

**HAITI OUTREACH AND
HAITI OUTREACH/COLLABORATION AVEC HAITI**

COMBINED FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

**HAITI OUTREACH AND
HAITI OUTREACH/COLLABORATION AVEC HAITI**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Haiti Outreach and

Haiti Outreach/Collaboration Avec Haiti

Hopkins, Minnesota

I have audited the accompanying combined statements of financial position of Haiti Outreach (HO) and Haiti Outreach/Collaboration Avec Haiti (HO/CH), both nonprofit organizations, as of December 31, 2016 and 2015 and the related combined statements of activity, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of HO and HO/CH's management. My responsibility is to express an opinion on these combined financial statements based on the audit.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these combined financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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. (Continued)

INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of HO and HO/CH as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Sherry D. Heffernan, Ltd.

March 28, 2017

Haiti Outreach, Inc. (HO) and
Haiti Outreach/Collaboration Avec Haiti (HO/CH)
Combined Statement of Financial Position
December 31, 2016 and 2015

	2016			2015		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
ASSETS						
Cash and cash equivalents	\$ 290,954	\$ 13,420	\$ 304,374	\$ 261,297	\$ 31,200	\$ 292,497
Promises to give	21,320	-	21,320	29,214	-	29,214
Grants receivable	137,607	45,751	183,358	120,000	-	120,000
Accounts receivable	25,656	52,797	78,453	12,024	56,402	68,426
Fixed Assets:						
Land	-	12,409	12,409	-	14,891	14,891
Buildings and leasehold improvements	-	299,340	299,340	-	347,455	347,455
Equipment	-	213,594	213,594	-	244,822	244,822
Vehicles	-	93,784	93,784	-	75,109	75,109
Accumulated depreciation	-	619,127	619,127	-	682,277	682,277
	-	295,072	295,072	-	314,363	314,363
	-	324,055	324,055	-	367,914	367,914
TOTAL ASSETS	\$ 475,537	\$ 436,023	\$ 911,560	\$ 422,535	\$ 455,516	\$ 878,051
LIABILITIES						
Accounts payable	\$ 84,206	\$ -	\$ 84,206	\$ 15,735	\$ -	\$ 15,735
Accrued expenses	2,600	497	3,097	3,476	3,486	6,962
TOTAL LIABILITIES	86,806	497	87,303	19,211	3,486	22,697
NET ASSETS						
Unrestricted net assets	189,407	435,526	624,933	208,443	452,030	660,473
Temporarily restricted	199,324	-	199,324	194,881	-	194,881
TOTAL NET ASSETS	388,731	435,526	824,257	403,324	452,030	855,354
TOTAL LIABILITIES AND NET ASSETS	\$ 475,537	\$ 436,023	\$ 911,560	\$ 422,535	\$ 455,516	\$ 878,051

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

**Haiti Outreach, Inc. (HO) and
Haiti Outreach/Collaboration Avec Haiti (HO/CH)
Combined Statement of Activities
December 31, 2016 and 2015**

	2016			2015				
	HO	HO/CH	Combining Entries	Combined Total	HO	HO/CH	Combining Entries	Combined Total
UNRESTRICTED NET ASSETS								
SUPPORT AND REVENUES								
Contributions	\$ 365,366	\$ -	\$ -	\$ 365,366	\$ 346,517	\$ -	\$ -	\$ 346,517
Grant from HO	-	390,225	(390,225)	-	-	489,000	(489,000)	-
Well drilling and other program income	107,318	40,544	-	147,862	61,026	341,917	-	402,943
Educational trip income	81,414	-	-	81,414	75,364	-	-	75,364
Guest house income	6,286	31,624	-	37,910	2,490	35,750	-	38,240
Miscellaneous income	358	4,765	-	5,123	118	7,895	-	8,013
Special event revenue including contributions	66,481	-	-	66,481	110,317	-	-	110,317
Less: Costs of direct benefits to donors	9,408	-	-	9,408	11,685	-	-	11,685
Total net assets released from restrictions	57,073	-	-	57,073	98,632	-	-	98,632
	476,698	470,516	-	947,214	529,526	-	-	529,526
TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>1,094,513</u>	<u>937,674</u>	<u>(390,225)</u>	<u>1,641,962</u>	<u>1,113,673</u>	<u>874,562</u>	<u>(489,000)</u>	<u>1,499,235</u>
EXPENSES								
Program services	934,799	864,627	(390,225)	1,409,201	861,131	854,359	(489,000)	1,226,490
Management and general	64,378	21,554	-	85,932	65,601	22,724	-	88,325
Fundraising	114,372	-	-	114,372	73,843	-	-	73,843
TOTAL UNRESTRICTED EXPENSES	<u>1,113,549</u>	<u>886,181</u>	<u>(390,225)</u>	<u>1,609,505</u>	<u>1,000,575</u>	<u>877,083</u>	<u>(489,000)</u>	<u>1,388,658</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(19,036)</u>	<u>51,493</u>	<u>-</u>	<u>32,457</u>	<u>113,098</u>	<u>(2,521)</u>	<u>-</u>	<u>110,577</u>

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

Continued next page

Haiti Outreach, Inc. (HO) and
Haiti Outreach/Collaboration Avec Haiti (HO/CH)
Combined Statement of Cash Flows
December 31, 2016 and 2015

	2016			2015		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Increase (decrease) in net assets before translation adjustment	\$ (14,593)	\$ 51,493	\$ 36,900	\$ 77,893	\$ (2,521)	\$ 75,372
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:						
Depreciation	-	38,360	38,360	-	42,000	42,000
(Increase) decrease in:						
Promises to give	7,894	-	7,894	(11,454)	-	(11,454)
Grants receivable	(17,607)	(44,813)	(62,420)	110,916	-	110,916
Accounts receivable	(13,632)	4,671	(8,961)	(11,533)	(4,442)	(15,975)
Deposits	-	-	-	-	3,186	3,186
Accounts payable	68,471	-	68,471	977	-	977
Accrued expenses	(876)	(2,989)	(3,865)	1,354	101	1,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>29,657</u>	<u>46,722</u>	<u>76,379</u>	<u>168,153</u>	<u>38,324</u>	<u>206,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of vehicle, equipment and leaseholds	-	(55,225)	(55,225)	-	(22,000)	(22,000)
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(55,225)</u>	<u>(55,225)</u>	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>
Effect of exchange rate changes on cash	-	(9,277)	(9,277)	-	(2,025)	(2,025)
NET INCREASE (DECREASE) IN CASH	29,657	(17,780)	11,877	168,153	14,299	182,452
CASH AT BEGINNING OF YEAR	<u>261,297</u>	<u>31,200</u>	<u>292,497</u>	<u>93,144</u>	<u>16,901</u>	<u>110,045</u>
CASH AT END OF YEAR	<u>\$ 290,954</u>	<u>\$ 13,420</u>	<u>\$ 304,374</u>	<u>\$ 261,297</u>	<u>\$ 31,200</u>	<u>\$ 292,497</u>

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

Haiti Outreach, Inc. (HO) and
Haiti Outreach/Collaboration Avec Haiti (HO/CH)
Combined Statement of Functional Expenses
December 31, 2016

	HO		Fund-		HO/CH		Combined Entries	Combined Total
	Program	Management and General	raising	Total	Program	Management and General		
Salaries, taxes and benefits	\$ 135,802	\$ 47,651	\$ 79,267	\$ 262,720	\$ 192,850	\$ 12,788	\$ 205,638	\$ 468,358
Contractors	61,000	8,028	-	69,028	-	-	-	69,028
Grants to HO/CH	390,225	-	-	390,225	-	-	(390,225)	-
Specific program expenses:								
Haiti group trips	40,515	-	-	40,515	5,127	-	5,127	45,642
Project labor	-	-	-	-	106,769	-	106,769	106,769
Equipment and tools	18,726	-	-	18,726	6,937	-	6,937	25,663
Parts, repairs and maintenance	90,108	-	-	90,108	170,911	-	170,911	261,019
Diesel, fuel and gas	-	-	-	-	76,730	-	76,730	76,730
Shipping and customs	24,709	-	-	24,709	39,661	-	39,661	64,370
Project materials	146,810	-	-	146,810	129,907	-	129,907	276,717
Travel	-	-	-	-	35,898	-	35,898	35,898
Guesthouse and meals	-	-	-	-	22,808	-	22,808	22,808
Office expenses	9,098	4,956	17,260	31,314	8,981	2,844	11,825	43,139
Marketing	-	-	6,238	6,238	-	-	-	6,238
Postage and printing	271	271	7,787	8,329	575	-	575	8,904
Rent	5,375	1,886	3,137	10,398	8,025	-	8,025	18,423
Telephone and internet	1,171	411	683	2,265	18,773	2,086	20,859	23,124
Travel, airfare and hotels	10,989	1,175	-	12,164	6,151	-	6,151	18,315
Depreciation	-	-	-	-	34,524	3,836	38,360	38,360
Total expenses	\$ 934,799	\$ 64,378	\$ 114,372	\$ 1,113,549	\$ 864,627	\$ 21,554	\$ 886,181	\$ 1,609,505
	<u>83.9%</u>	<u>6.5%</u>	<u>10.3%</u>	<u>100.7%</u>	<u>97.6%</u>	<u>2.4%</u>	<u>100.0%</u>	

