

# Financial Statements

## Haiti Teen Challenge (a Nonprofit Corporation) Minneapolis, Minnesota

For the Years Ended  
December 31, 2019 and 2018

Haiti Teen Challenge  
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December 31, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Haiti Teen Challenge  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Haiti Teen Challenge (a Minnesota nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haiti Teen Challenge as of December 31, 2019 and 2018, and 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.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 22, 2020

## FINANCIAL STATEMENTS

Haiti Teen Challenge  
 Statements of Financial Position  
 December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 609,128	\$ 299,806
Pledges receivable	540,000	-
Due from ACC	1,020	6,239
Prepaid rent	28,500	17,750
Total Current Assets	1,178,648	323,795
Property and Equipment		
Building improvements	11,349	11,349
Furniture	12,469	12,469
Equipment	79,751	70,401
Vehicles	165,000	165,000
Total Property and Equipment, Cost	268,569	259,219
Less Accumulated Depreciation	(238,880)	(205,111)
Total Property and Equipment, Net	29,689	54,108
Total Assets	\$ 1,208,337	\$ 377,903

See Independent Auditor's Report and Notes to the Financial Statements.

Haiti Teen Challenge  
 Statements of Financial Position (Continued)  
 December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 11,106	\$ 2,448
Accrued payroll liabilities	-	5,000
Total Liabilities	11,106	7,448
Net Assets		
Without donor restriction		
Undesignated	302,299	74,892
Board designated	24,000	95,000
With donor restriction	870,932	200,563
Total Net Assets	1,197,231	370,455
Total Liabilities and Net Assets	\$ 1,208,337	\$ 377,903

See Independent Auditor's Report and Notes to the Financial Statements.

**Haiti Teen Challenge**  
**Statements of Activities**  
For the Year Ended December 31, 2019  
(With Comparative Information for the Year Ended December 31, 2018)

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
Support and Revenue				
Support				
Pledges and contributions	\$ 683,134	\$ 870,000	\$ 1,553,134	\$ 717,952
Special events				
Revenue	164,945	-	164,945	-
Expenses	(34,026)	-	(34,026)	-
Grants	220,000	-	220,000	130,000
Total Support	<u>1,034,053</u>	<u>870,000</u>	<u>1,904,053</u>	<u>847,952</u>
Revenue				
Interest income	125	-	125	103
Investment income	385	-	385	1,023
Other revenue	-	-	-	144
Total Revenue	<u>510</u>	<u>-</u>	<u>510</u>	<u>1,270</u>
Net Assets Released from Restrictions				
Satisfaction of capital restrictions	199,631	(199,631)	-	-
Total Support and Revenue, Net	<u>1,234,194</u>	<u>670,369</u>	<u>1,904,563</u>	<u>849,222</u>
Expenses				
Program services	861,761	-	861,761	1,164,226
Support services				
Management and general	109,461	-	109,461	88,784
Fundraising	106,565	-	106,565	54,820
Total Expenses	<u>1,077,787</u>	<u>-</u>	<u>1,077,787</u>	<u>1,307,830</u>
Change in Net Assets	156,407	670,369	826,776	(458,608)
Net Assets, Beginning of Year	<u>169,892</u>	<u>200,563</u>	<u>370,455</u>	<u>829,063</u>
Net Assets, End of Year	<u>\$ 326,299</u>	<u>\$ 870,932</u>	<u>\$ 1,197,231</u>	<u>\$ 370,455</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Haiti Teen Challenge  
Statements of Activities (Continued)  
For the Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Pledges and contributions	\$ 468,472	\$ 249,480	\$ 717,952
Grants	130,000	-	130,000
Total Support	<u>598,472</u>	<u>249,480</u>	<u>847,952</u>
Revenue			
Interest income	103	-	103
Investment income	1,023	-	1,023
Other revenue	144	-	144
Total Revenue	<u>1,270</u>	<u>-</u>	<u>1,270</u>
Net Assets Released from Restrictions			
Satisfaction of capital restrictions	544,176	(544,176)	-
Total Support and Revenue, Net	<u>1,143,918</u>	<u>(294,696)</u>	<u>849,222</u>
Expenses			
Program services	1,164,226	-	1,164,226
Support services			
Management and general	88,784	-	88,784
Fundraising	54,820	-	54,820
Total Expenses	<u>1,307,830</u>	<u>-</u>	<u>1,307,830</u>
Change in Net Assets	(163,912)	(294,696)	(458,608)
Net Assets, Beginning of Year	<u>333,804</u>	<u>495,259</u>	<u>829,063</u>
Net Assets, End of Year	<u>\$ 169,892</u>	<u>\$ 200,563</u>	<u>\$ 370,455</u>

