

HAITI AIR AMBULANCE SERVICE, INC.

Financial Statements

For The Year Ended December 31, 2018



**and
Report Thereon**



HAITI AIR AMBULANCE SERVICE, INC.

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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Haiti Air Ambulance Service, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Haiti Air Ambulance Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and 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 auditors' 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.

Continued

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haiti Air Ambulance Service, Inc. as of December 31, 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.

Marcum LLP

Washington, DC
October 28, 2019

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash	\$ 751,289
Pledges and other receivables	2,082,167
Investments	2,207,517
Security deposit	<u>435,000</u>

TOTAL ASSETS

\$ 5,475,973

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>47,946</u>
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TOTAL LIABILITIES

47,946

Net Assets

Without Donor Restrictions	3,428,027
With Donor Restrictions	<u>2,000,000</u>

TOTAL NET ASSETS

5,428,027

TOTAL LIABILITIES AND NET ASSETS

\$ 5,475,973

The accompanying notes are an integral part of these financial statements.

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and donations	\$ 2,085,250	\$ 2,000,000	\$ 4,085,250
Patient transport	113,325	-	113,325
Other	10,319	-	10,319
Investment loss, net of fees	(1,895)	-	(1,895)
TOTAL REVENUE AND SUPPORT	<u>2,206,999</u>	<u>2,000,000</u>	<u>4,206,999</u>
EXPENSES			
Program services	5,840,403	-	5,840,403
Management and general	258,500	-	258,500
Fundraising	19,849	-	19,849
TOTAL EXPENSES	<u>6,118,752</u>	<u>-</u>	<u>6,118,752</u>
CHANGE IN NET ASSETS	(3,911,753)	2,000,000	(1,911,753)
NET ASSETS, BEGINNING OF YEAR	<u>7,339,780</u>	<u>-</u>	<u>7,339,780</u>
NET ASSETS, END OF YEAR	<u>\$ 3,428,027</u>	<u>\$ 2,000,000</u>	<u>\$ 5,428,027</u>

The accompanying notes are an integral part of these financial statements.

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donation to Haitian Foundation	\$ 2,520,910	\$ -	\$ -	\$ 2,520,910
Helicopter rent and medical services	2,334,251	-	-	2,334,251
Salaries and wages	427,006	106,751	-	533,757
Insurance and maintenance	187,294	-	-	187,294
Travel	171,914	-	-	171,914
Consultants and professional services	-	126,850	-	126,850
Depreciation	114,926	12,770	-	127,696
Occupancy, supplies and other expenses	84,102	12,129	19,849	116,080
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 5,840,403</u>	<u>\$ 258,500</u>	<u>\$ 19,849</u>	<u>\$ 6,118,752</u>

The accompanying notes are an integral part of these financial statements.

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	(1,911,753)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	127,696
Property and equipment donated to Haitian Foundation	1,256,160
Realized and unrealized losses	105,670
Changes in assets and liabilities:	
Pledges and other receivables	(2,082,167)
Security deposit	13,000
Accounts payable and accrued expenses	(721,112)
NET CASH USED IN OPERATING ACTIVITIES	<u>(3,212,506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(2,381,251)
Sales and maturities of investments	5,656,464
Purchase of property and equipment	<u>(104,313)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,170,900
NET DECREASE IN CASH	(41,606)
CASH, BEGINNING OF YEAR	<u>792,895</u>
CASH, END OF YEAR	<u>\$ 751,289</u>

The accompanying notes are an integral part of these financial statements.

HAITI AIR AMBULANCE SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies

Haiti Air Ambulance Service, Inc. (the "Organization") is a not-for-profit corporation classified under section 501(c)(3) of the United States Internal Revenue Code (IRC). The Organization was formed as a domestic not-for-profit corporation under the laws of the State of New York on June 14, 2013.

The Organization's team includes aviation professionals, skilled medical personnel and other supporters providing Helicopter Emergency Medical Services and Medical Evacuation programs to Haiti.

Basis of Accounting

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Pledges and Other Receivables

Receivables arise primarily from unconditional promises to give. The Organization uses the allowance method to reserve for uncollectible accounts. All amounts are considered fully collectible and all are due within one year.

Investments

Investments are carried at fair value and consist of corporate bonds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Fair Value Measurement

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

HAITI AIR AMBULANCE SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2018, only the Organization's investments, as described in Note 2, were measured at fair value on a recurring basis.

