**ST. BONIFACE HAITI FOUNDATION, INC.**
**FINANCIAL STATEMENTS**
**YEARS ENDED JUNE 30, 2017 AND 2016**
**AND**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**AND**
**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**
**YEAR ENDED JUNE 30, 2017**

**ST. BONIFACE HAITI FOUNDATION, INC.**
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
St. Boniface Haiti Foundation, Inc.
Newton, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of St. Boniface Haiti Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

CITRINCOOPERMAN®
Accountants and Advisors

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Boniface Haiti Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of St. Boniface Haiti Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Boniface Haiti Foundation, Inc.'s internal control over financial reporting and compliance.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
February 9, 2018

**ST. BONIFACE HAITI FOUNDATION, INC.**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2017 AND 2016**

## ASSETS

| | 2017 | 2016 |
|---|---|---|
| Current assets: | | |
| Cash | $ 476,048 | $ 1,757,246 |
| Certificates of deposit | 1,752,530 | - |
| Accounts receivable, net | 440,870 | 219,489 |
| Contributions receivable | 323,505 | 525,311 |
| Inventory | 1,894,188 | 3,298,445 |
| Prepaid expenses and other assets | 136,944 | 43,058 |
| Total current assets | 5,024,085 | 5,843,549 |
| Property and equipment, net | 6,878,642 | 5,092,958 |
| Investments, at fair value | 2,586,878 | 2,165,929 |
| **TOTAL ASSETS** | $ 14,489,605 | $ 13,102,436 |

## LIABILITIES AND NET ASSETS

| | 2017 | 2016 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 491,272 | $ 354,227 |
| Deferred revenue | 1,075,544 | 1,245,940 |
| Total current liabilities | 1,566,816 | 1,600,167 |
| Net assets: | | |
| Unrestricted | 11,941,356 | 10,719,719 |
| Temporarily restricted | 881,433 | 682,550 |
| Permanently restricted | 100,000 | 100,000 |
| Total net assets | 12,922,789 | 11,502,269 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 14,489,605 | $ 13,102,436 |

See accompanying notes to financial statements.

# ST. BONIFACE HAITI FOUNDATION, INC.
## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, gains and other support : | | | | | | | | |
| Contributions | $ 2,366,820 | $ 2,539,827 | $ - | $ 4,906,647 | $ 1,992,790 | $ 2,195,097 | $ - | $ 4,187,887 |
| In-kind contributions | 12,884,549 | - | - | 12,884,549 | 7,719,601 | - | - | 7,719,601 |
| Foundation grants | 3,674,538 | - | - | 3,674,538 | 898,143 | - | - | 898,143 |
| Contracts and government grants | 1,884,275 | - | - | 1,884,275 | 1,516,070 | - | - | 1,516,070 |
| Hospital revenue | 218,831 | - | - | 218,831 | 141,937 | - | - | 141,937 |
| Endowment appropriation | 8,912 | - | - | 8,912 | 6,653 | - | - | 6,653 |
| Net assets released from capital restrictions | 142,825 | (142,825) | - | - | 1,317,503 | (1,317,503) | - | - |
| Net assets released from program restrictions | 2,198,119 | (2,198,119) | - | - | 443,306 | (443,306) | - | - |
| Total revenues, gains and other support | 23,378,869 | 198,883 | - | 23,577,752 | 14,036,003 | 434,288 | - | 14,470,291 |
| Expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Hospital | 16,337,234 | - | - | 16,337,234 | 6,505,657 | - | - | 6,505,657 |
| Maternal & Child Health | 1,360,804 | - | - | 1,360,804 | 894,004 | - | - | 894,004 |
| Spinal Cord Injury Programs | 484,505 | - | - | 484,505 | 524,427 | - | - | 524,427 |
| Infectious Disease, AIDS Prevention and Treatment | 381,779 | - | - | 381,779 | 386,739 | - | - | 386,739 |
| Surgical Program | 920,218 | - | - | 920,218 | 316,311 | - | - | 316,311 |
| Education Programs | 114,126 | - | - | 114,126 | 162,142 | - | - | 162,142 |
| Other Programs | 194,573 | - | - | 194,573 | 112,040 | - | - | 112,040 |
| Villa Clinic | 126,639 | - | - | 126,639 | 107,046 | - | - | 107,046 |
| Improvement Programs | 803,565 | - | - | 803,565 | 67,700 | - | - | 67,700 |
| Total program services | 20,723,443 | - | - | 20,723,443 | 9,076,066 | - | - | 9,076,066 |
| Supporting services: | | | | | | | | |
| General and administrative | 1,061,583 | - | - | 1,061,583 | 602,099 | - | - | 602,099 |
| Fundraising | 610,959 | - | - | 610,959 | 335,706 | - | - | 335,706 |
| Total supporting services | 1,672,542 | - | - | 1,672,542 | 937,805 | - | - | 937,805 |
| Total expenses | 22,395,985 | - | - | 22,395,985 | 10,013,871 | - | - | 10,013,871 |
| Changes in net assets from operating activities | 982,884 | 198,883 | - | 1,181,767 | 4,022,132 | 434,288 | - | 4,456,420 |
| Non-operating activities: | | | | | | | | |
| Investment fees | (13,544) | - | - | (13,544) | (11,889) | - | - | (11,889) |
| Investment income | 83,491 | 5,352 | - | 88,843 | 86,079 | 5,445 | - | 91,524 |
| Gain on exchange rate | 128,059 | - | - | 128,059 | 95,008 | - | - | 95,008 |
| Loss on retired property and equipment | (60,000) | - | - | (60,000) | - | - | - | - |
| Realized and unrealized gains (losses) on investments | 100,747 | 3,560 | - | 104,307 | (61,533) | 1,208 | - | (60,325) |
| Endowment appropriation | - | (8,912) | - | (8,912) | - | (6,653) | - | (6,653) |
| Changes in net assets from non-operating activities | 238,753 | - | - | 238,753 | 107,665 | - | - | 107,665 |
| Changes in net assets | 1,221,637 | 198,883 | - | 1,420,520 | 4,129,797 | 434,288 | - | 4,564,085 |
| Net assets - beginning | 10,719,719 | 682,550 | 100,000 | 11,502,269 | 6,589,922 | 248,262 | 100,000 | 6,938,184 |
| **NET ASSETS - ENDING** | $ 11,941,356 | $ 881,433 | $ 100,000 | $ 12,922,789 | $ 10,719,719 | $ 682,550 | $ 100,000 | $ 11,502,269 |

