

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

**Audited Financial Statements
and Supplementary Information**

December 31, 2019 and 2018

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hope for Haiti's Children Ministries, Inc.
Cincinnati, Ohio

We have audited the accompanying financial statements of Hope for Haiti's Children Ministries, Inc., (an Ohio nonprofit corporation, the "Organization"), which comprise the statements of financial position, as of December 31, 2019 and 2018, and the related statements of activities, statements of functional expenses, and statements of 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.

Auditors' 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 Hope for Haiti's Children Ministries, Inc. as of December 31, 2019 and 2018, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program expenses on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sheldon Reder CPAs

Sheldon Reder CPAs
Cincinnati, Ohio
May 12, 2020

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 309,825	\$ 464,200	\$ 774,025
Prepaid expenses	12,095	-	12,095
Pledges receivable, current portion	-	1,264,284	1,264,284
TOTAL CURRENT ASSETS	<u>321,920</u>	<u>1,728,484</u>	<u>2,050,404</u>
NON-CURRENT ASSETS			
Pledges receivable (net)	-	3,289,939	3,289,939
Investments	152,294	-	152,294
TOTAL NON-CURRENT ASSETS	<u>152,294</u>	<u>3,289,939</u>	<u>3,442,233</u>
TOTAL ASSETS	<u>\$ 474,214</u>	<u>\$ 5,018,423</u>	<u>\$ 5,492,637</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 34,129	\$ -	\$ 34,129
Salaries and payroll taxes payable	18,271	-	18,271
Employee benefit payable	4,937	-	4,937
TOTAL CURRENT LIABILITIES	<u>57,337</u>	<u>-</u>	<u>57,337</u>
NET ASSETS	<u>416,877</u>	<u>5,018,423</u>	<u>5,435,300</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 474,214</u>	<u>\$ 5,018,423</u>	<u>\$ 5,492,637</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 147,000	\$ 329,703	\$ 476,703
Prepaid expenses	18,873	-	18,873
Pledges receivable, current portion	-	1,135,633	1,135,633
TOTAL CURRENT ASSETS	<u>165,873</u>	<u>1,465,336</u>	<u>1,631,209</u>
NON-CURRENT ASSETS			
Pledges receivable (net)	-	3,175,787	3,175,787
Investments	240,179	-	240,179
TOTAL NON-CURRENT ASSETS	<u>240,179</u>	<u>3,175,787</u>	<u>3,415,966</u>
TOTAL ASSETS	<u>\$ 406,052</u>	<u>\$ 4,641,123</u>	<u>\$ 5,047,175</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 29,564	\$ -	\$ 29,564
Salaries and payroll taxes payable	17,757	-	17,757
Employee benefit payable	4,937	-	4,937
TOTAL CURRENT LIABILITIES	<u>52,258</u>	<u>-</u>	<u>52,258</u>
NET ASSETS	<u>353,794</u>	<u>4,641,123</u>	<u>4,994,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 406,052</u>	<u>\$ 4,641,123</u>	<u>\$ 5,047,175</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 767,538	\$ 1,916,916	\$ 2,684,454
Pledges income, net	-	262,944	262,944
Donated goods and services	18,896	480,511	499,407
Gross special events revenue	161,166	2,500	163,666
Less cost of direct benefit to donors	(26,897)	-	(26,897)
Net special events revenue	<u>134,269</u>	<u>2,500</u>	<u>136,769</u>
Net investment return	9,129	-	9,129
Assets released from restrictions	<u>2,285,571</u>	<u>(2,285,571)</u>	<u>-</u>
 TOTAL REVENUE AND PUBLIC SUPPORT	 <u>3,215,403</u>	 <u>377,300</u>	 <u>3,592,703</u>
EXPENSES			
Program	2,828,779	-	2,828,779
General and administrative	195,703	-	195,703
Fundraising	<u>127,838</u>	<u>-</u>	<u>127,838</u>
 TOTAL OPERATING EXPENSES	 <u>3,152,320</u>	 <u>-</u>	 <u>3,152,320</u>
 CHANGE IN NET ASSETS	 63,083	 377,300	 440,383
 NET ASSETS - BEGINNING OF YEAR	 <u>353,794</u>	 <u>4,641,123</u>	 <u>4,994,917</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 416,877</u></u>	 <u><u>\$ 5,018,423</u></u>	 <u><u>\$ 5,435,300</u></u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 709,776	\$ 1,561,633	\$ 2,271,409
Pledges income, net	-	249,475	249,475
Donated goods and services	7,956	680,580	688,536
Gross special event revenue	190,021	12,000	202,021
Less cost of direct benefit to donors	<u>(25,755)</u>	<u>-</u>	<u>(25,755)</u>
Net special events revenue	164,266	12,000	176,266