See Independent Auditor's Report and Notes to the Financial Statements.



Haiti Teen Challenge  
Statements of Functional Expenses (Continued)  
For the Year Ended December 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel Costs					
Salaries	\$ 188,229	\$ 60,262	\$ 13,966	\$ 74,228	\$ 262,457
Payroll taxes	14,749	3,323	431	3,754	18,503
Employee benefits	3,989	-	-	-	3,989
Total Personnel Costs	206,967	63,585	14,397	77,982	284,949
Expenses					
Grant for mission infrastructure	540,976	-	-	-	540,976
Student expenses	60,481	-	-	-	60,481
Occupancy	119,117	-	-	-	119,117
U.S. missions trips	15,868	-	-	-	15,868
Graduation expenses	4,697	-	-	-	4,697
Relief aid and community outreach	10,428	201	-	201	10,629
Travel	17,056	1,093	8,597	9,690	26,746
Food expense	63,219	-	-	-	63,219
Professional fees/contractors	357	18,099	25,014	43,113	43,470
Vehicle maintenance	30,716	434	-	434	31,150
Depreciation	55,759	-	-	-	55,759
Supplies	4,353	703	634	1,337	5,690
Postage and printing	669	320	3,638	3,958	4,627
Small equipment	3,401	-	-	-	3,401
Furnishings	4,842	-	-	-	4,842
Telephone and communication	7,476	1,632	-	1,632	9,108
Newsletters and marketing	-	-	2,540	2,540	2,540
Staff training	14,424	39	-	39	14,463
Miscellaneous expense	2,591	15	-	15	2,606
Bank charges and fees	-	1,405	-	1,405	1,405
Insurance	-	1,258	-	1,258	1,258
Conferences and meetings	829	-	-	-	829
Total Expenses	\$ 1,164,226	\$ 88,784	\$ 54,820	\$ 143,604	\$ 1,307,830

See Independent Auditor's Report and Notes to the Financial Statements.