See accompanying notes to financial statements.

# ST. BONIFACE HAITI FOUNDATION, INC.
# STATEMENTS OF FUNCTIONAL EXPENSES
# FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

2017

| | Program Services | | | | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hospital | Infectious Disease, AIDS Prevention and Treatment | Spinal Cord Injury Programs | Maternal & Child Health | Education Programs | Improvement Programs | Surgical Program | Villa Clinic | Other Programs | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Total Expenses |
| Salaries | $ 841,388 | $ 189,558 | $ 236,054 | $ 522,577 | $ 4,055 | $ 40,699 | $ 152,640 | $ 46,410 | $ 114,731 | 2,148,112 | $ 454,083 | $ 274,222 | $ 728,305 | $ 2,876,417 |
| Fringe benefits | 292,084 | 19,076 | 40,555 | 97,213 | 490 | 15,993 | 31,071 | 6,643 | 18,369 | 521,494 | 102,403 | 53,347 | 155,750 | 677,244 |
| Supplies | 14,299,517 | 91,013 | 110,345 | 604,098 | 20,225 | 724,994 | 617,440 | 24,062 | 56,564 | 16,548,258 | 58,684 | 48,599 | 107,283 | 16,655,541 |
| Consultants | 490,750 | 3,588 | 14,116 | 13,980 | - | 5,626 | 4,121 | 886 | - | 533,067 | 108,099 | 45,826 | 153,925 | 686,992 |
| Other program expenses | 121,581 | 56,346 | 49,587 | 57,502 | 87,473 | 12,119 | - | 407 | 200 | 385,215 | 40,801 | - | 40,801 | 426,016 |
| Depreciation | 197,671 | 10,522 | 16,231 | 47,708 | 1,883 | - | 106,946 | 43,737 | - | 424,698 | 16,488 | - | 16,488 | 441,186 |
| Other expenses | 11,280 | 2,560 | 219 | 6,000 | - | - | - | - | - | 20,059 | 117,796 | 157,383 | 275,179 | 295,238 |
| Travel | 82,963 | 4,736 | 17,398 | 11,726 | - | 4,134 | 8,000 | 4,494 | 4,709 | 138,160 | 32,636 | 31,582 | 64,218 | 202,378 |
| Audit and legal fees | - | 4,380 | - | - | - | - | - | - | - | 4,380 | 84,570 | - | 84,570 | 88,950 |
| Rent | - | - | - | - | - | - | - | - | - | - | 46,023 | - | 46,023 | 46,023 |
| | $16,337,234 | $ 381,779 | $ 484,505 | $ 1,360,804 | $ 114,126 | $ 803,565 | $ 920,218 | $126,639 | $ 194,573 | $ 20,723,443 | $ 1,061,583 | $ 610,959 | $ 1,672,542 | $ 22,395,985 |

