

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

COMBINED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**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, 2017 and 2016 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, 2017 and 2016, 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.*  
Sherry D. Heffernan, Ltd.

April 8, 2018

**Haiti Outreach, Inc. (HO) and  
Haiti Outreach/Collaboration Avec Haiti (HO/CH)  
Combined Statement of Financial Position  
December 31, 2017 and 2016**

	2017			2016		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 329,466	\$ 4,881	\$ 334,347	\$ 290,954	\$ 13,420	\$ 304,374
Promises to give	47,570	-	47,570	21,320	-	21,320
Grants receivable	200,000	377,944	577,944	137,607	45,751	183,358
Accounts receivable	16,042	1,605	17,647	25,656	52,797	78,453
Fixed Assets:						
Land	-	13,210	13,210	-	12,409	12,409
Buildings and leasehold improvements	-	318,653	318,653	-	299,340	299,340
Equipment	-	227,374	227,374	-	213,594	213,594
Vehicles	-	99,835	99,835	-	93,784	93,784
Accumulated depreciation	-	659,072	659,072	-	619,127	619,127
	-	366,780	366,780	-	295,072	295,072
	-	292,292	292,292	-	324,055	324,055
<b>TOTAL ASSETS</b>	<b>\$ 593,078</b>	<b>\$ 676,722</b>	<b>\$ 1,269,800</b>	<b>\$ 475,537</b>	<b>\$ 436,023</b>	<b>\$ 911,560</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 43,542	\$ -	\$ 43,542	\$ 84,206	\$ -	\$ 84,206
Accrued expenses	2,372	5,326	7,698	2,600	497	3,097
<b>TOTAL LIABILITIES</b>	<b>45,914</b>	<b>5,326</b>	<b>51,240</b>	<b>86,806</b>	<b>497</b>	<b>87,303</b>
<b>NET ASSETS</b>						
Unrestricted net assets	299,594	293,452	593,046	189,407	435,526	624,933
Temporarily restricted	247,570	377,944	625,514	199,324	-	199,324
<b>TOTAL NET ASSETS</b>	<b>547,164</b>	<b>671,396</b>	<b>1,218,560</b>	<b>388,731</b>	<b>435,526</b>	<b>824,257</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 593,078</b>	<b>\$ 676,722</b>	<b>\$ 1,269,800</b>	<b>\$ 475,537</b>	<b>\$ 436,023</b>	<b>\$ 911,560</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, 2017 and 2016**

	2017			2016				
	HO	HO/CH	Combining Entries	Combined Total	HO	HO/CH	Combining Entries	Combined Total
<b>UNRESTRICTED NET ASSETS</b>								
<b>SUPPORT AND REVENUES</b>								
Contributions	\$ 380,222	\$ -	\$ -	\$ 380,222	\$ 365,366	\$ -	\$ -	\$ 365,366
Grant from HO	-	390,000	(390,000)	-	-	390,225	(390,225)	-
Well drilling and other program income	44,300	54,006	-	98,306	107,318	40,544	-	147,862
Educational trip income	55,052	-	-	55,052	81,414	-	-	81,414
Guest house income	6,500	25,088	-	31,588	6,286	31,624	-	37,910
Miscellaneous income (loss)	(125)	5,653	-	5,528	358	4,765	-	5,123
Special event revenue including contributions	123,504	-	-	123,504	66,481	-	-	66,481
Less: Costs of direct benefits to donors	21,811	-	-	21,811	9,408	-	-	9,408
Total net assets released from restrictions	<u>101,693</u>	<u>-</u>	<u>-</u>	<u>101,693</u>	<u>57,073</u>	<u>-</u>	<u>-</u>	<u>57,073</u>
	<u>422,270</u>	<u>94,486</u>	<u>-</u>	<u>516,756</u>	<u>476,698</u>	<u>470,516</u>	<u>-</u>	<u>947,214</u>
<b>TOTAL UNRESTRICTED SUPPORT</b>	<u>1,009,912</u>	<u>569,233</u>	<u>(390,000)</u>	<u>1,189,145</u>	<u>1,094,513</u>	<u>937,674</u>	<u>(390,225)</u>	<u>1,641,962</u>
<b>AND REVENUE</b>								
<b>EXPENSES</b>								
Program services	718,397	664,200	(390,000)	992,597	934,799	864,627	(390,225)	1,409,201
Management and general	71,531	68,079	-	139,610	64,378	21,554	-	85,932
Fundraising	109,641	-	-	109,641	114,372	-	-	114,372
<b>TOTAL UNRESTRICTED EXPENSES</b>	<u>899,569</u>	<u>732,279</u>	<u>(390,000)</u>	<u>1,241,848</u>	<u>1,113,549</u>	<u>886,181</u>	<u>(390,225)</u>	<u>1,609,505</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED</b>	<u>110,343</u>	<u>(163,046)</u>	<u>-</u>	<u>(52,703)</u>	<u>(19,036)</u>	<u>51,493</u>	<u>-</u>	<u>32,457</u>
<b>NET ASSETS</b>								