Haiti Teen Challenge  
Statements of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total	
	Student Services	Eglise Rendez-Vous Christ (RVC)	Community Investment	Total Program Services	Management and General	Fundraising		Total Supporting Services
<b>Personnel Costs</b>								
Salaries	\$ 141,075	\$ 44,288	\$ -	\$ 185,363	\$ 48,073	\$ 14,234	\$ 62,307	\$ 247,670
Payroll taxes	16,406	1,597	-	18,003	3,973	676	4,649	22,652
Employee benefits	14,080	3,118	-	17,198	4,611	1,158	5,769	22,967
<b>Total Personnel Costs</b>	<b>171,561</b>	<b>49,003</b>	<b>-</b>	<b>220,564</b>	<b>56,657</b>	<b>16,068</b>	<b>72,725</b>	<b>293,289</b>
<b>Expenses</b>								
Grant for mission infrastructure	-	5,000	205,235	210,235	-	-	-	210,235
Student expenses	34,946	-	-	34,946	-	-	-	34,946
Occupancy	115,511	20,000	-	135,511	3,029	-	3,029	138,540
U.S. missions trips	10,590	-	-	10,590	-	-	-	10,590
Graduation expenses	6,611	-	-	6,611	-	-	-	6,611
Relief aid and community outreach	3,919	-	5,398	9,317	-	-	-	9,317
Travel	20,572	-	-	20,572	4,054	4,386	8,440	29,012
Food expense	69,669	-	-	69,669	100	-	100	69,769
Professional fees/contractors	28,116	-	-	28,116	28,391	66,277	94,668	122,784
Vehicle maintenance	29,209	-	-	29,209	560	-	560	29,769
Depreciation	33,769	-	-	33,769	-	-	-	33,769
Supplies	8,776	14,523	-	23,299	4,831	488	5,319	28,618
Postage and printing	744	-	-	744	501	2,480	2,981	3,725
Small equipment	10,015	-	-	10,015	145	-	145	10,160
Furnishings	9,356	-	-	9,356	800	-	800	10,156
Telephone and communication	5,948	-	-	5,948	2,432	-	2,432	8,380
Newsletters and marketing	-	-	-	-	-	7,332	7,332	7,332
Staff training	491	486	-	977	12	-	12	989
Miscellaneous expense	-	-	-	-	1,055	-	1,055	1,055
Bank charges and fees	1,018	-	-	1,018	5,591	7,419	13,010	14,028
Insurance	-	-	-	-	1,303	-	1,303	1,303
Conferences and meetings	1,295	-	-	1,295	-	2,115	2,115	3,410
<b>Total Expenses</b>	<b>\$ 562,116</b>	<b>\$ 89,012</b>	<b>\$ 210,633</b>	<b>\$ 861,761</b>	<b>\$ 109,461</b>	<b>\$ 106,565</b>	<b>\$ 216,026</b>	<b>\$ 1,077,787</b>

See Independent Auditor's Report and Notes to the Financial Statements.

Haiti Teen Challenge  
 Statements of Cash Flows  
 For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 826,776	\$ (458,608)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	33,769	55,759
(Increase) decrease in assets:		
Accounts receivable	(540,000)	980
Due from ACC	5,219	(6,239)
Prepaid expenses	(10,750)	24,900
Increase (decrease) in liabilities:		
Accounts payable	8,658	(8,188)
Accrued payroll liabilities	(5,000)	(12,256)
Net Cash Provided (Used) by Operating Activities	318,672	(403,652)
Cash Flows from Investing Activities		
Cash paid for the purchases of fixed assets	(9,350)	(1,799)
Net Increase (Decrease) in Cash and Cash Equivalents	309,322	(405,451)
Beginning Cash and Cash Equivalents	299,806	705,257
Ending Cash and Cash Equivalents	\$ 609,128	\$ 299,806

See Independent Auditor's Report and Notes to the Financial Statements.

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

## Note 1: Summary of Significant Accounting Policies

### A. Nature of Activities

In 2010, Haiti Teen Challenge (HTC) was formed as a Minnesota Christian non-profit and tax exempt 501(c)(3) charitable organization. HTC received their 501(c)(3) status from the IRS on July 6, 2010. The HTC program launched in February 2011 in Port au Prince, Haiti.

### B. Mission

*“Building godly leaders of integrity so Haitians are empowered to rebuild their nation.”* Based on Isaiah 61.

Uniques:

1. Empower Haitians to help Haitians.
2. Transform the forgotten trouble youth of the nation into godly leaders of integrity.
3. Catalyst for sustainable change.

HTC’s pathway to success:

- **Transform:** Repair broken relationships with God, self, others and their environment.
- **Equip:** Empower through educational and vocational scholarships, train in life skills, mentor and model on how to use their own resources and skills to solve problems, be employed and live a life of dignity.
- **Mobilize:** Lead community restoration and outreach, job creation by becoming catalysts for change, understanding that it is their responsibility to restore their nation.
- **Sustain:** Growing and sustaining through the local church, marketplace opportunities for the health of people and nation, network building-linking influencers to elevate change and strategic partnerships to restore the land.