2016

| | Program Services | | | | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hospitals | Infectious Disease, AIDS Prevention and Treatment | Spinal Cord Injury Programs | Maternal & Child Health | Education Programs | Improvement Programs | Surgical Program | Villa Clinic | Other Programs | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Total Expenses |
| Salaries | $ 753,063 | $ 188,862 | $ 229,602 | $ 350,278 | $ 9,330 | $ 32,719 | $ 110,502 | $ 36,137 | $ 93,856 | 1,804,349 | $ 359,029 | $ 195,259 | $ 554,288 | $ 2,358,637 |
| Fringe benefits | 136,148 | 33,381 | 38,179 | 64,251 | 1,340 | 3,565 | 38,145 | 99 | 15,809 | 330,917 | 77,461 | 29,164 | 106,625 | 437,542 |
| Supplies | 5,269,902 | 58,516 | 116,404 | 280,895 | 19,621 | 22,224 | 139,275 | 15,650 | 1,124 | 5,923,611 | 21,595 | 82,272 | 103,867 | 6,027,478 |
| Consultants | 78,425 | 7,048 | 16,202 | 41,896 | 2,980 | 5,200 | - | 5,806 | - | 157,557 | 2,139 | 12,490 | 14,629 | 172,186 |
| Other program expenses | 18,703 | 67,463 | 52,137 | 66,759 | 116,988 | 2,887 | - | 1,679 | 128 | 326,744 | 400 | 1,272 | 1,672 | 328,416 |
| Depreciation | 163,332 | 22,012 | 34,363 | 72,026 | 1,883 | - | 753 | 43,737 | - | 338,106 | 36,254 | - | 36,254 | 374,360 |
| Other expenses | 60,030 | - | 231 | - | 10,000 | - | - | - | - | 70,261 | 295 | 2,587 | 2,882 | 73,143 |
| Travel | 26,054 | 5,077 | 37,309 | 17,899 | - | 1,105 | 27,636 | 3,938 | 1,123 | 120,141 | 14,566 | 12,662 | 27,228 | 147,369 |
| Audit and legal fees | - | 4,380 | - | - | - | - | - | - | - | 4,380 | 44,337 | - | 44,337 | 48,717 |
| Rent | - | - | - | - | - | - | - | - | - | - | 46,023 | - | 46,023 | 46,023 |
| | $ 6,505,657 | $ 386,739 | $ 524,427 | $ 894,004 | $ 162,142 | $ 67,700 | $ 316,311 | $107,046 | $ 112,040 | $ 9,076,066 | $ 602,099 | $ 335,706 | $ 937,805 | $ 10,013,871 |

See accompanying notes to financial statements.

**ST. BONIFACE HAITI FOUNDATION, INC.**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|---|---|
| Operating activities: | | |
| Changes in net assets | $ 1,420,520 | $ 4,564,085 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 441,186 | 374,360 |
| Loss on disposal of property and equipment | 60,000 | - |
| In-kind donated property and equipment | (375,525) | (876,528) |
| Donated stock | (246,414) | (30,304) |
| Realized and unrealized losses on investments | (104,307) | 60,325 |
| Changes in certain other assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (221,381) | (98,819) |
| Contribution receivable | 201,806 | (434,161) |
| Inventory | 1,404,257 | (2,546,268) |
| Prepaid expenses and other assets | (93,886) | 3,428 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 137,045 | 98,436 |
| Deferred revenue | (170,396) | 1,122,883 |
| Net cash provided by operating activities | 2,452,905 | 2,237,437 |
| Investing activities: | | |
| Purchase of investments | (83,719) | (1,324,025) |
| Purchase of certificates of deposit | (2,000,000) | - |
| Proceeds from sales of investments | 260,964 | 1,271,877 |
| Purchase of property and equipment | (1,911,348) | (1,065,409) |
| Net cash used by investing activities | (3,734,103) | (1,117,557) |
| Net increase (decrease) in cash | (1,281,198) | 1,119,880 |
| Cash - beginning | 1,757,246 | 637,366 |
| **CASH - ENDING** | $ 476,048 | $ 1,757,246 |

See accompanying notes to financial statements.

## NOTE 1. ORGANIZATION

St. Boniface Haiti Foundation, Inc. (the "Organization") is a Massachusetts incorporated nonprofit entity dedicated to providing high quality healthcare services to the people of southern Haiti through community-based preventive and clinical care. The Organization also works toward broader improvement and sustainability of quality healthcare in Haiti through programs such as the training of local health practitioners, disaster response, and partnering for impact with local and global health organizations. The Organization supports and operates St. Boniface Hospital located in Fond des Blancs, Haiti, a satellite clinic in Villa, Haiti and various community-based health programs in the region.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Subtopic *Presentation of Financial Statements of Not-For-Profit Entities.* Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted net assets* - Net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization, as well as funds invested in property, plant and equipment. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or passage of time.

- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federal insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents. Nevertheless, the Organization has taken steps to strengthen its risk management practices by diversifying its cash and cash equivalent holdings. In 2017 the Organization started a new relationship with Bank of America/Merrill Lynch to gain access to the institution's global treasury management tools enabling better risk control over global transactions including foreign currency purchases and electronic funds transfers. In addition, the organization began investing available funds in a short-term laddered CD program with Merrill Lynch in order to achieve both FDIC insurance protection while increasing yields.

Accounts Receivable

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the need for an allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2017, the Organization recorded an allowance for doubtful accounts of $53,319. There was no allowance recorded at June 30, 2016.

Contributions Receivable

Contributions receivable totaled $323,505 and $525,311 at June 30, 2017 and 2016, respectively, and are expected to be collected within one year.

Inventory

Inventory consists of medicine and pharmacy supplies. Inventory is stated at the lower of cost or market. Cost is determined on the first-in, first-out ("FIFO") method.

Property and Equipment

Property and equipment are recorded at cost or fair value, if received by donation. The Organization capitalizes expenditures for property and equipment in excess of $1,000. Expenditures for major improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which are as follows:

| Description | Years |
|---|---|
| Buildings | 30 |
| Furniture and equipment | 3-5 |
| Vehicles | 3-5 |

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress

Costs associated with construction of major projects are accumulated until completion of the project. The completed asset is then depreciated over its useful life after being placed in service.