Net investment return	5,683	-	5,683
Assets released from restrictions	<u>2,325,247</u>	<u>(2,325,247)</u>	<u>-</u>
 TOTAL REVENUE AND PUBLIC SUPPORT	 <u>3,212,928</u>	 <u>178,441</u>	 <u>3,391,369</u>
EXPENSES			
Program	2,777,059	-	2,777,059
General and administrative	187,394	-	187,394
Fundraising	<u>173,976</u>	<u>-</u>	<u>173,976</u>
 TOTAL EXPENSES	 <u>3,138,429</u>	 <u>-</u>	 <u>3,138,429</u>
 CHANGE IN NET ASSETS	 74,499	 178,441	 252,940
 NET ASSETS - BEGINNING OF YEAR	 <u>279,295</u>	 <u>4,462,682</u>	 <u>4,741,977</u>
 NET ASSETS - END OF YEAR	 <u>\$ 353,794</u>	 <u>\$ 4,641,123</u>	 <u>\$ 4,994,917</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Donor Benefit Costs</u>	<u>Total Expenses</u>
Compensation and related expenses					
Compensation	\$ 270,732	\$ 88,467	\$ 73,532	\$ -	\$ 432,731
Payroll taxes	20,326	6,735	5,438	-	32,499
Employee benefits	12,179	4,485	4,748	-	21,412
Total compensation and related expenses	<u>303,237</u>	<u>99,687</u>	<u>83,718</u>	<u>-</u>	<u>486,642</u>
Grants	1,667,919	-	-	-	1,667,919
Travel	107,775	5,743	18,682	-	132,200
Supplies and materials	137,624	-	-	3,216	140,840
Postage and shipping	33,185	2,617	1,674	-	37,476
Information technology	10,365	14,306	2,026	-	26,697
Printing	7,093	3,415	17,682	-	28,190
Bank fees	1,552	21,808	-	-	23,360
Conferences, education, training	14,055	1,749	6	-	15,810
Professional fees	-	17,162	1,000	-	18,162
Contract services	17,118	-	-	-	17,118
Telephone	8,969	2,094	-	-	11,063
Office supplies	7,543	5,057	1,251	-	13,851
Repairs and maintenance	3,499	-	-	-	3,499
Insurance	3,445	1,429	-	-	4,874
Other expenses	236	834	1,712	-	2,782
Event equipment rental	-	-	-	1,913	1,913
Event facility	-	-	-	6,675	6,675
Event food	-	-	-	13,305	13,305
Staff expense	105	2,694	65	-	2,864
In kind donations	480,511	17,108	-	1,788	499,407
Bad debt expense	20,141	-	-	-	20,141
Consulting	4,407	-	22	-	4,429
Total expenses	<u>\$ 2,828,779</u>	<u>\$ 195,703</u>	<u>\$ 127,838</u>	<u>\$ 26,897</u>	<u>\$ 3,179,217</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Donor Benefit Costs</u>	<u>Total Expenses</u>
Compensation and related expenses					
Compensation	\$ 152,355	\$ 97,953	\$ 111,992	\$ -	\$ 362,300
Payroll taxes	11,693	7,614	8,069	-	27,376
Employee benefits	3,102	3,119	8,163	-	14,384
Total compensation and related expenses	<u>167,150</u>	<u>108,686</u>	<u>128,224</u>	<u>-</u>	<u>404,060</u>
Grants	1,553,740	-	-	-	1,553,740
Travel	87,628	8,181	17,287	-	113,096
Supplies and materials	157,394	-	-	1,987	159,381
Postage and shipping	28,696	1,660	2,601	-	32,957
Information technology	14,754	10,966	1,568	-	27,288
Printing	9,293	5,343	19,596	-	34,232
Bank fees	1,812	19,575	-	-	21,387
Conferences and meetings	16,962	1,246	40	-	18,248
Professional fees	-	10,661	-	-	10,661
Contract services	17,567	-	-	-	17,567
Telephone	8,296	1,561	-	-	9,857
Office supplies	4,363	5,092	1,358	-	10,813
Repairs and maintenance	3,040	-	-	-	3,040
Insurance	873	2,830	-	-	3,703
Other expenses	387	1,072	1,046	655	3,160
Event equipment rental	-	-	-	2,757	2,757
Event facility	-	-	-	7,288	7,288
Event food	-	-	-	13,068	13,068
Staff expense	65	1,718	-	-	1,783
Bad debt expense	18,163	-	-	-	18,163
In kind donations	680,580	7,956	-	-	688,536
Consulting	6,296	847	2,256	-	9,399
Total expenses	<u>\$ 2,777,059</u>	<u>\$ 187,394</u>	<u>\$ 173,976</u>	<u>\$ 25,755</u>	<u>\$ 3,164,184</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 440,383	\$ 252,940
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized (gain) loss on investments	(3,027)	3,245
Donation of investments	(55,815)	(2,950)
(Increase) decrease in		
Pledges receivable	(242,803)	(231,312)
Prepaid expense	6,778	6,194
Increase (decrease) in		
Accounts payable	4,565	(10,363)
Accrued payroll taxes	514	3,135
	<u>150,595</u>	<u>20,889</u>
CASH FLOWS FROM INVESTING		
Purchase of investments	-	(90,000)
Proceeds from sale of investments	146,727	18,118
	<u>146,727</u>	<u>(71,882)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	297,322	(50,993)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>476,703</u>	<u>527,696</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 774,025</u>	<u>\$ 476,703</u>

