

FINANCIAL STATEMENTS

HAITI PARTNERS, INC.

June 30, 2017 and 2016



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October 3, 2017

Board of Directors
Haiti Partners, Inc.
Vero Beach, Florida

Independent Auditor's Report

We have audited the accompanying financial statements of Haiti Partners, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haiti Partners, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

HAITI PARTNERS, INC.

June 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 221,060	\$ 107,227
<u>PROPERTY AND EQUIPMENT, NET - NOTE C</u>	<u>1,073,159</u>	<u>1,118,593</u>
TOTAL ASSETS	<u>\$ 1,294,219</u>	<u>\$ 1,225,820</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 11,457	\$ 17,803
Deferred grant revenue	<u>0</u>	<u>8,000</u>
TOTAL CURRENT LIABILITIES	<u>11,457</u>	<u>25,803</u>
 <u>NET ASSETS</u>		
Unrestricted	1,249,095	1,133,389
Temporarily restricted - NOTE E	<u>33,667</u>	<u>66,628</u>
TOTAL NET ASSETS	<u>1,282,762</u>	<u>1,200,017</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,294,219</u>	<u>\$ 1,225,820</u>

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES

HAITI PARTNERS, INC.

Year ended June 30, 2017
(with comparative totals for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
<u>PUBLIC SUPPORT AND REVENUE</u>				
Contributions and private grants	\$ 339,667	\$ 756,906	\$ 1,096,573	\$ 1,165,422
In-kind contributions - NOTE D	124,289	0	124,289	102,652
Fundraising events, net \$17,970 and \$33,203 of expenses in 2017 and 2016, respectively	80,898	0	80,898	54,393
Investment income (loss)	15	0	15	(84)
Other income	4,212	0	4,212	2,841
Net assets released from donor restrictions	789,867	(789,867)	0	0
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,338,948</u>	<u>(32,961)</u>	<u>1,305,987</u>	<u>1,325,224</u>
<u>EXPENSES</u>				
Program services:				
Schools	761,257	0	761,257	823,163
Churches	322,967	0	322,967	329,298
TOTAL PROGRAM SERVICES	<u>1,084,224</u>	<u>0</u>	<u>1,084,224</u>	<u>1,152,461</u>
Supporting services:				
Fundraising	58,910	0	58,910	110,359
Management and general	80,108	0	80,108	143,738
TOTAL SUPPORTING SERVICES	<u>139,018</u>	<u>0</u>	<u>139,018</u>	<u>254,097</u>
TOTAL EXPENSES	<u>1,223,242</u>	<u>0</u>	<u>1,223,242</u>	<u>1,406,558</u>
CHANGES IN NET ASSETS	115,706	(32,961)	82,745	(81,334)
<u>NET ASSETS</u>				
Beginning of year	1,133,389	66,628	1,200,017	1,281,351
End of year	<u>\$ 1,249,095</u>	<u>\$ 33,667</u>	<u>\$ 1,282,762</u>	<u>\$ 1,200,017</u>

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

HAITI PARTNERS, INC.

Year ended June 30, 2017

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			<u>Total</u>
	<u>Schools</u>	<u>Churches</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
Grants	\$ 135,203	\$ 169,473	\$ 304,676	\$ 0	\$ 0	\$ 0	\$ 304,676
Wages and benefits	255,404	61,880	317,284	28,127	42,194	70,321	387,605
Program costs	75,569	8,678	84,247	0	0	0	84,247
Contract and consulting	7,650	7,650	15,300	0	0	0	15,300
Travel	80,367	17,549	97,916	4,824	7,236	12,060	109,976
Supplies	10,202	3,850	14,052	1,925	3,272	5,197	19,249
Occupancy costs	32,162	5,473	37,635	2,589	5,355	7,944	45,579
Promotional and educational materials	8,156	11,583	19,739	661	638	1,299	21,038
Communications	15,188	5,523	20,711	2,761	4,142	6,903	27,614
Professional fees	80,569	20,290	100,859	12,201	12,690	24,891	125,750
Bank fees	8,083	3,355	11,438	1,525	2,288	3,813	15,251
Fundraising expenses	0	0	0	17,970	0	17,970	17,970
Depreciation	39,730	4,414	44,144	0	0	0	44,144
Insurance	2,421	914	3,335	457	777	1,234	4,569
Newsletters and mailings	1,336	1,336	2,672	3,339	668	4,007	6,679
Miscellaneous expenses	9,217	999	10,216	501	848	1,349	11,565
	<u>761,257</u>	<u>322,967</u>	<u>1,084,224</u>	<u>76,880</u>	<u>80,108</u>	<u>156,988</u>	<u>1,241,212</u>
Less special event expenses	0	0	0	(17,970)	0	(17,970)	(17,970)
TOTAL	<u>\$ 761,257</u>	<u>\$ 322,967</u>	<u>\$ 1,084,224</u>	<u>\$ 58,910</u>	<u>\$ 80,108</u>	<u>\$ 139,018</u>	<u>\$ 1,223,242</u>

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

HAITI PARTNERS, INC.