Valuation of Long-Lived Assets

The Organization's long-lived assets are reviewed for impairment in accordance with the guidance of the FASB ASC Topic *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At June 30, 2017 and 2016, management has determined that long-lived assets are not impaired.

Fair Value Measurement

The Organization follows the provisions of *Fair Value Measurements* Topic of the FASB ASC. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 inputs, which include quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Unobservable inputs based on the Organization's assessment of the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2017 and 2016.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

- Investments – All investments have been reported in the financial statements at fair value. The fair value of money market funds, bonds, common stock, government securities, exchange traded and closed end funds, mutual funds and preferred stock, are valued based upon quoted prices from an active market. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

Certificates of Deposit

The Organization carries certificates of deposit at cost plus any associated earned interest in the accompanying statements of financial position.

Endowment

The Organization's endowment consists of donor-restricted funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of relevant law* - The Organization manages its endowment consistent with the Massachusetts Act, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

*Return objectives and risk parameters* - The Organization has adopted investment and spending policies for endowment assets that attempt to pursue a strategic investment plan that, over the long term, is expected to enhance the real purchasing power of the Organization’s assets while not impairing its ability to meet current obligations. Endowment assets represent Board-designated funds and donors restricted funds for financial statements purposes. Under this strategy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that compare favorably with the results achieved by investment managers of endowment funds with similar investment objectives while assuming a moderate level of investment risk. Actual returns in any given year may vary.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

*Strategies employed for achieving objectives* - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending policy and how the investment objectives relate to spending policy* - The Organization currently reinvests all earnings of the endowment assets. Any expenditures from the endowment assets must be supported by the Board of Trustees and be consistent with the intent of the donors and the Board designation for that fund. This is consistent with the Organization's objective to ensure that the future growth of the endowment assets is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment assets held for future operations as well as to provide additional real growth through new gifts and investment return. Board Designated Unrestricted Funds are designated by the Board of Trustees to support emergency needs and general operations of the Organization. The income and the appreciation earned on the Permanently Restricted Funds is available for a medical scholarship program.

Deferred Revenue

Deferred revenue represents government and foundation grants payments that were received in advance of the related performance of services.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-imposed purpose or by passage of the stipulated time period are reported as net assets released from restrictions.

The Organization records hospital revenue when services are rendered.

The Organization's programs are supported by contracts and grants funded through federal agencies as well as foundations.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The fair market value of medical services donated by physicians and medical centers is reflected in the financial statements. Donated investments are reported at fair value at the date of receipt, which is then treated as the Organization's cost basis.

A significant portion of the Organization's activities is conducted by unpaid officers, board members and volunteers. The value of administrative volunteer contributed time is not reflected in the accompanying financial statements since their time does not meet the criteria necessary for recognition.

Foreign Currency Translation

Foreign currency transaction gains resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency totaled approximately $128,059 and $95,008 in 2017 and 2016, respectively, and have been reported separately in the accompanying statements of activities and changes in net assets.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Operations

The statements of activities and changes in net assets report the change in unrestricted net assets from operating and non-operating activities. Operating activities consist of those revenues and expenses related to programs of the Organization, including contributions to support these programs. Non-operating activities consist of investment activities, loss on retirement of assets and gain on exchange rate, that do not directly relate to the Organization's general programs.

### Income Taxes

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. This Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At June 30, 2017 and 2016, management believes that the Organization has no material uncertain tax positions.

### Functional Expenses

Functional expenses are allocated to the various programs based on direct expenses, which can be identified to the program, and indirect expenses, which are beneficial to more than one program. The indirect expenses are allocated based upon a cost allocation plan using appropriate methods such as time studies, square footage, mileage, etc.

### Recently Issued but not Effective Accounting Pronouncements

*Financial statement presentation* - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The effect of adopting ASU 2016-14 on the Organization's financial statements has not yet been determined.

*Revenue* - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which requires an entity to recognize revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued but not Effective Accounting Pronouncements (continued)

*Presentation of restricted cash* - In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows - Restricted Cash* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for years beginning after December 15, 2018, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-18 will have on its financial statements and related disclosures.

*Leases* - In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2017, through the date which the financial statements were available to be issued, February 9, 2018, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events.*

## NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

| | 2017 | 2016 |
|---|---|---|
| Land | $ 195,187 | $ 107,167 |
| Buildings | 4,268,275 | 3,341,678 |
| Furniture and equipment | 3,122,090 | 2,617,992 |
| Vehicles | 1,231,787 | 898,829 |
| Construction in progress | 1,316,737 | 941,539 |
| | 10,134,076 | 7,907,205 |
| Less: accumulated depreciation | 3,255,434 | 2,814,247 |
| Property and equipment, net | $ 6,878,642 | $ 5,092,958 |

Construction in progress represents costs incurred in connection with the construction of a Center for Infectiousness Disease & Emergency Care ("CIDEC") unit, a warehouse, and solar energy for the hospital.

The Center for Infectiousness Disease & Emergency Care costs as of June 30, 2017 totaled $267,831. The CIDEC is expected to be completed by February 2018 at an estimated total cost of $750,000.

