

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

**COMBINED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**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, 2019 and 2018 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, 2019 and 2018, 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 26, 2020

**Haiti Outreach, Inc. (HO) and  
Haiti Outreach/Collaboration Avec Haiti (HO/CH)  
Combined Statement of Financial Position  
December 31, 2019 and 2018**

	2019			2018		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
<b>ASSETS</b>						
Cash and restricted cash	\$ 376,996	\$ 55,303	\$ 432,299	\$ 241,151	\$ 40,161	\$ 281,312
Promises to give	14,077	-	14,077	36,994	-	36,994
Grants receivable	20,024	-	20,024	154,238	52,148	206,386
Accounts receivable	9,066	17,078	26,144	1,548	30,374	31,922
Fixed Assets:			-			-
Land	-	9,000	9,000	-	11,219	11,219
Buildings and leasehold improvements	-	217,104	217,104	-	270,637	270,637
Equipment	-	139,268	139,268	-	193,112	193,112
Vehicles	-	74,636	74,636	-	84,791	84,791
Accumulated depreciation	-	440,008	440,008	-	559,759	559,759
	-	305,531	305,531	-	352,370	352,370
	-	134,477	134,477	-	207,389	207,389
<b>TOTAL ASSETS</b>	<b>\$ 420,163</b>	<b>\$ 206,858</b>	<b>\$ 627,021</b>	<b>\$ 433,931</b>	<b>\$ 330,072</b>	<b>\$ 764,003</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 21,147	\$ -	\$ 21,147	\$ 22,003	\$ -	\$ 22,003
Accrued expenses	2,112	2,017	4,129	3,429	8,707	12,136
Refundable advance	121,355	-	121,355	-	-	-
<b>TOTAL LIABILITIES</b>	<b>144,614</b>	<b>2,017</b>	<b>146,631</b>	<b>25,432</b>	<b>8,707</b>	<b>34,139</b>
<b>NET ASSETS</b>						
Without donor restrictions	241,448	204,841	446,289	224,267	269,217	493,484
With donor restrictions	34,101	-	34,101	184,232	52,148	236,380
<b>TOTAL NET ASSETS</b>	<b>275,549</b>	<b>204,841</b>	<b>480,390</b>	<b>408,499</b>	<b>321,365</b>	<b>729,864</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 420,163</b>	<b>\$ 206,858</b>	<b>\$ 627,021</b>	<b>\$ 433,931</b>	<b>\$ 330,072</b>	<b>\$ 764,003</b>

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, 2019 and 2018

	2019			2018				
	HO	HO/CH	Combining Entries	Combined Total	HO	HO/CH	Combining Entries	Combined Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>								
<b>SUPPORT AND REVENUES</b>								
Contributions	\$ 342,590	\$ 120,005	\$ -	\$ 462,595	\$ 406,431	\$ -	\$ -	\$ 406,431
Grant from HO	-	192,500	(192,500)	-	-	275,000	(275,000)	-
Well drilling and other program income	44,948	331,930	-	376,878	28,695	204,691	-	233,386
Educational trip income	11,748	-	-	11,748	55,386	-	-	55,386
Guest house income	21,580	24,186	-	45,766	12,756	25,265	-	38,021
Miscellaneous income (loss)	325	17,327	-	17,652	1,053	5,673	-	6,726
Special event revenue including contributions	216,529	-	-	216,529	117,313	-	-	117,313
Less: Costs of direct benefits to donors	<u>33,028</u>	<u>-</u>	<u>-</u>	<u>33,028</u>	<u>10,347</u>	<u>-</u>	<u>-</u>	<u>10,347</u>
Net assets released from restrictions	<u>183,501</u>	<u>-</u>	<u>-</u>	<u>183,501</u>	<u>106,966</u>	<u>-</u>	<u>-</u>	<u>106,966</u>
	<u>164,208</u>	<u>52,148</u>	<u>-</u>	<u>216,356</u>	<u>201,807</u>	<u>325,796</u>	<u>-</u>	<u>527,603</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>768,900</u>	<u>738,096</u>	<u>(192,500)</u>	<u>1,314,496</u>	<u>813,094</u>	<u>836,425</u>	<u>(275,000)</u>	<u>1,374,519</u>
<b>EXPENSES</b>								
Program services	517,214	723,142	(192,500)	1,047,856	705,875	738,400	(275,000)	1,169,275
Management and general	79,520	23,427	-	102,947	71,725	23,576	-	95,301
Fundraising	154,985	-	-	154,985	110,821	-	-	110,821
<b>TOTAL EXPENSES</b>	<u>751,719</u>	<u>746,569</u>	<u>(192,500)</u>	<u>1,305,788</u>	<u>888,421</u>	<u>761,976</u>	<u>(275,000)</u>	<u>1,375,397</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>17,181</u>	<u>(8,473)</u>	<u>-</u>	<u>8,708</u>	<u>(75,327)</u>	<u>74,449</u>	<u>-</u>	<u>(878)</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 Activities, continued  
December 31, 2019 and 2018