### C. Overview

- For decades outside governments and thousands of organizations have tried and failed to mend Haiti. With 65% of the populations under age 30 there is urgency because Haiti is unable to meet the basic needs of food, water, housing and healthcare for its people, infrastructure is missing, education is difficult to attain, needed skills and leadership are rare, the economy is broken and there is a lack of leaders who can be trusted. Many dollars have been poured into Haiti, but funding has not gone to empower Haitians to change their future.
- HTC is confronting the mistakes of the past that have created dependency and the impact of absent fathers that has resulted in the weight of the society being borne on uneducated and untrained women. HTC recognizes that addressing only material needs does not drill down to the core of the issues of poverty, and handouts create never ending co-dependencies, therefore HTC’s focus is on development, not relief.
- HTC is dedicated to asset based community development, empowering Haitians to lead any significant and sustainable change in their nation. It is not about how we are going to fix Haiti, but how we are going to walk together with our Haitian brothers and sister, establishing trust, supporting their leadership, helping them to recognize their resources, build leadership capacity and develop strategy to achieve deep and lasting change.
- HTC is about cultivating godly and high-performance Haitian leaders to achieve our mission and vision. All staff in Haiti is Haitian. HTC invests in every staff member through counsel and leadership training, mentoring, quarterly staff training, and annual staff retreats, and trains staff to demonstrate excellence in evaluation of outcomes of students, adherence to a documented reporting system, development of an annual operating plan and achievement of results.

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

- HTC Beliefs:
  1. Only power released through unity in the Holy Spirit can transform lives and a nation.
  2. Believers and citizens of a nation must take the responsibility for their nation's healing.
  3. Poverty is rooted in broken relationships with God, self, others and one's environment.
  4. A thriving church is vital for long-term sustainability.
  5. Christ - like action through the power of the gospel will change Haiti.

**D. HTC Residential Program**

HTC identifies young men and women who desire change. The 18 to 20-month HTC is the only residential program in Haiti and is relational and intimate in nature, a discipleship model of Jesus Christ, and transformative as a result. Personal growth is spurred during this time of healing in their relationships and in their valued purpose, and they emerged committed to serve others. They are then sent out to restore their families, communities and ultimately the nation of Haiti. The program has 3 components:

1. **Transform** through training in biblical studies, character development, moral and personal responsibility, stewardship, life skills, leadership skills social/business etiquette and required participation in community service.
2. **Equip** through vocational education, one on one mentoring, internship and job placement, business and community workshops, service in the church, training and required participation in community service. Currently students are able to choose from the following vocational options: Computer Technology, Nursing, Construction Trades, Diesel Mechanics, Theological Seminary, Sewing, Culinary and Cosmetology skills. Options for education and trades continue to increase.
3. **Mobilize** through the Church, HTC Graduate Projects and Impact clubs (neighborhood clubs led by HTC graduates that bring the work of Haiti Teen Challenge into their communities), and the business community. They are leading community projects, and many forms of community outreach, including starting a school for children of gang members. They are cleaning up their communities, and, when needed, providing relief efforts for the nation of Haiti. HTC graduates serve in many leadership roles in the Rendezvous Christ Church, they serve as teachers and mentors at the HTC program, they teach at local schools, work in local businesses, and some serve as police officers in the communities they used to terrorize.

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Sustainability**

1. *Through People*, transforming, equipping and mobilizing this generation to lead the change in their nation.
2. *Through Families*, breaking the cycle of fatherlessness, equipping young men and women with tools to provide for their families and teaching that God's plan provides the foundations for a healthy society.
3. *Through the Church*, the church is the key catalyst for a nation's transformation. It breaks down the walls between the rich and the poor, the educated and the uneducated, and unifies and leads positive, transformational change. "Ultimately, lasting positive change is impossible without the power of the Holy Spirit, and praying for change is the central tool." *When Helping Hurts* by Steve Corbett and Brian Fikkert, pg. 207.
4. *Through Communities*, a grass roots effort to build Christian community and bring restoration within those communities plagued by violence, poverty and despair. Helping Haitians to lead the changes needed by acknowledging and *utilizing their assets, their resources and God given gifts*.
5. *Through Economic Development*, vigorously pursuing business initiatives to give graduates a lifetime of responsibility, dignity and opportunities to use their skills and education in the marketplace and to contribute to the economic development for the person and the nation.
6. *Through Partnerships*, acting as an incubator for ministry outreach opportunities and restoration partnerships, and working alongside like-minded organizations and ministries for the restoration of Haiti.
7. *Through Wise Governance and Accountability*, it is our promise to function with utmost integrity, accountability, and transparency. The US Board and the Haiti Foundation Board quarterly monitor and evaluate adherence to the HTC mission and strategic plan, financial and program outcomes.

**F. 2019 Outcomes**

Student Outcomes: HTC has established systems to monitor graduates for five years. These include regular communication with schools, employers, churches and neighbors. In addition, HTC provides each graduate with a mentor and hosts Alumni training and activities.

- 95% complete program.
- 90% achieve a scholarship to pursue additional education in a trade or vocation. 30% have completed their High School education while in the program.
- 65% obtain work in their area of study.
- 75% of graduates are the first in their families to have a profession.
- Before COVID-19, In a city where 2/3 of the population are unemployed and unemployable, 60% of HTC graduates were employed in jobs or internships.
- 95% of graduates lead a changed life and never go back to their old addictions and behaviors.

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

Community Outcomes:

- 7 Critical communities in Port au Prince targeted.
- 70% of HTC graduates are actively engaged in ministry in their communities, addressing community restoration initiatives such as building and repairing infrastructure renewal projects, trash clean up, first aid response, and training in computer skills and English.
- 9,000 youth and children in the targeted communities served through Impact Clubs, sports camps, vacation bible school, literacy programs and many other outreach activities to change the path of the next generation.
- Established a school for children of gang members by partnering with a local pastor in a targeted community.
- 65% of leadership in **Rendezvous Christ** Church is provided by HTC graduates. RVC is an outgrowth of HTC, where believers of all race and social classes come to worship and pray together. Over 2,000 people attend weekly.
- HTC and RVC partner together to share God in an authentic way in Haiti through numerous activities and community care. (food, medical care, leadership training, etc.)
- Linking influencers launched partnership with **Ayiti Clean Challenge (ACC)** a for profit business that seeks to restore the beauty and health of Haiti through proper waste disposal that included trash collection, transfer stations, legitimate environmentally safe lined landfills, recycling facilities and educational centers. In addition ACC will create jobs, empower innovation and create lasting solutions. The business is Haitian owned and Haitian led.
- **HTC Auto Repair** an HTC Economic Engine that creates internships and jobs and provides a needed service.

**G. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in non-donor-restricted or donor-restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of HTC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Those resources over which HTC has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

Net Assets With Donor Restrictions

Those resources subject to donor imposed restrictions, which are satisfied by actions of HTC or passage of time, or are to be maintained permanently by HTC.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

**I. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

**J. Prepaid Rent**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. Prepaid rent of \$28,500 and \$17,750 was recorded on December 31, 2019 and 2018, respectively.

**K. Property and Equipment**

Property, improvements and equipment, are presented at cost or donated (appraised) value. Depreciation is computed on the straight-line basis over the estimated useful lives, currently 3 to 40 years. HTC generally capitalizes items or a group of items for a project with a cost or donated value of \$1,000 or more.

**L. Contributions**

Contributions received are recorded with or without donor restriction depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recorded as made. Any unconditional promises to give due in subsequent years are recorded at their net realizable value.