## NOTE 3. PROPERTY AND EQUIPMENT (CONTINUED)

Warehouse project costs as of June 30, 2017 totaled $604,450. The warehouse was completed in November 2017 at a cost of $649,350.

Solar energy project costs as of June 30, 2017 totaled $444,456. The solar energy project was completed in December 2017 at a cost of $550,140.

At June 30, 2016, construction in progress represented costs incurred in connection with the construction of CIDEC, a surgical center, and a water line project. The surgical center and water line project were placed in service during the year ended June 30, 2017. The total costs capitalized for these projects placed in service during 2017 totaled $1,072,612.

Depreciation expense for the years ended June 30, 2017 and 2016 totaled $441,186 and $374,360, respectively.

## NOTE 4. FAIR VALUE MEASUREMENT

The following fair value hierarchy table presents information about the Organization's investments measured at fair value on a recurring basis as of June 30, 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 180,973 | $ - | $ - | $ 180,973 |
| Bonds: | | | | |
| Corporate | 426,000 | - | - | 426,000 |
| Municipal | 217,993 | - | - | 217,993 |
| | 643,993 | - | - | 643,993 |
| Exchange traded and closed end funds | 732,205 | - | - | 732,205 |
| Mutual funds: | | | | |
| Intermediate-term bond | 209,307 | - | - | 209,307 |
| Non-traditional bond | 124,633 | - | - | 124,633 |
| World allocation | 106,010 | - | - | 106,010 |
| Real estate | 52,027 | - | - | 52,027 |
| Managed futures | 29,592 | - | - | 29,592 |
| Large growth | 25,863 | - | - | 25,863 |
| | 547,432 | - | - | 547,432 |

## NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Common stock: | | | | |
| Financials | 77,233 | - | - | 77,233 |
| Information technology | 60,485 | - | - | 60,485 |
| Consumer discretionary | 50,616 | - | - | 50,616 |
| Health care | 45,119 | - | - | 45,119 |
| Industrials | 34,936 | - | - | 34,936 |
| Consumer staples | 28,806 | - | - | 28,806 |
| Other | 27,716 | - | - | 27,716 |
| Energy | 22,460 | - | - | 22,460 |
| Materials | 21,827 | - | - | 21,827 |
| Utilities | 4,595 | - | - | 4,595 |
| Telecommunications | 3,697 | - | - | 3,697 |
| Real estate | 2,202 | - | - | 2,202 |
| | 379,692 | - | - | 379,692 |
| Preferred stock | 102,583 | - | - | 102,583 |
| | $ 2,586,878 | $ - | $ - | $ 2,586,878 |

The following fair value hierarchy table presents information about the Organization's investments measured at fair value on a recurring basis as of June 30, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 238,130 | $ - | $ - | $ 238,130 |
| Bonds: | | | | |
| Corporate | 367,494 | - | - | 367,494 |
| Municipal | 229,494 | - | - | 229,494 |
| | 596,988 | - | - | 596,988 |
| Exchange traded and closed end funds | 471,684 | - | - | 471,684 |
| Mutual funds: | | | | |
| Intermediate-term bond | 172,000 | - | - | 172,000 |
| Non-traditional bond | 99,823 | - | - | 99,823 |
| Real estate | 43,654 | - | - | 43,654 |
| World allocation | 42,182 | - | - | 42,182 |
| Large blend | 41,722 | - | - | 41,722 |
| Managed futures | 25,006 | - | - | 25,006 |
| Large growth | 21,337 | - | - | 21,337 |
| | 445,724 | - | - | 445,724 |

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Common stock: | | | | |
| Financials | 48,031 | - | - | 48,031 |
| Information technology | 46,284 | - | - | 46,284 |
| Consumer discretionary | 36,045 | - | - | 36,045 |
| Industrial | 34,759 | - | - | 34,759 |
| Health Care | 32,153 | - | - | 32,153 |
| Consumer staples | 30,582 | - | - | 30,582 |
| Other | 26,160 | - | - | 26,160 |
| Energy | 24,416 | - | - | 24,416 |
| Materials | 15,832 | - | - | 15,832 |
| Telecommunication service | 8,034 | - | - | 8,034 |
| Utilities | 5,899 | - | - | 5,899 |
| | 308,195 | - | - | 308,195 |
| Preferred stock | 105,208 | - | - | 105,208 |
| | $ 2,165,929 | $ - | $ - | $ 2,165,929 |

**NOTE 5. INVESTMENTS**

Investments at June 30, 2017 are stated at fair value and consisted of the following:

| | Fair Value | Cost | Unrealized Gain (Loss) |
|---|---|---|---|
| Money market | $ 180,973 | $ 180,973 | $ - |
| Bonds | 643,993 | 611,359 | 32,634 |
| Exchange traded and closed end funds | 732,205 | 670,915 | 61,290 |
| Mutual funds | 547,432 | 536,037 | 11,395 |
| Common stock | 379,692 | 293,695 | 85,997 |
| Preferred stock | 102,583 | 101,763 | 820 |
| | $ 2,586,878 | $ 2,394,742 | $ 192,136 |