See accompanying notes and independent auditors' report.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES

Hope for Haiti's Children Ministries, Inc., (the "Organization") is located in Cincinnati, Ohio and was organized in 1995. The organization is a not for profit corporation with a mission to educate and care for the impoverished children of Haiti. The needs of the children are met through an education sponsorship program, health care services, orphan care and crisis relief efforts. The Organization is dependent upon contributions from the public and volunteers for its support.

2. DATE OF MANAGEMENT REVIEW

Management reviews events and transactions occurring subsequent to the date of the financial statements for matters requiring potential recognition or disclosure in the financial statements. The Organization has evaluated subsequent events through May 12, 2020, the date the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization currently does not have net assets with restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs and includes resources that generate return from investments and interest. Non-operating activities include other activities considered to be of a more unusual or nonrecurring nature. All activities of the Organization were operating activities in 2019 and 2018.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

As of December 31, 2019 and 2018, the Organization had cash balances in excess of federally insured limits of \$163,236 and \$40,474, respectively.

Pledges Receivable

The Organization receives pledges receivable for child sponsorships from various organizations and individuals. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is calculated at 1.25% above federal prime rate. Discount amortization is included in contribution revenue.

An allowance for uncollectible pledges is determined based on management's evaluation of the collectability of individual promises. For the year ended December 31, 2019, management estimates an allowance of 11% of gross pledges receivable due to factors related to COVID-19. For the year ended December 31, 2018, management estimated an allowance of 3.5% of gross pledges receivable. Individual pledges that are stopped or discontinued during the year due to non-payment are written off unless the donors indicate that payment is merely postponed.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- quoted prices for similar assets/liabilities in active markets;
- quoted prices for identical or similar assets in non-active markets;
- inputs other than quoted prices that are observable for the asset or liability; and,
- inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-Kind Donations

Volunteers contribute significant amounts of time in furtherance of the Organization's mission. These services are not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP. Contributed goods are recorded at fair value at the date of donation.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

In-Kind Donations (Continued)

Donated professional services are recorded as public support only if they create or enhance nonfinancial assets or require specialized services. The Organization received \$1,100 and \$400 of donated professional services (transportation) for the years ended December 31, 2019 and 2018, respectively.

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 programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

In 2019, approximately 90% of the Organization's total expenses related to program services, 6% to management and general services, and 4% to fundraising activities. In 2018, approximately 88% of the Organization's total expenses related to program services, 6% to management and general services, and 6% to fundraising activities.

Income Taxes

The Organization is an Ohio nonprofit corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report any unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Standards Update

Revenue Recognition Standard

In May, 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to. The ASU is effective for nonpublic companies for years beginning after December 15, 2018.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Accounting Standards Update (Continued)

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. The ASU is effective for nonpublic companies for years beginning after December 15, 2018.