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, 2017 and 2016

	2017			2016				
	HO	HO/CH	Combining Entries	Combined Total	HO	HO/CH	Combining Entries	Combined Total
<b>Balance Forward:</b>								
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	110,343	(163,046)	-	(52,703)	(19,036)	51,493	-	32,457
<b>TEMPORARILY RESTRICTED NET ASSETS</b>								
Contributions	470,360	472,430	-	942,790	481,141	470,516	-	951,657
Net assets released from restrictions	<u>(422,270)</u>	<u>(94,486)</u>	-	<u>(516,756)</u>	<u>(476,698)</u>	<u>(470,516)</u>	-	<u>(947,214)</u>
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>48,090</u>	<u>377,944</u>	-	<u>426,034</u>	<u>4,443</u>	-	-	<u>4,443</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSLATION ADJUSTMENTS</b>	158,433	214,898	-	373,331	(14,593)	51,493	-	36,900
Foreign currency translation adjustments	-	<u>20,972</u>	-	<u>20,972</u>	-	<u>(67,997)</u>	-	<u>(67,997)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	158,433	235,870	-	394,303	(14,593)	(16,504)	-	(31,097)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>388,731</u>	<u>435,526</u>	-	<u>824,257</u>	<u>403,324</u>	<u>452,030</u>	-	<u>855,354</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 547,164</u>	<u>\$ 671,396</u>	<u>\$ -</u>	<u>\$ 1,218,560</u>	<u>\$ 388,731</u>	<u>\$ 435,526</u>	<u>\$ -</u>	<u>\$ 824,257</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, 2017 and 2016**

	2017			2016		
	HO	HO/CH	Combined Total	HO	HO/CH	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Increase (decrease) in net assets before translation adjustment	\$ 158,433	\$ 214,898	\$ 373,331	\$ (14,593)	\$ 51,493	\$ 36,900
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:						
Depreciation	-	51,026	51,026	-	38,360	38,360
(Increase) decrease in:						
Promises to give	(26,250)	-	(26,250)	7,894	-	7,894
Grants receivable	(62,393)	(334,182)	(396,575)	(17,607)	(44,813)	(62,420)
Accounts receivable	9,614	44,766	54,380	(13,632)	4,671	(8,961)
Accounts payable	(40,664)	-	(40,664)	68,471	-	68,471
Accrued expenses	(228)	4,829	4,601	(876)	(2,989)	(3,865)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>38,512</u>	<u>(18,663)</u>	<u>19,849</u>	<u>29,657</u>	<u>46,722</u>	<u>76,379</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of vehicle, equipment and leaseholds	-	-	-	-	(55,225)	(55,225)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,225)</u>	<u>(55,225)</u>
Effect of exchange rate changes on cash	-	10,124	10,124	-	(9,277)	(9,277)
<b>NET INCREASE (DECREASE) IN CASH</b>	38,512	(8,539)	29,973	29,657	(17,780)	11,877
<b>CASH AT BEGINNING OF YEAR</b>	<u>290,954</u>	<u>13,420</u>	<u>304,374</u>	<u>261,297</u>	<u>31,200</u>	<u>292,497</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 329,466</u>	<u>\$ 4,881</u>	<u>\$ 334,347</u>	<u>\$ 290,954</u>	<u>\$ 13,420</u>	<u>\$ 304,374</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, 2017