Investments at June 30, 2016 are stated at fair value and consisted of the following:

| | Fair Value | Cost | Unrealized Gain (Loss) |
|---|---|---|---|
| Money market | $ 238,130 | $ 239,854 | $ (1,724) |
| Bonds | 596,988 | 576,061 | 20,927 |
| Exchange traded and closed end funds | 471,684 | 469,860 | 1,824 |
| Mutual funds | 445,724 | 442,560 | 3,164 |
| Common stock | 308,195 | 265,505 | 42,690 |
| Preferred stock | 105,208 | 100,724 | 4,484 |
| | $ 2,165,929 | $ 2,094,564 | $ 71,365 |

## NOTE 5. INVESTMENTS (CONTINUED)

The composition of the investment return as reported in statement of activities for the years ended June 30 is as follows:

| | 2017 | 2016 |
|---|---|---|
| Investment income | $ 88,843 | $ 91,524 |
| Investment fees | (13,544) | (11,889) |
| Net realized and unrealized gain (losses) on investments | 104,307 | (60,325) |
| | $ 179,606 | $ 19,310 |

## NOTE 6. ENDOWMENT

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted endowment funds | $ - | $ - | $ 100,000 | $ 100,000 |
| Board designated endowment funds | 2,486,878 | - | - | 2,486,878 |
| Total funds | $ 2,486,878 | $ - | $ 100,000 | $ 2,586,878 |

Changes in Endowment Net Assets for the Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 2,065,929 | $ - | $ 100,000 | $ 2,165,929 |
| Investment return: | | | | |
| Investment income | 78,367 | 5,352 | - | 83,719 |
| Net appreciation (realized and unrealized) | 100,747 | 3,560 | - | 104,307 |
| Investment fees | (13,544) | - | - | (13,544) |
| Total investment return | 165,570 | 8,912 | - | 174,482 |
| Other changes: | | | | |
| Endowment appropriation | 8,912 | (8,912) | - | - |
| Donated investments | 246,467 | - | - | 246,467 |
| Total other changes | 255,379 | (8,912) | - | 246,467 |
| Endowment net assets, end of year | $ 2,486,878 | $ - | $ 100,000 | $ 2,586,878 |

## NOTE 6. ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2016

| | Unrestricted | Temporarily restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted endowment funds | $ - | $ - | $ 100,000 | $ 100,000 |
| Board designated endowment funds | 2,065,929 | - | - | 2,065,929 |
| Total funds | $ 2,065,929 | $ - | $ 100,000 | $ 2,165,929 |

Changes in Endowment Net Assets for the Year Ended June 30, 2016

| | Unrestricted | Temporarily restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 2,043,802 | $ - | $ 100,000 | $ 2,143,802 |
| Investment return: | | | | |
| Investment income | 83,592 | 5,445 | - | 89,037 |
| Net appreciation (depreciation) (realized and unrealized) | (61,533) | 1,208 | - | (60,325) |
| Investment fees | (11,889) | - | - | (11,889) |
| Total investment return | 10,170 | 6,653 | - | 16,823 |
| Other changes: | | | | |
| Endowment appropriation | 6,653 | (6,653) | - | - |
| Donated investments | 5,304 | - | - | 5,304 |
| Total other changes | 11,957 | (6,653) | - | 5,304 |
| Endowment net assets, end of year | $ 2,065,929 | $ - | $ 100,000 | $ 2,165,929 |

## NOTE 7. DEMAND NOTE PAYABLE, BANK

The Organization has a $500,000 line of credit with a bank. Advances bear interest at various rates based on draw down amount. The rate in effect at June 30, 2017 and 2016 was 4.74% and 3.67%, respectively. The agreement is secured by the investment accounts of the Organization. At June 30, 2017 and 2016, there was no outstanding balance on the line of credit. There is no expiration date on the line of credit.

## NOTE 8. IN-KIND CONTRIBUTIONS

The Organization received $12,884,549 and $7,719,601 of in-kind contributions for the years ended June 30, 2017 and 2016, respectively. Following is a breakdown of the sources of income and the categories of expenses and assets for in-kind contributions:

## NOTE 8. IN-KIND CONTRIBUTIONS (CONTINUED)

| | 2017 | 2016 |
|---|---|---|
| Income received: | | |
| Medicine/food/supplies | $ 12,235,795 | $ 6,779,769 |
| Property and equipment | 375,525 | 876,528 |
| Professional services | 26,815 | 33,000 |
| Investments | 246,414 | 30,304 |
| Total in-kind contributions received | $ 12,884,549 | $ 7,719,601 |
| Expenses reported: | | |
| Medicine/food/supplies | $ 12,235,795 | $ 6,779,769 |
| Professional services | 26,815 | 33,000 |
| Total in-kind expenses reported | 12,262,610 | 6,812,769 |
| Assets reported: | | |
| Property and equipment | 375,525 | 876,528 |
| Investments | 246,414 | 30,304 |
| Total in-kind assets reported | 621,939 | 906,832 |
| Total in-kind expenses and assets reported | $ 12,884,549 | $ 7,719,601 |

## NOTE 9. LEASE COMMITMENT

The Organization has a lease agreement for office space in Newton, Massachusetts. The lease agreement is for five years and expires July 31, 2018. The base rent is $3,835 per month plus a monthly electricity charge of $281.

