

HAITI AIR AMBULANCE SERVICE, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

HAITI AIR AMBULANCE SERVICE, INC.

CONTENTS

Independent Accountants' Review Report	1-2
---	-----

Financial Statements

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Cash Flows	5

Notes to Financial Statements	6-12
--	------

Supplementary Information

Schedule of Functional Expenses	13
---------------------------------------	----

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Haiti Air Ambulance Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements (collectively, referred to as the "financial statements"). A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters Subjected to Review Procedures

The accompanying supplementary information of the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and is derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Marcum LLP

Melville, NY
May 14, 2018

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

Assets

Cash	\$	776,961
Investments, at fair value		5,390,880
Accrued interest		37,589
Property and equipment, net		1,279,543
Security deposits		<u>448,000</u>

Total Assets \$ 7,932,973

Liabilities and Net Assets

Liabilities

Accrued expenses	\$	260,000
------------------	----	---------

Unrestricted Net Assets 7,672,973

Total Liabilities and Net Assets \$ 7,932,973

See accompanying notes and independent accountants' review report.

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

Revenue

Contributions and donations	\$	303,630
Patient transport		73,725
Membership dues		68,174
Interest and dividends		191,141
Realized and unrealized losses on investments, net		(65,413)
Other revenue		<u>1,891</u>

Total Revenues \$ 573,148

Expenses

Program services	4,206,430
Management and general	68,275
Fundraising	<u>248,154</u>

Total Expenses 4,522,859

Decrease in Unrestricted Net Assets (3,949,711)

Net Assets - Beginning 11,622,684

Net Assets - Ending \$ 7,672,973

See accompanying notes and independent accountants' review report.

HAITI AIR AMBULANCE SERVICE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities

Decrease in unrestricted net assets	\$ (3,949,711)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities:	
Depreciation	110,712
Realized and unrealized losses on investments, net	65,413
Changes in operating assets and liabilities:	
Accrued interest	(37,589)
Prepaid expenses	36,111
Security deposits	2,000
Accrued expenses	<u>217,915</u>

Total Adjustments \$ 394,562

Net Cash Used in Operating Activities (3,555,149)

Cash Flows From Investing Activities

Purchase of investments	(10,036,360)
Proceeds from sale of investments	4,580,067
Purchase of property and equipment	<u>(779,359)</u>

Net Cash Used in Investing Activities (6,235,652)

Net Decrease in Cash (9,790,801)

Cash - Beginning 10,567,762

Cash - Ending \$ 776,961

See accompanying notes and independent accountants' review report.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - ORGANIZATION AND PURPOSE

Haiti Air Ambulance Service, Inc. (the “Organization”) is a not-for-profit corporation under section 501(c)(3) of the United States Internal Revenue Code (the “Code”). The Organization was formed as a domestic not-for-profit corporation under the laws of the State of New York on June 14, 2013 and is registered in Haiti as an S.A. (“Societe Anonyme”).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (“U.S. GAAP”).

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

SUBSEQUENT EVENTS

The Organization’s management has evaluated subsequent events occurring after the statement of financial condition date through May 14, 2018, the date these financial statements were available to be issued.

CASH AND CASH EQUIVALENTS

The Organization considers all money market accounts and highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. At December 31, 2017, the Organization did not have any cash equivalents.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION

The Organization invests in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized gains and losses on the sale of securities are determined based on identified cost. Interest and dividends on investments are recognized when earned.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed principally using the straight-line method over the estimated useful lives 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 unrestricted net assets.

IMPAIRMENT OF LONG LIVED ASSETS

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset.

The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. For the year ended December 31, 2017, the Company did not record any impairments of long-lived assets.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUES

Contributions are recognized as revenues in the period received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Patient transport revenue is recognized when patient transport takes place. Membership dues are recognized over the period that the membership services are provided. Donations are recognized as revenues in the period received.

FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to their respective program, management and general functions or fundraising. Expenses related to more than one function, which are not directly identifiable with any one specific purpose but provide overall support and direction of the Organization, have been allocated on a pro rata basis to each function.