	HO		HO/CH		Combined Total
	Management and General	Fund- raising	Program	Management and General	
Salaries, taxes and benefits	\$ 144,796	\$ 83,338	\$ 279,402	\$ 13,411	\$ 498,164
Contractors	1,408	-	9,870	-	75,035
Grants to HO/CH	390,000	-	390,000	-	(390,000)
<b>Specific program expenses:</b>					
Haiti group trips	43,306	-	43,306	-	46,013
Project labor	-	-	-	-	-
Equipment and tools	80,768	-	80,768	-	83,660
Parts, repairs and maintenance	-	-	-	-	114,715
Diesel, fuel and gas	-	-	-	-	50,703
Shipping and customs	11,645	-	11,645	-	40,548
Project materials	15,930	-	15,930	-	79,443
Travel	-	-	-	-	31,711
Guesthouse and meals	-	-	-	-	15,942
Bad debts	-	-	-	44,766	44,766
Office expenses	5,896	17,124	29,775	2,211	37,513
Postage and printing	1,825	5,477	9,127	-	364
Rent	5,481	3,155	10,577	-	3,142
Telephone and internet	950	547	1,833	2,588	27,714
Travel, airfare and hotels	16,392	-	17,336	-	4,349
Depreciation	-	-	-	5,103	51,026
<b>Total expenses</b>	<b>\$ 718,397</b>	<b>\$ 109,641</b>	<b>\$ 899,569</b>	<b>\$ 68,079</b>	<b>\$ 1,241,848</b>
	<u>79.9%</u>	<u>8.0%</u>	<u>100.0%</u>	<u>9.3%</u>	<u>100.0%</u>
			<u>90.7%</u>		
					<u>\$ (390,000)</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		Combining 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	\$	\$ 468,358
Contractors	61,000	8,028	-	69,028	-	-	-	69,028
Grants to HO/CH	390,225	-	-	390,225	-	-	(390,225)	-
<b>Specific program expenses:</b>								
Haiti group trips	40,515	-	-	40,515	5,127	-	-	45,642
Project labor	-	-	-	-	106,769	-	-	106,769
Equipment and tools	18,726	-	-	18,726	6,937	-	-	25,663
Parts, repairs and maintenance	90,108	-	-	90,108	170,911	-	-	261,019
Diesel, fuel and gas	-	-	-	-	76,730	-	-	76,730
Shipping and customs	24,709	-	-	24,709	39,661	-	-	64,370
Project materials	146,810	-	-	146,810	129,907	-	-	276,717
Travel	-	-	-	-	35,898	-	-	35,898
Guesthouse and meals	-	-	-	-	22,808	-	-	22,808
Office expenses	9,098	4,956	17,260	31,314	8,981	2,844	-	43,139
Marketing	-	-	6,238	6,238	-	-	-	6,238
Postage and printing	271	271	7,787	8,329	575	-	-	8,904
Rent	5,375	1,886	3,137	10,398	8,025	-	-	18,423
Telephone and internet	1,171	411	683	2,265	18,773	2,086	-	23,124
Travel, airfare and hotels	10,989	1,175	-	12,164	6,151	-	-	18,315
Depreciation	-	-	-	-	34,524	3,836	-	38,360
<b>Total expenses</b>	<b>\$ 934,799</b>	<b>\$ 64,378</b>	<b>\$ 114,372</b>	<b>\$ 1,113,549</b>	<b>\$ 864,627</b>	<b>\$ 21,554</b>	<b>\$ (390,225)</b>	<b>\$ 1,609,505</b>

83.9%      6.5%      10.3%      100.7%      97.6%      2.4%      100.0%

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, 2017 and 2016

**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 64 and 62 gourdes per one U.S. dollar, in 2017 and 2016, respectively.

Substantially all assets and liabilities of the Haitian operations are translated at year-end exchange rates which were approximately 62 and 66 gourdes at December 31, 2017 and 2016, 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 -\$22,000 and -\$89,000 at December 31, 2017 and 2016, 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 one donor comprising 81% of the balance at December 31, 2017 and two donors comprising 87% of the balance at December 31, 2016.

HO/CH's unconditional promises to give include amounts from one donor comprising 100% of the balance at December 31, 2017 and from one donor comprising 100% of the balance at December 31, 2016. HO/CH'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. The organization had approximately \$8,000 of cash balances in excess of the federally insured limit at December 31, 2017.

**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, 2017 HO/CH had \$4,881 in cash or deposits in Haitian financial institutions that are not insured by the FDIC.

**Concentration of Revenue and Support**

In 2017 HO received approximately 38% of its total revenues and support from one donor and HO/CH received approximately 50% of its total revenues and support from one donor. In 2016 HO received approximately 30% of its total revenues and support from one donor and HO/CH received approximately 51% of its total revenues and support from one donor.

**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 was a charge of \$44,766 to bad debt expense in 2017 for HO/CH.

**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  
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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 2,810 and 5,100 volunteer hours in 2017 and in 2016, 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 \$47,570 and \$21,320 at December 31, 2017 and 2016 are collectible in one year.

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

**4) Grants Receivable**

HO's grant receivable is collectible as follows:

	<u>12/31/2017</u>	<u>12/31/216</u>
One year	\$ 100,000	\$ 137,607
2-3 years	<u>100,000</u>	<u>-</u>
	<u>\$ 200,000</u>	<u>\$ 137,607</u>

HO/CH's grant receivable is collectible as follows:

One year	\$ 327,144	\$ 45,751
2-3 years	<u>50,800</u>	<u>-</u>
	<u>\$ 377,944</u>	<u>\$ 45,751</u>

**5) Operating Leases**

HO leases office space under an operating lease which expires October 31, 2019. Monthly rent is currently \$895 which includes utilities, real estate taxes and insurance. Rent expense was \$10,577 and \$10,576 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2017 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 10,773
2019	<u>9,127</u>
	<u>\$ 19,900</u>

**6) Restrictions on Net Assets**

HO's temporarily restricted net assets are \$247,570 and \$199,324 as of December 31, 2017 and 2016, respectively, and are available for future year programs. HO/CH's temporarily restricted net assets are \$377,944 as of December 31, 2017 and are available for future year programs.

**7) 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 \$390,000 in 2017 and \$390,225 in 2016 and are eliminated in the combined totals of the financial statements.

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**8) 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.

**9) 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, 2017. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

**10) Subsequent Events**

The organizations have evaluated subsequent events through April 8, 2018, 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.