The Organization has implemented the above revenue related ASU for the year ended December 31, 2019. However, it has been determined there has been no impact on the financial statements of adopting this ASU due to the fact that revenues relate to contributions and grants that are considered unconditional and nonreciprocal transactions; thus do not fall under the new contract revenue standard.

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and therefore, recognition of the lease assets and lease liabilities represent an improvement over previous GAAP, which did not require lease obligations to be recognized for most leases. The ASU is effective for nonpublic companies for years beginning after December 15, 2020.

4. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 774,025	\$ 476,703
Investments	152,294	240,179
Subtotal, available cash and investments	926,319	716,882
Pledges receivable due in one year	1,264,284	1,135,633
Financial assets available to meet general expenditures over the next twelve months	\$ 2,190,603	\$ 1,852,515

Average monthly expenses to maintain the Organization's operations in the US are approximately \$55,000. Normal, recurring monthly expenses to maintain operations in Haiti are approximately \$62,000. Cash flows fluctuate throughout the year due to the timing and nature of pledges receivable. Thus, it is the Organization's goal is to maintain available cash and investments sufficient to cover approximately three (3) months of combined US and Haiti operational expenses (approximately \$350,000).

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

AVAILABILITY AND LIQUIDITY (Continued)

Non-recurring expenses in Haiti are project oriented and special in nature. On a monthly basis, they average from \$60,000 to \$100,000. Cash flows from pledges receivable generally cover these expenses.

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 1,264,284	\$ 1,135,633
One to five years	3,672,693	3,292,405
Due beyond five years	<u>1,081,440</u>	<u>775,297</u>
	6,018,417	5,203,335
Less allowance for uncollectible pledges	(662,026)	(182,117)
Less discount to present value	<u>(802,168)</u>	<u>(709,798)</u>
Pledges receivable, net	<u><u>\$ 4,554,223</u></u>	<u><u>\$ 4,311,420</u></u>

6. INVESTMENTS

Investments at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>
Fixed Income	<u>\$ 152,294</u>	<u>\$ 150,000</u>

	<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>
Fixed Income	<u>\$ 240,179</u>	<u>\$ 240,000</u>

The Organization recorded interest income of \$6,102 and \$5,923 for the years ended December 31, 2019 and 2018, respectively. The Organization recorded unrealized gain of \$3,027 for the year ended December 31, 2019, and unrealized loss of \$3,245 for the year ended December 31, 2018.

As of December 31, 2019 and 2018, all investments were considered level 1 investments.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

7. NET ASSETS

Net assets with donor restrictions for the years ended December 31, were as follows:

	<u>2019</u>	<u>2018</u>
Passage of Time - Receivables	\$ 4,554,223	\$ 4,311,420
Purpose Restrictions		
Child education and vocational	218,381	208,714
Ophanage operations	8,189	4,698
Mission trips	20,493	41,798
School lunch program	84,941	40,942
Thomazeau Hope Center	20,626	-
Thomazeau Camp Hope	1,000	5,932
Thomazeau Church	42,610	-
Crisis Relief	55	1,418
Joy Box/Gift Ministry	4,015	13,665
General Haiti operations	20,625	5,748
School development	43,265	6,788
	<u>464,200</u>	<u>329,703</u>
	<u>\$ 5,018,423</u>	<u>\$ 4,641,123</u>

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$ 416,877</u>	<u>\$ 353,794</u>

Net assets released from net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of time restrictions	1,135,633	1,048,161
Satisfaction of purpose restrictions	<u>1,149,938</u>	<u>1,277,086</u>
	<u>\$ 2,285,571</u>	<u>\$ 2,325,247</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. FUNDRAISING EVENTS

Breakfast fundraising events contributed to the resources available for programs during the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Event revenue	\$ 163,666	\$ 202,021
Event expense	<u>(26,897)</u>	<u>(25,755)</u>
	<u>\$ 136,769</u>	<u>\$ 176,266</u>

9. DONATED GOODS AND SERVICES

During the years ended December 31, 2019 and 2018, the organization received various goods and services in connection with its program activities. The fair value of donated goods and services used in the operations of its programs in the years ended December 31, 2019 and 2018 totaled \$499,407 and \$688,536, respectively.

