

Financial Statements

Haiti Teen Challenge
(a Nonprofit Corporation)
Minneapolis, Minnesota

For the Years Ended
December 31, 2020 and 2019

Haiti Teen Challenge
Table of Contents
December 31, 2020 and 2019

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12



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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 30, 2021

FINANCIAL STATEMENTS

Haiti Teen Challenge
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 878,914	\$ 609,128
Pledges receivable	-	540,000
Due from ACC	-	1,020
Prepaid rent	28,500	28,500
Total Current Assets	907,414	1,178,648
Property and Equipment		
Building improvements	11,349	11,349
Furniture	12,469	12,469
Equipment	79,751	79,751
Vehicles	154,000	165,000
Total Property and Equipment, Cost	257,569	268,569
Less Accumulated Depreciation	(240,653)	(238,880)
Total Property and Equipment, Net	16,916	29,689
Total Assets	\$ 924,330	\$ 1,208,337

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

Haiti Teen Challenge
 Statements of Financial Position (Continued)
 December 31, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 15,220	\$ 11,106
Accrued payroll liabilities	10,000	-
Total Liabilities	25,220	11,106
Net Assets		
Without donor restriction		
Undesignated	720,426	302,299
Board designated	-	24,000
With donor restriction	178,684	870,932
Total Net Assets	899,110	1,197,231
Total Liabilities and Net Assets	\$ 924,330	\$ 1,208,337

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

Haiti Teen Challenge
Statements of Activities
For the Year Ended December 31, 2020
(With Comparative Information for the Year Ended December 31, 2019)

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Support and Revenue				
Support				
Pledges and contributions	\$ 750,513	\$ 20,661	\$ 771,174	\$ 1,516,056
In-kind contributions	90,390	-	90,390	37,078
Special events				
Revenue	-	-	-	164,945
Expenses	-	-	-	(34,026)
Grants	132,000	-	132,000	220,000
Total Support	<u>972,903</u>	<u>20,661</u>	<u>993,564</u>	<u>1,904,053</u>
Revenue				
Interest income	200	-	200	125
Investment income	519	-	519	385
Other revenue	3,500	-	3,500	-
Total Revenue	<u>4,219</u>	<u>-</u>	<u>4,219</u>	<u>510</u>
Net Assets Released from Restrictions				
Satisfaction of program restrictions	712,909	(712,909)	-	-
Total Support and Revenue, Net	<u>1,690,031</u>	<u>(692,248)</u>	<u>997,783</u>	<u>1,904,563</u>
Expenses				
Program services	1,089,638	-	1,089,638	861,761
Support services				
Management and general	130,037	-	130,037	109,461
Fundraising	76,227	-	76,227	106,565
Total Expenses	<u>1,295,902</u>	<u>-</u>	<u>1,295,902</u>	<u>1,077,787</u>
Change in Net Assets	394,129	(692,248)	(298,119)	826,776
Net Assets, Beginning of Year	<u>326,297</u>	<u>870,932</u>	<u>1,197,229</u>	<u>370,455</u>
Net Assets, End of Year	<u>\$ 720,426</u>	<u>\$ 178,684</u>	<u>\$ 899,110</u>	<u>\$ 1,197,231</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, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Pledges and contributions	\$ 646,056	\$ 870,000	\$ 1,516,056
In-kind contributions	37,078	-	37,078
Special events			
Revenue	164,945	-	164,945
Expenses	(34,026)	-	(34,026)
Grants	220,000	-	220,000
Total Support	1,034,053	870,000	1,904,053
Revenue			
Interest income	125	-	125
Investment income	385	-	385
Total Revenue	510	-	510
Net Assets Released from Restrictions			
Satisfaction of capital restrictions	199,631	(199,631)	-
Total Support and Revenue, Net	1,234,194	670,369	1,904,563
Expenses			
Program services	861,761	-	861,761
Support services			
Management and general	109,461	-	109,461
Fundraising	106,565	-	106,565
Total Expenses	1,077,787	-	1,077,787
Change in Net Assets	156,407	670,369	826,776
Net Assets, Beginning of Year	169,892	200,563	370,455
Net Assets, End of Year	\$ 326,299	\$ 870,932	\$ 1,197,231

