6,109,399
Equity securities	54,382,759	-	-	54,382,759
	<u>\$ 60,522,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,522,696</u>

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>

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.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

NOTE 11 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued):

The following table reflects HHF's financial assets as of July 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,633,719	\$ 2,265,168
Investments	60,522,696	46,493,007
Accounts and grants receivable	11,323	96,552
	<u>62,167,738</u>	<u>48,854,727</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,432,005)	(2,213,538)
Board designated net assets	<u>(16,650,000)</u>	<u>(16,650,000)</u>
	<u>(19,082,005)</u>	<u>(18,863,538)</u>
	<u>\$ 43,085,733</u>	<u>\$ 29,991,189</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 HHF'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.