Total minimum future lease payments under the operating lease are as follows:

| Years | Amount |
|---|---|
| 2018 | $ 46,023 |
| 2019 | 3,835 |
| | $ 49,858 |

Lease expense for the years ended June 30, 2017 and 2016 was $46,023 per year.

## NOTE 10. RELATED PARTY TRANSACTIONS

A board member of the Organization is also the founder and President of Build Health International, a nonprofit organization which provided construction services in connection with the construction of the Organization's Center for Infectiousness Disease & Emergency Care ("CIDEC") unit, warehouse, and surgical center. The construction services and supply reimbursement totaled $1,482,619 and $928,855 for the years ended June 30, 2017 and 2016, respectively.

## NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Time restriction | $ 479,214 | $ 550,311 |
| Community development projects | 266,331 | 28,503 |
| Clinical operations | 68,688 | - |
| Education programs | 53,671 | 57,638 |
| Other programs | 11,039 | 1,373 |
| Building construction and repairs projects | 2,489 | 44,725 |
| Total temporarily restricted net assets | $ 881,432 | $ 682,550 |

## NOTE 12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of an endowment totaling $100,000 as of June 30, 2017 and 2016. The income and the appreciation earned on the permanent endowment is available for a medical scholarship program.

## NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors consisted of the following as of June 30, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Clinical operations | $ 1,918,408 | $ 215,816 |
| Education programs | 73,187 | 94,024 |
| Other programs | 75,570 | 15,878 |
| Time restrictions | 96,097 | 91,150 |
| Community development projects | 34,857 | 26,438 |
| Net assets released from program restrictions | 2,198,119 | 443,306 |
| Endowment appropriation | 8,912 | 6,653 |
| Net assets released from capital restrictions | 142,825 | 1,317,503 |
| | $ 2,349,856 | $ 1,767,462 |

## NOTE 14. RETIREMENT PLAN

The Organization has a qualified defined contribution retirement plan ("the Plan") for all eligible employees. The Plan is designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. Contributions are made by the Plan participants based on participant elections. Under the plan, employees may contribute up to the IRS indexed maximum amount for each calendar year. In addition, the Organization may make matching contributions to the plan at the discretion of the board of directors. During the years ended June 30, 2017 and 2016, the Organization did not make any contribution to the Plan.

# SUPPLEMENTARY INFORMATION

# ST. BONIFACE HAITI FOUNDATION, INC.
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Health and Human Services:** | | | |
| Pass-through programs from: | | | |
| Christian Medical Mission Board-USCC: Global Aids | 93.067 | 1NU2GGH001970-01-00 | $ 214,815 |
| Christian Medical Mission Board-USCC: Global Aids | 93.067 | 1U2GGH000181-03 | 70,529 |
| Total U.S. Department of Health and Human Services | | | 285,344 |
| **United States Agency for International Development:** | | | |
| Pass-through programs from: | | | |
| Jhpiego Corporation: | | | |
| USAID Foreign Assistance for Programs Overseas | 98.001 | AID-0AA-A-14-00028 | 295,796 |
| Direct programs: | | | |
| USAID Foreign Assistance for Programs Overseas | 98.001 | AID-521-A-14-00006 | 808,683 |
| Ocean Freight Reimbursement Program | 98.003 | AID-OAA-G-15-00029 | 20,000 |
| Foreign Assistance to American Schools and Hospitals Abroad | 98.006 | AID-ASHA-A-15-00020 | 249,999 |
| Foreign Assistance to American Schools and Hospitals Abroad | 98.006 | AID-ASHA-A-14-00015 | 224,452 |
| Subtotal Agency for International Development direct programs | | | 1,303,134 |
| Total United States Agency for International Development | | | 1,598,930 |
| **Total Expenditures of Federal Awards** | | | $ 1,884,274 |

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal assistance activity of St. Boniface Haiti Foundation, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### Indirect Cost Rate

The Organization elected to use the 10% deminimis cost rate for its Federal programs.

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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
St. Boniface Haiti Foundation, Inc.
Newton, Massachusetts

## Report on Compliance for Each Major Federal Program

We have audited St. Boniface Haiti Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on St. Boniface Haiti Foundation, Inc.'s major federal program for the year ended June 30, 2017. St. Boniface Haiti Foundation, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for St. Boniface Haiti Foundation, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Boniface Haiti Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of St. Boniface Haiti Foundation, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, St. Boniface Haiti Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

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**Report on Internal Control over Compliance**

Management of St. Boniface Haiti Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Boniface Haiti Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Boniface Haiti Foundation, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be material weaknesses.

St. Boniface Haiti Foundation Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Boniface Haiti Foundation Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
February 9, 2018

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
St. Boniface Haiti Foundation, Inc.
Newton, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Boniface Haiti Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Boniface Haiti Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Boniface Haiti Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Boniface Haiti Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002 that we consider to be material weaknesses.