**M. Pledge Receivable**

Contributions are recognized when the donor makes a promise to give to HTC that is, in substance, unconditional. All donor-restricted contributions are reported as increases in donor-restricted net assets; when a restriction is fulfilled or expires, donor-restricted net assets are reclassified to net assets without donor restriction. Management believes the pledge receivable at December 31, 2019 of \$540,000 is fully collectible within the next year so no allowance for uncollectible pledges is necessary.

**N. Donated 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 HTC. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met for the volunteer services.

Additionally, numerous individuals - both Haitians and US ministry friends - volunteer time and perform a variety of program and fundraising services. These services include, but are not limited to: event planning, vocational training, classroom instruction, construction projects, financial management, and student mentoring. Although not reflected in the financial statements, Management estimates the fair value of these services exceeds \$100,000.

**O. Expense Allocation**

Salaries and related expenses are allocated based on job descriptions and time studies conducted. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service, are allocated based on the program or service benefited.

**P. Credit Risk**

HTC maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.



Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Q. Income Taxes**

HTC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Because HTC is a public charity, contributions to it may be deductible for tax purposes.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of December 31, 2019, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

HTC files informational returns in the U.S. federal jurisdiction, and in the Minnesota, Michigan, Pennsylvania, and Wisconsin state jurisdictions. U.S. federal returns and state returns for the prior three fiscal years remain open for examination. No returns are currently under examination in any tax jurisdiction.

**R. Reclassifications**

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

**S. Subsequent Events**

Subsequent events were evaluated through June 22, 2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the impacts of the closures. Therefore, HTC expects this matter to negatively impact its ability to fundraise. However, the related financial impact cannot be reasonably estimated at this time.

**Note 2: Operating Lease**

HTC leases certain property in Haiti. The lease period is one year and renewable by mutual consent. Rent expense for the years ended December 31, 2019 and 2018 was \$74,250 and \$74,400, respectively.

HTC has a contracts to lease space for the Women's Program and Transitional Housing. Future minimum lease payments are \$23,000 for 2020.

**Note 3: Board Designated Net Assets**

Board designated net assets are funds set aside to facilitate expansion of program capacity. Board approval is required to release these funds for the intended purpose. Board designated net assets at December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Expansion Fund	<u>\$ 24,000</u>	<u>\$ 95,000</u>

Haiti Teen Challenge  
Notes to the Financial Statements  
December 31, 2019 and 2018

**Note 4: Net Assets with Donor Restriction**

At December 31, 2019 and 2018, HTC had the following net assets with donor restriction:

	2019	2018
Time Restricted Pledge for 2020 Operations	\$ 540,000	\$ -
Solar Panels	158,269	-
Auto Repair Shop	52,557	91,110
Scholarships	45,797	46,102
Business Start Up	30,395	30,395
Sewing Machines	14,733	14,733
Alumni Center	12,500	-
Vehicle Purchase	10,000	-
Rendezvous Church	-	10,000
Student Empowerment	4,553	6,095
Haiti Belle	1,990	1,990
Computer Lab	138	138
	\$ 870,932	\$ 200,563

**Note 5: Liquidity and Available Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 609,128	\$ 299,806
Pledges receivable	540,000	-
Due from ACC	1,020	6,239
Total Financial Assets	1,150,148	306,045
Less those unavailable for general expenditure within one year:		
Board designated net assets	(24,000)	(95,000)
Net assets with donor restriction	(330,932)	(200,563)
Financial assets available to meet cash needs for general expenditures within one year	\$ 795,216	\$ 10,482

HTC's board of directors has approved and continuously monitors a comprehensive set of policies that govern the responsibilities and limitations of executive management. Management routinely monitors liquidity and cash reserves which fund operations and program service delivery in accordance with these board established policies. Additionally, liquidity measures are tracked, provided, and discussed with the board of directors as part of regular reporting cycles.