Donated goods and services for the years ended December 31, were as follows:

	<u>2019</u>	
	<u>Quantity</u>	<u>Value</u>
Drugs and medical supplies	54,704	\$ 217,537
Food inventory	519,922	154,463
Other supplies	25,069	37,036
Joy boxes	3,047	76,175
Office space	2	7,368
Information technology	7	3,940
Fundraising quilts	6	1,788
Transportation services	<u>1</u>	<u>1,100</u>
Fixed Income	<u>602,758</u>	<u>\$ 499,407</u>
	<u>2018</u>	
	<u>Quantity</u>	<u>Value</u>
Drugs and medical supplies	3,380	\$ 391,770
Food inventory	782,589	208,825
Other supplies	2,660	26,325
Joy boxes	2,663	53,260
Office space	2	7,368
Office supplies	1	588
Transportation services	<u>1</u>	<u>400</u>
Fixed Income	<u>791,296</u>	<u>\$ 688,536</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

10. LINE OF CREDIT

The Organization has an unsecured line of credit of \$71,000 on a credit cards as of December 31, 2019. The available credit as of December 31, 2019 was \$64,962. As of December 31, 2018, the unsecured line of credit was \$60,000 on the credit cards and the available credit was \$47,688.

11. SUBSEQUENT EVENTS – COVID-19

The Organization evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact pledges receivable. As a result, the allowance for doubtful accounts was increased to 11% from 3.5% as of December 31, 2018. Other financial impact could occur though such potential impact is unknown at this time.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
SCHEDULES OF PROGRAM EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (TOTAL)

	Child Education	Program Services - U.S.	School							Haiti Operations	School Development	2019		2018	
			Orphanage Operations	Mission Trips	School Lunch Program	Thomazeau Hope Center	Thomazeau Camp Hope	Thomazeau Church	Crisis Relief			Joy Box/Gift Ministry	Total Program	Total Program	
Compensation and related expenses															
Compensation	\$ -	\$ 270,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,732	\$ 152,355
Payroll taxes	-	20,326	-	-	-	-	-	-	-	-	-	-	-	20,326	11,693
Employee benefits	-	12,179	-	-	-	-	-	-	-	-	-	-	-	12,179	3,102
Total compensation and related expense	-	303,237	-	-	-	-	-	-	-	-	-	-	-	303,237	167,150
Grants	724,703	7,685	234,895	88,111	230,696	13,176	14,653	100	100	160,180	181,827	1,667,919	1,667,919	1,553,740	
Travel	9,735	13,939	71	73,594	1,273	420	-	990	990	7,053	700	107,775	107,775	87,628	
Supplies and materials	14,235	-	8,583	20,000	34,800	2,393	2,357	2,039	2,039	4,997	41,100	137,624	137,624	157,394	
Postage and shipping	230	5,267	-	-	165	91	-	-	-	529	-	33,185	33,185	28,696	
Information technology	490	5,007	-	-	-	-	-	-	-	4,868	-	10,365	10,365	14,754	
Printing	1,550	2,253	-	-	898	1,793	-	-	-	-	-	7,093	7,093	9,293	
Bank fees	-	1,552	-	-	-	-	-	-	-	-	-	1,552	1,552	1,812	
Conferences, education, training	338	-	3,650	-	-	-	-	-	-	-	-	14,055	14,055	16,962	
Contract services	14,043	-	805	-	770	904	-	-	-	420	176	17,118	17,118	17,567	
Telephone	1,981	622	1,258	-	635	69	147	34	34	3,917	-	8,969	8,969	8,296	
Office supplies	2,030	923	330	-	1,194	693	-	81	81	1,951	-	7,543	7,543	4,363	
Repairs and maintenance	-	-	297	-	473	590	-	-	-	1,539	600	3,499	3,499	3,040	
Insurance	79	-	-	-	1,170	-	-	-	-	319	-	3,445	3,445	873	
Other expenses	36	-	200	-	-	-	-	-	-	-	-	236	236	387	
Staff expense	-	42	-	-	-	-	-	63	63	-	-	105	105	65	
In kind donations	237,390	-	3,808	154,463	-	-	-	-	-	76,175	150	480,511	480,511	680,580	
Bad debt expense	-	20,141	-	-	-	-	-	-	-	-	-	20,141	20,141	18,163	
Consulting	-	3,898	-	-	-	4	-	-	-	505	-	4,407	4,407	6,296	
Total expenses	\$ 1,006,840	\$ 364,566	\$ 253,897	\$ 262,574	\$ 272,074	\$ 30,150	\$ 17,157	\$ 3,307	\$ 3,307	\$ 193,753	\$ 224,553	\$ 2,828,779	\$ 2,828,779	\$ 2,777,059	