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

Haiti Teen Challenge
Statements of Functional Expenses
For the Year Ended December 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel Costs				
Salaries	\$ 252,987	\$ 61,720	\$ 11,532	\$ 326,239
Payroll taxes	17,920	3,394	85	21,399
Employee benefits	29,345	1,641	1,982	32,968
Total Personnel Costs	300,252	66,755	13,599	380,606
Expenses				
Grant for mission infrastructure	344,119	-	-	344,119
Occupancy	126,736	6,604	-	133,340
Professional fees/contractors	15,344	38,811	40,930	95,085
Food expense	84,919	402	-	85,321
Student expenses	66,988	-	-	66,988
Vehicle maintenance	33,830	867	-	34,697
Travel	22,634	3,992	3,087	29,713
Supplies	19,439	3,288	1,623	24,350
Relief aid and community outreach	15,030	-	-	15,030
Small equipment	13,853	66	-	13,919
Depreciation	12,773	-	-	12,773
Newsletters and marketing	5,139	-	7,413	12,552
Bank charges and fees	784	4,966	4,506	10,256
Telephone and communication	8,197	1,682	-	9,879
Furnishings	6,980	237	-	7,217
Graduation expenses	6,815	-	-	6,815
Postage and printing	279	951	5,069	6,299
Conferences and meetings	3,230	65	-	3,295
Staff training	2,297	14	-	2,311
Insurance	-	1,337	-	1,337
Total Expenses	\$ 1,089,638	\$ 130,037	\$ 76,227	\$ 1,295,902

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, 2019

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel Costs				
Salaries	\$ 185,363	\$ 48,073	\$ 14,234	\$ 247,670
Payroll taxes	18,003	3,973	676	22,652
Employee benefits	17,198	4,611	1,158	22,967
Total Personnel Costs	220,564	56,657	16,068	293,289
Expenses				
Grant for mission infrastructure	210,235	-	-	210,235
Occupancy	135,511	3,029	-	138,540
Professional fees/contractors	28,116	28,391	66,277	122,784
Food expense	69,669	100	-	69,769
Student expenses	34,946	-	-	34,946
Vehicle maintenance	29,209	560	-	29,769
Travel	20,572	4,054	4,386	29,012
Supplies	23,299	4,831	488	28,618
Relief aid and community outreach	9,317	-	-	9,317
Small equipment	10,015	145	-	10,160
Depreciation	33,769	-	-	33,769
Newsletters and marketing	-	-	7,332	7,332
Bank charges and fees	1,018	5,591	7,419	14,028
Telephone and communication	5,948	2,432	-	8,380
Furnishings	9,356	800	-	10,156
Graduation expenses	6,611	-	-	6,611
Postage and printing	744	501	2,480	3,725
Conferences and meetings	1,295	-	2,115	3,410
Staff training	977	12	-	989
Insurance	-	1,303	-	1,303
U.S. missions trips	10,590	-	-	10,590
Miscellaneous expense	-	1,055	-	1,055
Total Expenses	\$ 861,761	\$ 109,461	\$ 106,565	\$ 1,077,787

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

Haiti Teen Challenge
 Statements of Cash Flows
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (298,119)	\$ 826,776
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	12,773	33,769
(Increase) decrease in assets:		
Accounts receivable	540,000	(540,000)
Due from ACC	1,020	5,219
Prepaid expenses	-	(10,750)
Increase (decrease) in liabilities:		
Accounts payable	4,112	8,658
Accrued payroll liabilities	10,000	(5,000)
Net Cash Provided by Operating Activities	269,786	318,672
 Cash Flows from Investing Activities		
Cash paid for the purchases of fixed assets	-	(9,350)
 Net Increase in Cash and Cash Equivalents	269,786	309,322
 Beginning Cash and Cash Equivalents	609,128	299,806
 Ending Cash and Cash Equivalents	\$ 878,914	\$ 609,128

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

Haiti Teen Challenge
Notes to the Financial Statements
December 31, 2020 and 2019

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.

a. 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 cultivates 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.

b. Our 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.

c. Our Mission

"To build godly leaders of integrity so Haitians are empowered to rebuild their nation." Based on Isaiah 61

d. Our Uniques

1. New Paradigm
2. Haitians helping Haitian
3. Catalyst for sustainable change

e. Our Governance and Accountability Pledge

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.