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

Haiti Outreach, Inc. (HO) and
Haiti Outreach/Collaboration Avec Haiti (HO/CH)
Combined Statement of Functional Expenses
December 31, 2015

	HO		HO/CH		Combined Entries	Combined Total
	Program	Management and General	Program	Management and General		
Salaries, taxes and benefits	\$ 120,321	\$ 46,317	\$ 206,750	\$ 12,890	\$ -	\$ 441,980
Contractors	26,866	10,406	-	-	-	37,272
Grants to HO/CH	489,000	-	-	-	(489,000)	-
Specific program expenses:						
Haiti group trips	43,005	-	1,658	-	-	44,663
Project labor	-	-	63,121	-	-	63,121
Equipment and tools	-	-	10,728	-	-	10,728
Parts, repairs and maintenance	99,170	-	171,186	-	-	270,356
Diesel, fuel and gas	-	-	69,250	-	-	69,250
Shipping and customs	13,192	-	32,517	-	-	45,709
Project materials	31,262	-	168,459	-	-	199,721
Travel	-	-	29,720	-	-	29,720
Guesthouse and meals	6,192	-	22,975	-	-	29,167
Office expenses	13,304	3,980	6,645	3,621	-	37,254
Postage and printing	1,763	1,763	556	-	-	9,372
Rent	5,533	2,217	7,558	-	-	17,866
Telephone and internet	1,274	511	18,121	2,013	-	22,508
Travel, airfare and hotels	10,249	407	7,315	-	-	17,971
Depreciation	-	-	37,800	4,200	-	42,000
Total expenses	\$ 861,131	\$ 65,601	\$ 854,359	\$ 22,724	\$ (489,000)	\$ 1,388,658
	<u>86.1%</u>	<u>6.6%</u>	<u>97.4%</u>	<u>2.6%</u>		<u>100.0%</u>
			<u>99.9%</u>			
			<u>7.3%</u>			

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

**HAITI OUTREACH and
HAITI OUTREACH/COLLABORATION AVEC HAITI**

Notes to Combined Financial Statements

December 31, 2016 and 2015

1) Organizational Purpose

Haiti Outreach, Inc. (HO) is a 501(c)(3) nonprofit based in Minnesota that works with communities in Haiti on water, sanitation, hygiene, and education projects that communities initiate, help build and sustain.

Haiti Outreach/Collaboration Avec Haiti (HO/CH) is a Haiti Civil Society Organization based in Pignon, Haiti. It is engaged in community development projects in Haiti to improve the Haitian's quality of life and help them become self-sufficient. HO/CH's primary activities consist of providing fresh water wells in rural Haiti, local water systems in small towns and training Haitian community groups in their management. Haiti Outreach has made four public schools possible and supports Haitian committees in the schools' management. Haiti Outreach also operates a guesthouse for foreign aid workers and Haitian visitors to Pignon.

The organizations are hereinafter referred to as HO, HO/CH or the organizations.

2) Summary of Significant Accounting Policies

Combined Financial Statements

The financial statements include the accounts of HO and HO/CH. All significant intra-entity transactions and accounts are eliminated.

Basis of Accounting and Presentation

The financial statements of the organizations have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted assets are resources over which the Board of Directors has discretionary control. Temporarily restricted assets are resources which are subject to a donor imposed restriction which generally will be satisfied by organizational actions or the passage of time. Permanently restricted resources are subject to a donor imposed restriction that such assets are restricted permanently.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organizations consider all unrestricted cash and other highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**HAITI OUTREACH and
HAITI OUTREACH/COLLABORATION AVEC HAITI**
Notes to Combined Financial Statements

2) Summary of Significant Accounting Policies, continued

Foreign Currency Translation

HO/CH conducts the majority of its operations using the Haitian currency, gourdes. For purposes of these financial statements gourde transactions have been translated into U.S. dollars at an average exchange rate of approximately 62 and 51 gourdes per one U.S. dollar, in 2016 and 2015, respectively.

Substantially all assets and liabilities of the Haitian operations are translated at year-end exchange rates which were approximately 66 and 55 gourdes at December 31, 2016 and 2015, respectively. Support, revenues and expense are translated at the average exchange rates during the year. Translation gains and losses are recorded as a component of unrestricted net assets within net assets. All other foreign currency gains and losses are included in the statement of activity in other income or expenses, net.

Cumulative translation adjustments were approximately -\$89,000 and -\$96,000 at December 31, 2016 and 2015, respectively. Other foreign currency gains and losses were insignificant.

Concentrations of Credit Risk

Financial instruments that potentially subject the organizations to concentrations of credit risk consist principally of temporary cash investments, unconditional promises to give and accounts receivable. The organizations place temporary cash investments with financial institutions as noted below. Concentrations of credit risk with respect to unconditional promises receivable are limited due to the financial stability of the contributors. HO's unconditional promises to give include amounts from two donors comprising 87% of the balance at December 31, 2016 and one donor comprising 80% of the balance at December 31, 2015.

HOCH's unconditional promises to give include amounts from one donor comprising 100% of the balance at December 31, 2016. HOCH's accounts receivable include amounts from one vendor comprising 80% of the balance at December 31, 2016.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

HO maintains its deposits in one financial institution located in the Twin Cities. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 there were no uninsured cash balances.

**HAITI OUTREACH and
HAITI OUTREACH/COLLABORATION AVEC HAITI**
Notes to Combined Financial Statements

2) Summary of Significant Accounting Policies, continued

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits, continued

At December 31, 2016 HO/CH had \$13,420 in cash or deposits in Haitian financial institutions that are not insured by the FDIC.

Concentration of Revenue and Support

In 2016 HO received approximately 30% of its total revenues and support from one donor and HOCH received approximately 51% of its total revenues and support from one donor. In 2015 HO received approximately 63% of its total revenues and support from three donors.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There have been no charges to bad debt expense or the valuation allowance.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Property and Equipment

The organizations capitalize all expenditures for property and equipment in excess of \$2,000. Purchased property and equipment are recorded at cost. Donated property is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Replacements, maintenance and repairs which do not improve or extend the lives of the assets are expensed as incurred.

**HAITI OUTREACH and
HAITI OUTREACH/COLLABORATION AVEC HAITI**
Notes to Combined Financial Statements

2) Summary of Significant Accounting Policies, continued

Contributions and Support

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Deferred Revenues

Revenue from program service contracts is recognized as it is earned through expenditure in accordance with the agreements.

Contributed Services

Donated services are recognized as contributions if 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 the organizations. The organizations received approximately 5,100 and 3,300 volunteer hours in 2016 and in 2015, respectively (unaudited). No amounts have been reflected in the financial statements for donated services.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and in the Combined Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

HO has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and contributions by donors are tax deductible. HO/CH is recognized as a United Nations, Nongovernmental Organization (NGO).

3) Unconditional Promises to Give

HO's unconditional promises to give of \$21,320 and \$29,214 at December 31, 2016 and 2015 are collectible in one year. HOCH's unconditional promise to give of \$45,751 at December 31, 2016 is collectible in one year.

**HAITI OUTREACH and
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Notes to Combined Financial Statements

4) Operating Leases

HO leases office space under an operating lease which expires September 30, 2017. Monthly rent is currently \$877 which includes utilities, real estate taxes and insurance. Rent expense was \$10,398 and \$10,308 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under this lease are \$7,892.

5) Restrictions on Net Assets

HO's temporarily restricted net assets are \$199,324 and \$194,881 as of December 31, 2016 and 2015, respectively, and are available for future year programs. At December 31, 2016, cash of \$40,397 was restricted for future year programs.

6) Intra-entity Transactions

HO annually grants to HO/CH amounts required to complete the program activities in Haiti as agreed to and developed by both organizations. The amounts granted were \$390,225 in 2016 and \$489,000 in 2015 and are eliminated in the combined totals of the financial statements.

7) Grantor or Donor Restrictions

Certain contributions or grants from donors and program service contracts are subject to special audit by the donor or contractor. Such audits could result in claims against the organization for disallowed costs or noncompliance with grantor or contract restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

8) Income Taxes

HO has evaluated its potential exposure for uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2016. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

9) Subsequent Events

The organizations have evaluated subsequent events through March 28, 2017, the date the financial statements were available to be issued. The organizations are not aware of any subsequent events that require recognition or disclosure in the financial statements.