	2019			2018		
	HO	HO/CH	Combining Entries	HO	HO/CH	Combining Entries
Balance Forward:	17,181	(8,473)	-	(75,327)	74,449	-
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>						
Contributions	14,077	-	-	138,469	-	-
Net assets released from restrictions	(164,208)	(52,148)	-	(201,807)	(325,796)	-
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>						
Foreign currency translation adjustments	-	(55,903)	-	-	(98,684)	-
<b>(DECREASE) IN NET ASSETS</b>						
NET ASSETS AT BEGINNING OF YEAR	408,499	321,365	-	547,164	671,396	-
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 275,549</u>	<u>\$ 204,841</u>	<u>\$ -</u>	<u>\$ 408,499</u>	<u>\$ 321,365</u>	<u>\$ -</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSLATION ADJUSTMENTS</b>						
Foreign currency translation adjustments	-	(55,903)	-	-	(98,684)	-
<b>(DECREASE) IN NET ASSETS</b>						
NET ASSETS AT BEGINNING OF YEAR	408,499	321,365	-	547,164	671,396	-
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 275,549</u>	<u>\$ 204,841</u>	<u>\$ -</u>	<u>\$ 408,499</u>	<u>\$ 321,365</u>	<u>\$ -</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>						
Contributions	14,077	-	-	138,469	-	-
Net assets released from restrictions	(164,208)	(52,148)	-	(201,807)	(325,796)	-
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>						
Foreign currency translation adjustments	-	(55,903)	-	-	(98,684)	-
<b>(DECREASE) IN NET ASSETS</b>						
NET ASSETS AT BEGINNING OF YEAR	408,499	321,365	-	547,164	671,396	-
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 275,549</u>	<u>\$ 204,841</u>	<u>\$ -</u>	<u>\$ 408,499</u>	<u>\$ 321,365</u>	<u>\$ -</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSLATION ADJUSTMENTS</b>						
Foreign currency translation adjustments	-	(55,903)	-	-	(98,684)	-
<b>(DECREASE) IN NET ASSETS</b>						
NET ASSETS AT BEGINNING OF YEAR	408,499	321,365	-	547,164	671,396	-
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 275,549</u>	<u>\$ 204,841</u>	<u>\$ -</u>	<u>\$ 408,499</u>	<u>\$ 321,365</u>	<u>\$ -</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 Cash Flows  
December 31, 2019 and 2018