Haiti Teen Challenge
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

f. Our Pathway to Success

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 4 components.

1. Transform: Repair broken relationships with God, self, others and their environment.
2. 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.
3. Mobilize: Lead community restoration and outreach, job creation, become catalysts for change, understanding that it is THEIR responsibility to restore their nation.
4. Sustain: Grow and sustain young men and women through the local church, marketplace opportunities, networking and by linking influencers to elevate change and strategic partnerships to restore the health and future for the people of Haiti.

g. 2020 Outcomes

Student Outcomes: HTC has established systems to monitor graduates for five years. These include regular communication with schools, employers, churches and neighbors.

- 90% remain committed to new lifestyle
- 78% of graduates serve in their local church
- 70% of graduates working to improve their communities
- 70% qualify for Educational Scholarships
- +1500 Haitians served by HTC students
- 100% of students and graduates have mentors
- 5000 people reached weekly through Rendezvous Christ Church, an outgrowth of HTC. The Church is the key catalyst for sustainability and change, and 65% of leadership in Church is provided by HTC graduates.
- 7 Port Au Prince Communities served
- 2 year wait list for HTC Program
- HTC Economic Engine – HTC Auto Repair profitable business that creates internships and jobs and provides a needed service.
- HTC links influencers, i.e., 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.

Haiti Teen Challenge
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

B. 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.

C. 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.

D. 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.

E. 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 \$28,500 was recorded on December 31, 2020 and 2019, respectively.

F. 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.

G. Contributions and Revenue Recognition

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.

H. 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.

Haiti Teen Challenge
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

I. 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.

J. 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.

K. 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.

L. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05.

M. Reclassifications

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

N. Subsequent Events

Subsequent events were evaluated through June 30, 2021, which is the date the financial statements were available to be issued.

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, 2020 and 2019 was \$75,000 and \$74,250, respectively.

HTC has a contract to lease space for the Women's Program and Transitional Housing. Future minimum lease payments are \$23,000 and \$22,000 for 2021, respectively. HTC also leases space for their Men's Facility; rent payments of \$30,000 per year for this space are gifted to the organization.

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, 2020 and 2019 were \$0 and \$24,000, respectively.

Haiti Teen Challenge
Notes to the Financial Statements
December 31, 2020 and 2019

Note 4: Net Assets with Donor Restriction

At December 31, 2020 and 2019, HTC had the following net assets with donor restriction:

	2020	2019
Solar Panels	\$ 43,544	\$ 158,269
Auto Repair Shop	43,119	52,557
Scholarships	42,898	45,797
Business Start Up	22,395	30,395
Alumni Center	12,500	12,500
Sewing Machines	10,903	14,733
Haiti Belle	1,990	1,990
Impact Clubs	835	-
Relief	500	-
Vehicle Purchase	-	10,000
Time Restricted Pledge for 2020 Operations	-	540,000
Student Empowerment	-	4,553
Computer Lab	-	138
	<u>\$ 178,684</u>	<u>\$ 870,932</u>
Total Net Assets with Donor Restriction	<u>\$ 178,684</u>	<u>\$ 870,932</u>

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:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 878,914	\$ 609,128
Pledges receivable	-	540,000
Due from ACC	-	1,020
Total Financial Assets	<u>878,914</u>	<u>1,150,148</u>
Less those unavailable for general expenditure within one year:		
Board designated net assets	-	(24,000)
Net assets with donor restriction	<u>(178,684)</u>	<u>(870,932)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 700,230</u>	<u>\$ 255,216</u>

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.

Note 6: COVID - 19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID 19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations .