

HAITIAN HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JULY 31, 2022 AND 2021

HAITIAN HEALTH FOUNDATION, INC.

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## Independent Auditor's Report

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

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Haitian Health Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Haitian Health Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Haitian Health Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haitian Health Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mahoney Sabol + Company, LLP*

Certified Public Accountants  
Glastonbury, Connecticut  
January 26, 2023

HAITIAN HEALTH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,194,857	\$ 1,664,256
Investments	61,088,581	60,492,159
Accounts and grants receivable	33,742	11,323
Prepaid expenses and other assets	229,522	35,548
Property and equipment, net	3,186,332	2,895,887
	<u>\$ 65,733,034</u>	<u>\$ 65,099,173</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 133,332	\$ 92,709
Deferred revenue	5,000	5,000
TOTAL LIABILITIES	<u>138,332</u>	<u>97,709</u>
NET ASSETS:		
Without donor restrictions	63,867,617	62,569,459
With donor restrictions	1,727,085	2,432,005
TOTAL NET ASSETS	<u>65,594,702</u>	<u>65,001,464</u>
	<u>\$ 65,733,034</u>	<u>\$ 65,099,173</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 3,115,851	\$ 2,015,703	\$ 5,131,554
Contributed nonfinancial assets	2,706,712	-	2,706,712
Interest income and net investment return	1,348,635	-	1,348,635
Grants	448,453	-	448,453
Program income	57,289	-	57,289
Other income	27,116	-	27,116
Loss on foreign currency	(46,066)	-	(46,066)
Net assets released from restrictions	<u>2,720,623</u>	<u>(2,720,623)</u>	<u>-</u>
Total revenue and support	<u>10,378,613</u>	<u>(704,920)</u>	<u>9,673,693</u>
EXPENSES:			
Program services:			
Healthcare	5,265,211	-	5,265,211
Education	707,469	-	707,469
Community development	831,300	-	831,300
Disaster relief earthquake	<u>1,624,553</u>	<u>-</u>	<u>1,624,553</u>
Total program services	<u>8,428,533</u>	<u>-</u>	<u>8,428,533</u>
Supporting services:			
Management and general	316,770	-	316,770
Fundraising	<u>335,152</u>	<u>-</u>	<u>335,152</u>
Total supporting services	<u>651,922</u>	<u>-</u>	<u>651,922</u>
Total expenses	<u>9,080,455</u>	<u>-</u>	<u>9,080,455</u>
CHANGE IN NET ASSETS	1,298,158	(704,920)	593,238
NET ASSETS:			
Beginning of year	<u>62,569,459</u>	<u>2,432,005</u>	<u>65,001,464</u>
End of year	<u>\$ 63,867,617</u>	<u>\$ 1,727,085</u>	<u>\$ 65,594,702</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 1,728,677	\$ 1,872,363	\$ 3,601,040
Grants	1,259,724	-	1,259,724
Contributed nonfinancial assets	558,665	-	558,665
Notes payable forgiveness	-	-	-
Program income	87,227	-	87,227
Gain on foreign currency	29,645	-	29,645
Interest income and net investment return	14,502,167	-	14,502,167
Other income	160,461	-	160,461
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
Total program services	<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
Total supporting services	<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 FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2022