	2019			2018		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Change in net assets before translation adjustment	\$ (132,950)	\$ (60,621)	\$ (193,571)	\$ (138,665)	\$ (251,347)	\$ (390,012)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	-	43,277	43,277	-	45,000	45,000
Loss on disposition of assets	-	3,267	3,267	-	-	-
(Increase) decrease in:						
Promises to give	22,917	-	22,917	10,576	-	10,576
Grants receivable	134,214	52,148	186,362	45,762	288,300	334,062
Accounts receivable	(7,518)	13,296	5,778	14,494	(28,769)	(14,275)
Accounts payable and accrued expenses	(2,173)	(6,690)	(8,863)	(20,482)	3,381	(17,101)
Refundable advance	121,355	-	121,355	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>135,845</u>	<u>44,677</u>	<u>180,522</u>	<u>(88,315)</u>	<u>56,565</u>	<u>(31,750)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of vehicle	-	(12,500)	(12,500)	-	-	-
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>(12,500)</u>	<u>(12,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Effect of exchange rate changes on cash	-	(17,035)	(17,035)	-	(21,285)	(21,285)
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>135,845</u>	<u>15,142</u>	<u>150,987</u>	<u>(88,315)</u>	<u>35,280</u>	<u>(53,035)</u>
<b>CASH AND RESTRICTED CASH, AT BEGINNING OF YEAR</b>	<u>241,151</u>	<u>40,161</u>	<u>281,312</u>	<u>329,466</u>	<u>4,881</u>	<u>334,347</u>
<b>CASH AND RESTRICTED CASH, AT END OF YEAR</b>	<u>\$ 376,996</u>	<u>\$ 55,303</u>	<u>\$ 432,299</u>	<u>\$ 241,151</u>	<u>\$ 40,161</u>	<u>\$ 281,312</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, 2019**

	HO		HO/CH		Combined Total
	Management and General	Fund- raising	Program	Management and General	
Salaries, taxes and benefits	\$ 140,238	\$ 99,095	\$ 249,841	\$ 10,316	\$ 553,253
Contractors	8,790	10,945	36,712	-	65,378
Grants to HO/CH	192,500	-	-	-	(192,500)
<b>Specific program expenses:</b>					
Haiti group trips	7,047	-	200	-	7,247
Equipment and tools	9,069	-	4,137	-	13,206
Parts, repairs and maintenance	78,025	-	73,606	-	151,631
Diesel, fuel and gas	-	-	51,041	-	51,041
Shipping and customs	17,341	-	34,010	-	51,351
Project materials	25,663	-	125,142	-	150,805
Travel	-	-	42,838	-	42,838
Guesthouse and meals	-	-	19,289	-	19,289
Office expenses	7,427	32,891	4,517	2,790	55,959
Postage and printing	1,929	5,787	281	-	9,926
Rent	6,086	4,239	4,307	-	17,066
Telephone and internet	2,911	2,028	24,538	2,726	33,368
Travel, airfare and hotels	20,188	-	13,734	-	36,886
Depreciation	-	-	38,949	4,328	43,277
Loss on disposition of assets	-	-	-	3,267	3,267
Direct benefits to donors	-	33,028	-	-	33,028
<b>Total expenses</b>	<b>\$ 517,214</b>	<b>\$ 188,013</b>	<b>\$ 723,142</b>	<b>\$ 23,427</b>	<b>\$ 1,338,816</b>
Less expenses included with revenues on the statement of activities	-	(33,028)	-	-	(33,028)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 517,214</b>	<b>\$ 154,985</b>	<b>\$ 723,142</b>	<b>\$ 23,427</b>	<b>\$ 1,305,788</b>
	<u>68.8%</u>	<u>10.6%</u>	<u>96.9%</u>	<u>3.1%</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, 2018**