INCOME TAXES

The Organization received a favorable 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 Code.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. The IRS determined the Organization is a public charity under the Code. The Organization is required to meet the public charity support test under the Code, which measures public support over a five-year period. Failure to meet the requirements of the public charity support test would result in the reclassification of the Organization to a private foundation. The reclassification would not affect the Organization's exemption from federal income taxes. However, as a private foundation, the Organization would become subject to IRS regulations governing those entities such as excise taxes, minimum distribution requirements and other federal taxes that may be imposed on private foundations.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

If the Company were to incur an income tax liability in the future, the interest on any tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it has not incurred any unrelated business income.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$248,154 for the year ended December 31, 2017.

CONCENTRATION OF CREDIT RISK

At times, cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limits. At December 31, 2017, the Company's cash was held at three financial institutions. The Company has not experienced any losses in such accounts.

NOTE 3 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 defines fair value and establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date.

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term.

Level 3 – Inputs to the valuation methodology are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value:

Corporate bonds: The investment grade debt securities held by the Organization generally do not trade in active markets on the measurement date. In the absence of a trade on the measurement date for the identical security in an active market, corporate bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These financial instruments include cash, accrued interest and accrued expenses.

The following table presents the Company’s fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ --	\$5,390,880	\$ --	\$5,390,880
Investments at Fair Value	<u>\$ --</u>	<u>\$5,390,880</u>	<u>\$ --</u>	<u>\$5,390,880</u>

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – PROPERTY AND EQUIPMENT

The Organization's property and equipment is summarized as follows at December 31, 2017:

	<u>Amount</u>
Buildings	\$ 998,965
Vehicles	278,270
Furniture and equipment	<u>316,366</u>
	1,593,601
Less: accumulated depreciation	<u>(314,058)</u>
Total	<u>\$1,279,543</u>

Depreciation expense for the year ended December 31, 2017 totaled \$110,712.

NOTE 5 – COMMITMENTS

The Organization leases facilities for living space located in Haiti under operating leases which expired in October 2017, all of which have been renewed on a month-to-month basis and were extended for one year in January 2018. Noncancellable leases at December 31, 2017 required monthly payments totaling \$12,000. Rent expense, including the Organization's share of certain operating expenses, was \$175,350 for the year ended December 31, 2017.

The Organization also entered into a helicopter service agreement (the "Agreement") beginning on March 1, 2014 and expiring February 28, 2019. The Agreement requires monthly aircraft service fees, which are subject to annual cost of living adjustments on each contract anniversary date using an index based upon the percentage change in the U.S. Consumer Price Index for All Urban Consumers (CPI-U). The total rate of change (percentage) to be applied to the aircraft service fees shall be no less than four percent (4%). Helicopter rent totaled \$1,638,695 for the year ended December 31, 2017.

Future minimum commitments for both living space and helicopter equipment as of December 31, 2017 are as follows:

For the Year Ended December 31,	<u>Amount</u>
2018	\$2,146,178
2019	360,004

HAITI AIR AMBULANCE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 – CONCENTRATIONS

The Organization received support from the President of the Organization in the form of donated services. Contributions of donated services from the President totaled \$253,058 for the year ended December 31, 2017.

HAITI AIR AMBULANCE SERVICE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Consultants	\$ 216,430	\$ --	\$ --	\$ 216,430
Advertising and promotion	--	--	248,154	248,154
Occupancy	175,350	--	--	175,350
Bank fees	27,064	3,879	--	30,943
Dues and subscriptions	--	4,104	--	4,104
Gifts	--	4,746	--	4,746
Postage	--	6,071	--	6,071
Vehicle rent	80,533	--	--	80,533
Helicopter expense	1,854,954	--	--	1,854,954
Salaries and wages	817,063	--	--	817,063
Medical expenses	17,905	--	--	17,905
Supplies	53,177	--	--	53,177
Uniforms	1,109	--	--	1,109
Maintenance	64,261	--	--	64,261
Insurance	117,205	--	--	117,205
Depreciation	110,712	--	--	110,712
Telephone	69,930	--	--	69,930
Office expense	73,055	--	--	73,055
Security	12,869	--	--	12,869
Travel	506,317	--	--	506,317
Foreign exchange loss	758	--	--	758
Investment management fees	--	38,793	--	38,793
Other expenses	<u>7,738</u>	<u>10,682</u>	<u>--</u>	<u>18,420</u>
Total	<u>\$4,206,430</u>	<u>\$ 68,275</u>	<u>\$ 248,154</u>	<u>\$4,522,859</u>

See independent accountants' review report.