	Program Services				Supporting Services			Total	
	Healthcare	Education	Community Development	Disaster Relief Earthquake	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,172,487	\$ 114,756	\$ 189,871	\$ 87,541	\$ 1,564,655	\$ 150,145	\$ 188,941	\$ 339,086	\$ 1,903,741
Payroll taxes and employee benefits	76,552	16,991	14,073	612	108,228	19,591	22,387	41,978	150,206
Total salaries and related costs	1,249,039	131,747	203,944	88,153	1,672,883	169,736	211,328	381,064	2,053,947
In-kind expenses	1,828,264	-	84,774	-	1,913,038	389	-	389	1,913,427
Food and nutrition	575,494	83,300	-	961,124	1,619,918	-	-	-	1,619,918
Medical & dental care and supplies	439,076	-	-	245,481	684,557	-	-	-	684,557
Depreciation	116,113	116,113	90,310	-	322,536	32,405	-	32,405	354,941
Vehicles	323,760	1,564	7,818	171	333,313	2,894	-	2,894	336,207
Disaster relief assistance	-	-	-	282,153	282,153	-	-	-	282,153
Security	237,996	-	-	6,500	244,496	-	-	-	244,496
Education - tuition	-	239,854	-	-	239,854	-	-	-	239,854
In-kind professional services	80,764	8,974	85,643	-	175,381	21,549	21,140	42,689	218,070
Travel and transportation	92,587	4,138	27,931	8,387	133,043	4,937	1,956	6,893	139,936
Home & latrine construction	-	-	131,261	-	131,261	-	-	-	131,261
Repairs and maintenance	74,715	499	19,474	18,025	112,713	7,306	490	7,796	120,509
Professional fees	24,230	22,800	13,547	-	60,577	32,370	9,130	41,500	102,077
Goat program	-	-	90,000	-	90,000	-	-	-	90,000
Relief shipments (containers)	54,258	-	20,629	6,916	81,803	-	-	-	81,803
Computer	16,494	4,748	14,624	-	35,866	12,537	15,455	27,992	63,858
Office supplies and expenses	43,583	601	4,202	6,115	54,501	3,250	1,043	4,293	58,794
Education - books, uniforms, stipend	-	56,846	-	-	56,846	-	-	-	56,846
Printing	29,182	-	675	-	29,857	1,255	22,563	23,818	53,675
Fuel	41,569	337	1,684	1,081	44,671	-	-	-	44,671
Direct assistance	12,114	28,742	-	-	40,856	-	-	-	40,856
Rent & utilities	3,124	1,276	13,126	-	17,526	11,142	1,660	12,802	30,328
Insurance	4,904	3,679	2,682	-	11,265	10,553	4,904	15,457	26,722
Credit card and bank fees	3,493	119	397	-	4,009	1,050	20,487	21,537	25,546
Telephone	13,491	2,132	2,931	-	18,554	1,175	2,409	3,584	22,138
Advertising	-	-	-	-	-	237	21,019	21,256	21,256
Solar equipment	-	-	15,556	-	15,556	-	-	-	15,556
Dues and subscriptions	149	-	-	-	149	3,985	1,568	5,553	5,702
Energy related equipment	812	-	92	447	1,351	-	-	-	1,351
<b>Total expenses</b>	<b>\$ 5,265,211</b>	<b>\$ 707,469</b>	<b>\$ 831,300</b>	<b>\$ 1,624,553</b>	<b>\$ 8,428,533</b>	<b>\$ 316,770</b>	<b>\$ 335,152</b>	<b>\$ 651,922</b>	<b>\$ 9,080,455</b>

See notes to financial statements.



HAITIAN HEALTH FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2021

	Program Services				Supporting Services			Total
	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.

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 593,238	\$ 13,229,143
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	354,941	346,987
Net realized and unrealized gain on investments	(341,000)	(13,606,927)
Notes payable forgiveness	-	(131,385)
Donation of property	(575,215)	-
(Increase) decrease in operating assets:		
Accounts and grants receivable	(22,419)	85,229
Prepaid expenses and other assets	(193,974)	6,523
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	40,623	(2,731)
Deferred revenue	-	5,000
NET CASH USED IN OPERATING ACTIVITIES	<u>(143,806)</u>	<u>(68,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,241,152)	(21,236,795)
Proceeds from sale of investments	20,985,730	20,630,117
Purchases of property and equipment	(70,171)	(205,526)
NET CASH USED IN INVESTING ACTIVITIES	<u>(325,593)</u>	<u>(812,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from PPP loan	-	65,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>65,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(469,399)	(815,365)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,664,256</u>	<u>2,479,621</u>
End of year	<u>\$ 1,194,857</u>	<u>\$ 1,664,256</u>

See notes to financial statements.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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, community development and relief services.

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, 2022 and 2021, 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 statements of activities as net assets released from restrictions (see Note 8).

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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

Adoption of New Accounting Pronouncement:

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard improves transparency surrounding contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is applied retrospectively and is effective for years beginning after June 15, 2021. HHF adopted ASU 2020-07 effective August 1, 2021. There was no material impact to the financial statements as a result of this adoption.

Recognition of Revenue and Support:

In 2021, HHF adopted FASB 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 standard did not have a material impact on previously reported amounts or amounts recognized for the year ended July 31, 2021.

HHF derives and recognizes revenue as follows:

*Grants* - Grants are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities. Entitlement to cost reimbursement of grants 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 statements of activities as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor 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, 2022 AND 2021

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

Recognition of Revenue and Support (continued):

*Contributed nonfinancial assets* - Contributions of goods, services and property and equipment are recorded as contributions at their fair values on the date of donation.

Contributed services are recognized as contributions if they meet the criteria established by US GAAP, as follows, the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HHF. A number of volunteers have donated amounts of time to HHF's program services, however, the services provided by these volunteers do not meet the criteria established by US GAAP, and accordingly, no amounts have been recognized in the statements of activities.

Donations of property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, HHF reports expirations of donor restrictions when the donated or acquired assets are placed in service. HHF reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

*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, money market accounts, 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.

Donated investments are reflected as contributions at their market values at date of receipt.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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

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. Management believes all balances are collectible at July 31, 2022 and 2021 and, as a result, no allowance for doubtful accounts was recorded.

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.

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, 2022 or 2021.

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, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements 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 (see Note 10).

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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, 2022 and 2021 was (\$46,066) and \$29,645, respectively.

Income Tax:

HHF is tax exempt under Internal Revenue Code section 501(c)(3) of the United States Internal Revenue code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. HHF files an informational return in the U.S. Federal jurisdiction. HHF's federal information returns generally remain open for examination by the tax authorities for the prior three years.

Advertising:

Advertising costs are expensed as incurred. Such costs totaled \$21,256 and \$17,437 for the years ended July 31, 2022 and 2021, respectively.

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 years ended July 31, 2022 and 2021, HHF contributed \$4,944 and \$5,961, 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 amounts as of July 31, 2021 have been reclassified to conform to the July 31, 2022 presentation. The reclassifications have no material effect on the financial statements.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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). At various times during the years ended July 31, 2022 and 2021, 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. In addition, at July 31, 2022 and 2021, HHF had approximately \$387,500 and \$765,500 (translated into US dollars), respectively, of cash and cash equivalents held in foreign banks that were not insured by the FDIC. At July 31, 2022 and 2021, cash and cash equivalents exceeded the FDIC insured limit by approximately \$1,025,200 and \$1,466,200, respectively.

To reduce the risk of banking in Haiti, HHF makes every effort to use the funds quickly once deposited into the Haitian bank accounts from the Norwich, Connecticut office. On a monthly basis, a cash flow request is forwarded to the Norwich, Connecticut 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 UBS are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). At July 31, 2022 and 2021, there were uninsured investment balances of approximately \$60,640,000 and \$60,020,000, respectively. The brokerage firm 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.

Geographic Location:

The program services of HHF are located in Haiti, therefore, HHF's ability to perform and carry out these types services could be affected by the overall environment in the country of Haiti (see Note 14).



HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE 4 – INVESTMENTS:

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

	<u>2022</u>	<u>2021</u>
Fixed-income securities	\$ 5,709,204	\$ 6,109,399
Equity securities	<u>55,379,377</u>	<u>54,382,760</u>
	<u>\$ 61,088,581</u>	<u>\$ 60,492,159</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,317,490	\$ 1,179,187
Realized and unrealized gains	341,000	13,606,927
Investment fees	<u>(309,855)</u>	<u>(283,947)</u>
	<u>\$ 1,348,635</u>	<u>\$ 14,502,167</u>

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at July 31:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 4,419,975	\$ 4,396,179
Vehicles	1,575,922	1,575,922
Furniture and equipment	520,911	474,536
Land	<u>256,847</u>	<u>256,847</u>
	6,773,655	6,703,484
Less: accumulated depreciation	<u>(4,162,538)</u>	<u>(3,807,597)</u>
	2,611,117	2,895,887
Donated property	<u>575,215</u>	<u>-</u>
	<u>\$ 3,186,332</u>	<u>\$ 2,895,887</u>

The donated property valued at \$575,215 as of July 31, 2022 was sold subsequent to year end (see Note 13).

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE 6 – NOTES 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 was set to mature in April 2022, bore interest at a rate of 1% per annum and was payable monthly commencing in August 2021. The loan could have been be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan were only to 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 notes payable forgiveness in the accompanying statements of activities for the year ending July 31, 2021.

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 PPP to include a second round of funding to qualified businesses. The loan was set to mature in February 2026, bore interest at a rate of 1.0% per annum and was payable monthly commencing in July 2022. The loan could have been prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan were only to 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 SBA for the PPP loan of \$65,000 and all accrued interest to date. This amount is included in notes payable forgiveness in the accompanying statements of activities for the year ending July 31, 2021.

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, 2022 and 2021, HHF had investments of \$61,088,581 and \$60,492,159, respectively, in brokerage accounts at UBS. In addition, HHF paid investment fees of \$309,855 and \$283,947 for the years ended July 31, 2022 and 2021, respectively.