Property and Equipment

Property and equipment was stated at cost, net of accumulated depreciation, and depreciation was calculated on the straight-line method over the estimated useful life of the related asset. Major improvements are capitalized, while replacements, maintenance and repairs that do not extend the lives of the assets are charged directly to expense as incurred. Upon the disposition of property and equipment, the cost of the asset and the associated accumulated depreciation are eliminated from the related accounts and any resulting gain or loss is recognized as a component of the change in net assets without donor restrictions. During the year ended December 31, 2018, all property and equipment was donated to another charity as discussed in Note 3 below.

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, the Organization's net assets with donor restrictions represented amounts promised by the donor to be received in fiscal year 2019 and there are no net assets with perpetual donor restrictions.

Revenue Recognition

Patient transport revenue is recognized when patient transport takes place.

The Organization reports contributions and grants of cash and other assets available for general operations as revenue and support without donor restrictions. The Organization reports contributions and grants of cash and other assets as with donor restrictions if they are received

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific periods. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on annually-estimated percentages as determined by management to be equitable. Shared costs include salaries and benefits, occupancy, and depreciation.

Estimates

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

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information presented about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The major changes of the ASU affecting the Organization include (a) requiring the representation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," and (b) requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2. Investments and Fair Value Measurement

Investments, at fair value, consisted of the following as of December 31, 2018:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	<u>\$ 2,207,517</u>	<u>\$ -</u>	<u>\$ 2,207,517</u>	<u>\$ -</u>
Total Investments	<u>\$ 2,207,517</u>	<u>\$ -</u>	<u>\$ 2,207,517</u>	<u>\$ -</u>

Corporate bonds are investment grade and generally valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

3. Commitments, Concentrations and Risks

Helicopter Lease

The Organization entered into a helicopter service agreement (the "Agreement") beginning on March 1, 2018 and expiring December 31, 2021. The Agreement requires monthly aircraft service fees, which are subject to annual cost of living increases on each contract anniversary ranging from 2% to 3%. Helicopter rent totaled \$2,076,661 for the year ended December 31, 2018.

Future minimum lease payments on the helicopter lease are as follows:

<u>For the Year Ending December 31,</u>	
2019	\$ 2,118,432
2020	2,178,513
2021	<u>2,243,868</u>
Total	<u>\$ 6,540,813</u>

Concentrations and Related Parties

The Organization receives a majority of its support from a foundation related to its President and other members of his family. Contributions from this foundation totaled \$4,000,000 for the year ended December 31, 2018, of which \$2,000,000 remained outstanding in receivables as of December 31, 2018.

The Organization is also related through shared officers to a foundation in Haiti (the Haitian Foundation) to which it provides funding and the use of helicopters to further its charitable mission. During the year ended December 31, 2018, the Organization contributed cash, property and equipment and other assets totaling \$2,520,910 to the Haitian Foundation.

HAITI AIR AMBULANCE SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

3. Commitments, Concentrations and Risks (continued)

Credit Risk

At times, cash may be uninsured or in deposit accounts whose balances at times may exceed the Federal Deposit Insurance Corporation limits. The Organization has not experienced nor does it anticipate any losses in such accounts.

4. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year-end:	
Cash	\$ 751,289
Accounts receivable	2,082,167
Investments	<u>2,207,517</u>
Financial Assets Available to Meet General Expenditures	<u>\$ 5,040,973</u>

The Organization has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities and other obligations as they come due, and management monitors the Organization's cash flow needs on a regular basis. Management is aware of the cyclical nature of the Organization's cash flows and is focused on sustaining financial liquidity throughout the year. As a result, management is therefore able to ensure that there is cash available to meet current liquidity needs.

5. Income and Excise Taxes

The Organization received a determination letter from the Internal Revenue Service dated August 13, 2014 and, therefore, is exempt from federal income tax under Section 501(c)(3) of the IRC. Organizations exempt under section 501(c)(3) of the IRC are further classified as either public charities or private foundations. The IRS originally determined the Organization qualified as a public charity, which requires it to meet the public charity support test under the IRC, which measures public support over a five-year period. Subsequent to December 31, 2018, it was determined that the Organization failed to meet the required public support percentage, which resulted in a reclassification of the Organization as a private foundation, effective as of January 1, 2018. The reclassification would not affect the Organization's exemption from federal income taxes. However, as a private foundation, the Organization is subject to a federal excise tax of 2% (or 1% if certain conditions are met) on its net tax basis investment income, which excludes unrealized gains and losses. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by the Foundation, and additional excise tax penalties may be assessed if certain minimum distributions are not made. For the year ended December 31, 2018, the Organization was subject to an excise tax rate of 2%.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. Income and Excise Taxes (continued)

The Organization adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that might have any effect on its tax-exempt status. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed; however, there are currently no audits in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2018, the Organization had no accruals for interest and/or penalties.

6. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.