Year ended June 30, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Schools	Churches	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Grants	\$ 132,123	\$ 197,947	\$ 330,070	\$ 0	\$ 0	\$ 0	\$ 330,070
Wages and benefits	337,401	67,279	404,680	74,355	59,609	133,964	538,644
Program costs	50,527	926	51,453	211	580	791	52,244
Contract and consulting	9,518	5,037	14,555	0	0	0	14,555
Travel	107,643	18,494	126,137	14,417	7,976	22,393	148,530
Supplies	22,586	2,715	25,301	7,492	3,818	11,310	36,611
Occupancy costs	20,003	3,713	23,716	2,283	8,688	10,971	34,687
Promotional and educational materials	35,231	719	35,950	729	1,142	1,871	37,821
Communications	19,465	5,069	24,534	1,967	2,643	4,610	29,144
Professional fees	50,330	24,179	74,509	2,025	30,461	32,486	106,994
Bank fees	4,993	2,034	7,027	1,257	4,968	6,225	13,252
Fundraising expenses	0	0	0	33,203	0	33,203	33,203
Depreciation	27,081	0	27,081	0	20,187	20,187	47,268
Insurance	1,509	347	1,856	273	2,440	2,713	4,569
Newsletters and mailings	2,270	0	2,270	4,568	0	4,568	6,838
Miscellaneous expenses	2,483	839	3,322	782	1,226	2,008	5,330
	823,163	329,298	1,152,461	143,562	143,738	287,300	1,439,761
Less special event expenses	0	0	0	(33,203)	0	(33,203)	(33,203)
TOTAL	\$ 823,163	\$ 329,298	\$ 1,152,461	\$ 110,359	\$ 143,738	\$ 254,097	\$ 1,406,558

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

HAITI PARTNERS, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from public support and revenue	\$ 1,297,972	\$ 1,294,058
Cash paid to suppliers and employees	(1,184,154)	(1,360,051)
Investment income (loss)	15	(84)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>113,833</u>	<u>(66,077)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Sale of investments	0	23,496
Purchase of property and equipment	0	(1,001)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>0</u>	<u>22,495</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	113,833	(43,582)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	107,227	150,809
End of year	<u>\$ 221,060</u>	<u>\$ 107,227</u>
<u>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 82,745	\$ (81,334)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	44,144	47,268
Loss on disposal of assets	1,290	0
Decrease in liabilities:		
Accounts payable and accrued liabilities	(6,346)	(761)
Deferred grant revenue	(8,000)	(31,250)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 113,833</u>	<u>\$ (66,077)</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Haiti Partners, Inc. (the Organization), is a not-for-profit corporation which was organized under Internal Revenue Code 501(c)(3) in the State of Florida on October 9, 2008, and began operating on July 1, 2010. The Organization is funded through donations, grants, and fundraising events.

The Organization adheres to the following mission, vision and values:

Mission – Helping Haitians change Haiti through education.

Vision – Haiti becomes a story of transformation. Haiti Partners and the Children’s Academy and Learning Center model influences the future of learning and collaboration in Haiti and beyond.

Values –

Compassion – Trust in the transformative power of compassion.

Learning – Learn, improve and share with humility and gratitude.

Accountability – Be responsible to everyone connected with this work.

Partnership – Partnership makes us more effective, productive, and joyful.

Respect – Respect the dignity, voice and potential of each person.

The Organization expresses its vision, mission and values through 2 programs. These programs offer an integrated approach where success in one supports and enhances success in the others. More information on these programs can be found on its website, www.haitipartners.org.

Quality Schools – Develop schools that help children realize their potential while driving community development and lifelong learning.

Holistic Churches – Mobilize churches to help people engage for justice and deepen in faith.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The classification depends on the restrictions placed on it by the donor. If the Organization receives donations with restrictions and expends the donation in the same fiscal year, these donations are recorded as unrestricted.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Organization considers highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

Property and Equipment:

The Organization capitalizes all long-lived assets with an estimated useful life of three years or more and original cost of \$2,500 or more. Property and equipment are stated at cost or, if donated, at the approximate fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to thirty-nine years. Management annually reviews these assets to determine whether carrying values have been impaired. Expenditures for maintenance and repairs are charged to expense as incurred. The estimated useful lives used to compute depreciation are:

Buildings	39 years
Vehicles	5 years
Computers and equipment	3 to 5 years
Furniture and office equipment	5 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition:

Contributions

Contributions received are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give cash over a period of time exceeding one year are recorded at the present value of their estimated future cash flows using a discount rate appropriate for the level of risk involved. Any related interest income is recorded as contribution revenue in the year received.

Grants and Contract Revenue

Grants and contract revenue is recognized when the allowable costs as defined by the individual grants and contracts are incurred. Contracts receivable at year end represents costs incurred or services performed, which have not yet been reimbursed by the granting agency.

Donated Materials and Services:

Donated materials and equipment are reflected as contributions at their estimated values at date of receipt. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expense Allocation:

The costs of various programs have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, costs have been allocated among the program and support services based upon function of activity and a percentage of time spent by employees.

Income Taxes:

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

Reclassifications:

The financial statements for 2016 have been reclassified to conform with the presentation for 2017. Such reclassifications had no effect on changes in net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events:

Management evaluated all activity of the Organization through October 3, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with one financial institution in Vero Beach, Florida. These balances are insured by the Federal Deposit Insurance Corporation subject to various limits and conditions and during the year balances may fluctuate above and below the limits. Uninsured balances at June 30, 2017 and 2016 were \$18,782 and \$6,710, respectively.

The Organization received grants and contributions from one entity totaling approximately \$225,000 in 2017 and one entity totaling \$300,000 in 2016, which comprises approximately 19% and 26% of net revenue, respectively. As of June 30, 2017 and 2016, the Organization had no accounts receivable from these entities.

NOTE C - PROPERTY AND EQUIPMENT

Following is a summary of property and equipment as of June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 81,703	\$ 81,703
Building and improvements	1,012,273	1,012,273
Furniture and office equipment	11,536	11,536
Vehicles	74,000	74,000
Computers and equipment	25,626	29,135
Construction in progress	<u>38,135</u>	<u>38,135</u>
	1,243,273	1,246,782
Less accumulated depreciation	<u>170,114</u>	<u>128,189</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 1,073,159</u>	<u>\$ 1,118,593</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$44,144 and \$47,268, respectively.

The Children's Academy and Learning Center Complex concluded its first phase during a previous fiscal year, with the completion of the first school building and the first and second floors of the learning complex. Based on current projections, the Organization is anticipating that construction will be completed in phases over a 10-year period with a total expected cost of approximately \$7,800,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE C - PROPERTY AND EQUIPMENT (CONTINUED)

The Organization anticipates that financing for the project will come from fundraising/capital campaigns, partnerships with US-based churches, companies, foundations and major donors (individuals) plus grants from international organizations and companies based in Haiti.

NOTE D - IN-KIND CONTRIBUTIONS

The Organization received contributions of services and supplies for which the donor received no value. The contributions of services have been recorded as revenue at their fair value. Below are the services and supplies received for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Architect services	\$ 5,550	\$ 0
Legal services	47,845	82,643
Rent	25,894	20,009
Website and Logo Design	45,000	0
	<u>\$ 124,289</u>	<u>\$ 102,652</u>

Contributed rent, architectural, legal services and website and logo design have been expensed in the statements of activities. Contributed architect services were used in the planning of the Children's Academy construction project, and were capitalized as part of the property and equipment in the statements of financial position.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Micah Scholars Program	\$ 33,667	\$ 50,000
School Program	0	16,628
	<u>\$ 33,667</u>	<u>\$ 66,628</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Children's Academy	\$ 142,138	\$ 67,652
Daniel Fignole School	0	2,160
Micah Scholars Program	240,185	249,928
Schools Program Research Project	0	5,000
Schools Program	407,544	433,687
	<u>\$ 789,867</u>	<u>\$ 758,427</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

HAITI PARTNERS, INC.

June 30, 2017 and 2016

NOTE F - RELATED PARTY TRANSACTIONS

The Organization reimburses one of the co-directors and his family for the cost of lodging and meals incurred for partners staying in his home in Haiti. This arrangement was approved in advance by the Board of Directors for the purposes of providing safe and cost-effective travel for the hundreds of people visiting the Organization's work each year. He and his family are also reimbursed for the cost of providing meals each day to construction workers at the Children's Academy as a portion of their compensation. Reimbursements for the years ended June 30, 2017 and 2016 were \$56,235 and \$67,660, respectively.