	HO			HO/CH			Combined Total
	Management and General	Fund- raising	Total	Program	Management and General	Total	
Salaries, taxes and benefits	\$ 157,586	\$ 82,413	\$ 293,617	\$ 229,056	\$ 12,163	\$ 241,219	\$ 534,836
Contractors	9,182	4,682	21,967	38,096	1,500	39,596	61,563
Grants to HO/CH	275,000	-	275,000	-	-	-	(275,000)
<b>Specific program expenses:</b>							
Haiti group trips	44,829	-	44,829	612	-	612	45,441
Equipment and tools	12,773	-	12,773	18,708	-	18,708	31,481
Parts, repairs and maintenance	82,507	-	82,507	152,314	-	152,314	234,821
Diesel, fuel and gas	-	-	-	64,663	-	64,663	64,663
Shipping and customs	19,007	-	19,007	33,729	-	33,729	52,736
Project materials	61,606	-	61,606	70,092	-	70,092	131,698
Travel	-	-	-	38,621	-	38,621	38,621
Guesthouse and meals	-	-	-	12,989	-	12,989	12,989
Office expenses	7,452	11,723	25,171	4,910	3,011	7,921	33,092
Conferences and education	2,570	2,686	5,256	-	-	-	5,256
Marketing	-	1,222	1,222	-	-	-	1,222
Postage and printing	2,062	6,185	10,309	-	-	-	10,309
Rent	8,093	1,619	10,791	6,285	-	6,285	17,076
Telephone and internet	1,455	291	1,940	21,617	2,402	24,019	25,959
Travel, airfare and hotels	21,753	673	22,426	6,208	-	6,208	28,634
Depreciation	-	-	-	40,500	4,500	45,000	45,000
Direct benefits to donors	-	10,347	10,347	-	-	-	10,347
<b>Total expenses</b>	<b>\$ 705,875</b>	<b>\$ 71,725</b>	<b>\$ 898,768</b>	<b>\$ 738,400</b>	<b>\$ 23,576</b>	<b>\$ 761,976</b>	<b>\$ 1,385,744</b>
Less expenses included with revenues on the statement of activities	-	(10,347)	(10,347)	-	-	-	(10,347)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 705,875</b>	<b>\$ 71,725</b>	<b>\$ 888,421</b>	<b>\$ 738,400</b>	<b>\$ 23,576</b>	<b>\$ 761,976</b>	<b>\$ 1,375,397</b>
	<u>79.5%</u>	<u>8.1%</u>	<u>100.0%</u>	<u>96.9%</u>	<u>3.1%</u>	<u>100.0%</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, 2019 and 2018

**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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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.

**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 86.5 and 66 gourdes per one U.S. dollar, in 2019 and 2018, respectively.

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

**2) Summary of Significant Accounting Policies, continued**

**Foreign Currency Translation, continued**

Substantially all assets and liabilities of the Haitian operations are translated at year-end exchange rates which were approximately 91 and 73 gourdes at December 31, 2019 and 2018, 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 -\$98,000 and -\$114,000 at December 31, 2019 and 2018, 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.

**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, 2019, the organization's uninsured cash balance was approximately \$127,000.

At December 31, 2019 HO/CH had \$55,303 in cash or deposits in Haitian financial institutions that are not insured by the FDIC.

**Concentration of Revenue and Support**

There were no concentrations of revenue and support in 2019 for HO. HO/CH received approximately 44% of its total revenues and support from one vendor. In 2018 HO received approximately 14% of its total revenues and support from one donor and HO/CH received approximately 20% of its total revenues and support from one donor.

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

**2) Summary of Significant Accounting Policies, continued**

**Geographic Concentration and Risks of Foreign Operations**

The organization conducts its operations in Pignon, Haiti, and therefore, is subject to risks from changes in local economic conditions. These operations are subject to risks inherent in operating in a country that is not typically associated with operations in North America. Accordingly, the organization's financial condition and activities may be influenced by the political, economic, and legal environments in Haiti. As a result, our activities in Haiti are subject to a variety of risks, including social, political and economic instability, inflation, tariffs and other trade barriers, fluctuations in foreign exchange rates, and unexpected changes in regulatory requirements.

**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.

**Promises to Give and Grants Receivable**

Unconditional promises to give and grants receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**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.

**Net Assets**

Net assets, revenues, gain and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

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

**2) Summary of Significant Accounting Policies, continued**

**Net Assets, continued**

Net Assets with Donor Restrictions – Net assets subject to donor imposed 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

The organizations recognize contributions when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Consequently, at December 31, 2019, contributions approximating \$512,000 have not been recognized in the accompanying combined statement of activities because the conditions on which they depend have not yet been met.

The organizations have adopted accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, effective for the year ended December 31, 2019.

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

**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 2,080 and 2,950 volunteer hours in 2019 and in 2018, respectively (unaudited). No amounts have been reflected in the financial statements for donated services.

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**2) Summary of Significant Accounting Policies, continued**

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. 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).