During the years ended July 31, 2022 and 2021, the President and the Director of HHF’s Save a Family Program, volunteered their services which were included as a contribution of nonfinancial assets within the accompanying statements of activities. Both of these individuals are relatives of HHF’s Executive Director.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

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, 2022 and 2021, the total outstanding balance was \$14,226 and \$19,367, respectively, which is included in prepaid expenses and other assets in the accompanying statements of financial position. 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, 2022 are as follows:

2023	\$	5,713
2024		6,096
2025		<u>2,417</u>
	\$	<u><u>14,226</u></u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2022</u>	<u>2021</u>
Happy houses and latrines	\$ 790,287	\$ 767,736
Other programs	430,836	521,520
Save a Family Program	310,274	369,267
Disaster relief	195,688	700,962
Nutrition	<u>-</u>	<u>72,520</u>
	<u>\$ 1,727,085</u>	<u>\$ 2,432,005</u>

Net assets with donor restrictions in the amount of \$2,720,623 and \$1,653,896 were released from restriction during the years ended July 31, 2022 and 2021, respectively, by satisfying purpose restrictions or time restrictions on contributions receivable.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE 9 – NET ASSETS WITH BOARD RESTRICTIONS:

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

	<u>2022</u>	<u>2021</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 Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which establishes 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.

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

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.

*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.

*Equity securities* - The fair value of common stocks are based on quoted market prices from active markets.

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, 2022 and 2021, 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, 2022 AND 2021

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

The following tables present information about HHF’s respective assets measured at fair value on a recurring basis at July 31, 2022 and 2021, including the fair value measurements and the level of inputs used in determining those fair values:

July 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed-income securities	\$ -	\$ 5,709,204	\$ -	\$ 5,709,204
Equity securities	<u>55,379,377</u>	<u>-</u>	<u>-</u>	<u>55,379,377</u>
	<u>\$ 55,379,377</u>	<u>\$ 5,709,204</u>	<u>\$ -</u>	<u>\$ 61,088,581</u>

July 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed-income securities	\$ -	\$ 6,109,399	\$ -	\$ 6,109,399
Equity securities	<u>54,382,760</u>	<u>-</u>	<u>-</u>	<u>54,382,760</u>
	<u>\$ 54,382,760</u>	<u>\$ 6,109,399</u>	<u>\$ -</u>	<u>\$ 60,492,159</u>

NOTE 11 – LEASE COMMITMENTS:

HHF has a lease agreement for office space in Haiti, which requires an annual rental payment of \$12,000 and expired on September 30, 2022. The office lease has not been renewed and is currently being leased on a month to month basis.

NOTE 12 – 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, 2022 AND 2021

NOTE 12 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued):

The following table reflects HHF’s financial assets as of July 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,194,857	\$ 1,664,256
Investments	61,088,581	60,492,159
Accounts and grants receivable	33,742	11,323
	<u>62,317,180</u>	<u>62,167,738</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,727,085)	(2,432,005)
Board designated net assets	<u>(16,650,000)</u>	<u>(16,650,000)</u>
	<u>(18,377,085)</u>	<u>(19,082,005)</u>
	<u>\$ 43,940,095</u>	<u>\$ 43,085,733</u>

HHF has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, HHF invests cash in excess of current requirements in short-term investments.

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS:

HHF received the following contributed nonfinancial assets during the years ended July 31:

	<u>2022</u>	<u>2021</u>
Medical supplies	\$ 1,911,301	\$ 336,947
Property	575,215	-
Professional services	218,070	221,718
Office equipment	2,126	-
	<u>\$ 2,706,712</u>	<u>\$ 558,665</u>

HHF was provided a discount on certain contributed nonfinancial assets which are valued and reported at the estimated fair value in the financial statements based on current rates for similar goods and services. All contributed nonfinancial assets received by HHF during the years ended July 31, 2022 and 2021 were without donor restriction and able to be used by HHF as determined by the Board and management. The expenses for the medical supplies, professional services, and office equipment have been allocated across programs and other support services in accordance with HHF’s functional allocation of expenses policy (see Note 2).

HAITIAN HEALTH FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS (Continued):

The donated property valued at \$575,215 as of July 31, 2022 is included in property and equipment in the accompanying statements of financial position. The donated property was not utilized in HHF's operations and subsequent to year end, HHF sold the property (see Notes 5 and 15).

NOTE 14 – 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.

The program services of HHF are located in Haiti. Due to the ongoing socio-political situation, the deteriorating security in the country, as well as the steadily depreciating Haitian currency, this environment could have a material impact on HHF's operations in the near future. In addition, after three years without any cases, there has been a resurgence of cholera since early October 2022. There have been significant challenges related to responding to the outbreak due to the security challenges, and 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 and duration of the cholera outbreak.

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

NOTE 15 – SUBSEQUENT EVENTS:

On January 4, 2023, HHF sold the donated property for \$575,215, which was the recorded fair value of the contributed nonfinancial asset as of July 31, 2022.

Management has evaluated subsequent events through January 26, 2023, the date which the financial statements were available for issuance.