**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.

**3) Liquidity and Availability**

HO and HO/CH consider contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The organizations consider all expenditures related to their ongoing activities related to their organizational purpose as well as the conduct of services undertaken to support those activities to be general expenditures. Annual operations are defined as activities occurring during the organization's calendar year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year at December 31, 2019 and 2018, are as follows:

	<u>HO</u>	<u>HO/CH</u>	<u>2019</u> <u>Combined</u>
Cash and cash equivalents	\$ 376,996	\$ 55,303	\$ 432,299
Promise to give	14,077	-	14,077
Grants receivable	20,024	-	20,024
Accounts receivable	9,066	17,078	26,144
	<u>\$ 420,163</u>	<u>\$ 72,381</u>	<u>\$ 492,544</u>

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**3) Liquidity and Availability, continued**

	<u>HO</u>	<u>HO/CH</u>	<u>2018</u> <u>Combined</u>
Cash and cash equivalents	\$ 241,151	\$ 40,161	\$ 281,312
Promise to give	36,994	-	36,994
Grants receivable	154,238	52,148	206,386
Accounts receivable	<u>1,548</u>	<u>30,374</u>	<u>31,922</u>
	<u>\$ 433,931</u>	<u>\$ 122,683</u>	<u>\$ 556,614</u>

**4) Restricted Cash**

HO had restricted cash of \$121,355 at December 31, 2019, which was included in cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Amounts included in restricted cash represent amounts required to be used for specific program purposes by the donor.

**5) Promises to Give**

HO's unconditional promises to give of \$14,077 and \$36,994 at December 31, 2019 and 2018, respectively, are collectible in one year.

Conditional promises to give at December 31, 2019 consist of promises for a program to accelerate sanitation and water programs within Haiti of \$511,934.

**6) Grants Receivable**

HO's grant receivable of \$20,024 and \$154,238 at December 31, 2019 and 2018, respectively, are collectible within one year.

HO's grants receivable include an amount from one donor comprising 100% of the balance at December 31, 2019 and two donors comprising 100% of the balance at December 31, 2018.

**7) Refundable Advances**

During 2019, HO received a contribution with donor restrictions totaling \$639,031 that contains donor conditions. Since this contribution is a promise, conditioned on future events and performance requirements, it has not been recorded as contribution revenue until those donor conditions are met. Contributions received in advance from the donor in advance of the conditions being met totaled \$121,355, are recorded as a refundable advance, and will subsequently be recognized as contribution revenue when donor conditions are met.



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**8) Operating Leases**

HO leases office space under an operating lease which expires August 31, 2022. Monthly rent is currently \$1,360 which includes utilities, real estate taxes and insurance. HO is responsible for all maintenance and repairs on leasehold improvements located within the premises. Rent expense was \$12,759 and \$10,791 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under this operating lease which has a remaining term in excess of one year as of December 31, 2019 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 16,456
2021	16,864
2022	<u>11,424</u>
	<u>\$ 44,744</u>

**9) Net Assets with Donor Restrictions**

HO's net assets with donor restrictions are \$34,101 and \$184,232 as of December 31, 2019 and 2018, respectively, and are available for future year programs. HO/CH's net assets with donor restrictions were \$52,148 as of December 31, 2018, and were utilized in 2019.

**10) 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 \$192,500 in 2019 and \$275,000 in 2018 and are eliminated in the combined totals of the financial statements.

**11) Related Party Transaction**

During 2019, HO contracted with a Board member to produce a video of Haiti operations to be used in fundraising and educational presentations. The cost of the video was \$14,600. The Board member excused himself from deliberations on the choice of video production company.

**12) 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.

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**13) 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, 2019. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

**14) Subsequent Events and Risks and Uncertainties**

The organizations have evaluated subsequent events through March 26, 2020, 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, except as noted below.

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 outbreak in the United States and in Haiti has caused business disruption through mandated and voluntary closings of multiple service organizations. Specific to the organizations, COVID-19 may impact various parts of their 2020 operations and financial results including but not limited to additional costs both in the United States and in Haiti for emergency preparedness, disease control and containment, potential shortages of personnel, and/or loss of revenue due to reductions in certain revenue streams. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the organizations expect this matter to negatively impact their operating results.

Management believes the organizations are taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of March 26, 2020.