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Accountants and Advisors

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Boniface Haiti Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Organization's Response to Findings**

St. Boniface Haiti Foundation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Boniface Haiti Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
February 9, 2018

**ST. BONIFACE HAITI FOUNDATION, INC.**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2017**

## A. SUMMARY OF AUDIT RESULTS

Financial Statements

| | | |
|---|---|---|
| 1 | Type of auditor's report issued: | Unmodified |
| 2 | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3 | Noncompliance material to financial statements noted? | No |

Federal Awards

| | | |
|---|---|---|
| 4 | Internal control over major programs: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5 | Type of auditor's report issued on compliance for major programs | Unmodified |
| 6 | Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? | Yes |
| 7 | Identification of major programs: | |

| Name of Federal Program or Cluster | CFDA Numbers |
|---|---|
| USAID Foreign Assistance for Programs Overseas | 98.001 |

| | | |
|---|---|---|
| 8 | Dollar threshold used to distinguish between Type A programs and Type B programs: | $ 750,000 |
| 9 | Auditee qualifies as a low risk auditee? | No |

## B. FINANCIAL STATEMENT FINDINGS

**Finding 2017-001: Account Reconciliation Process**

Condition: The Organization did not perform general ledger account reconciliation procedures for fiscal year end 2017 on a timely basis. During the audit, management provided several versions of the Organization's trial balance. The version of the trial balance that was used for the audit included over thirty journal entries made by management from the original trial balance provided. Thirteen additional entries were made to the trial balance after the audit commenced in January 2018, some of which were the result of management reconciling general ledger accounts for the year ended June 30, 2017.

Inventory

Inventory prices and internal records for June 30, 2017 were not updated until the audit started, resulting in management reducing the total inventory balance by $1.5M. Year-end inventory counts were not appropriately reflected in the Organization's records until December 2017.

Accounts Receivable and Deferred Revenue

Accounts receivable, including loans to employees, were not reconciled until the audit commenced in January 2018. The Organization also has a significant amount of deferred revenue throughout the year and at year end. Deferred revenue was not tracked or reconciled until the audit commenced.

Criteria or Specific Requirement: Account reconciliations for significant accounts should be prepared and reviewed on a routine basis, generally monthly or quarterly, in conjuction with month end closing procedures. The preparation and review of reconciliations in a timely manner allows accurate and timely information to be used by both management and the board of directors to make decisions for the Organization.

Cause: Management indicated timely reconciliations were not able to be prepared due to significant events in Haiti during the past year.

Effect: The effect of not maintaining timely reconciliations resulted in material journal entries made by both management and auditors to correct significant account balances.

Recommendation: It is recommended that the Organization reconcile significant accounts and perform a monthly review and close in a timely manner. Performing a proper monthly close will allow management to have accurate and timely financial information during the decision making process of the Organization. Performing routine reviews and closings will also allow management to detect and correct errors in a timely manner.

Views of Management and Planned Corrective Actions:

See 2017 Corrective Action Plan.

## B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

**Finding 2017-002: Ineffective Financial Review Process**

Condition: Management did not perform adequate review of reconciliations performed during the 2017 year-end close. During the audit, significant errors were identified resulting in material journal entries to the Organization's financial records. Errors resulting from a lack of review included recording duplicate journal entries and recording journal entries in incorrect currencies.

Journal Entries Recorded Using Incorrect Currency

During the audit, three significant entries were discovered that were recorded using the incorrect currency. In each entry, the number of Haitian Goudes were recorded as US Dollars, which significantly overstated the entries recorded. In two instances, purchases were capitalized as fixed assets using the number of Haitian Goudes rather than US dollars, which were subsequently expensed during the audit. The other instance noted related to an expense recorded at year end.

Duplicate Entries

During the audit process, it was noted that several expenses occurring near year-end were recorded as both accrued expenses and accounts payable, resulting in recording each expense twice.

Criteria or Specific Requirement:

Management should review account reconciliations performed as part of the month-end/year-end closing process in order to identify errors and correct them in a timely manner.

Cause: Management did not perform an effective review of reconciliations during the year-end close.

Effect: Duplicate entries made by the Organization's staff resulted in overstating expenses by approximately $44,000 due to recording expenses to both accounts payable and accrued expenses. Entries made by the Organization's staff resulting from recording Haitian Goudes as US Dollars caused an overstatement of fixed assets by approximately $104,00 in fixed asset cost and overstating expenses by approximately $109,000.

Recommendation: It is recommended that management review journal entries, reconciliations, and other work performed by the Organization's staff or others within the organization delegated to perform tasks by management on a monthly basis.

Views of Management and Planned Corrective Actions:

See 2017 Corrective Action Plan.

## C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

See Findings 2017-001 and 2017-002

## ST. BONIFACE HAITI FOUNDATION, INC.
## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
## YEAR ENDED JUNE 30, 2017

### A. FINANCIAL STATEMENT FINDINGS

**Finding 2016-001:** Financial Reporting Not in Accordance with Generally Accepted Accounting Principles (GAAP)

Condition:

The following five instances were noted where the Organization's accounting treatment was not in accordance with GAAP.

- In-kind Contributions

  During the course of the audit, it was noted that the Organization did not properly value certain contributions of medicine and equipment at the fair value of these items at the date of donation, in accordance with donor documentation.

- Inventory

  It was noted that the Organization performed a detailed physical inventory at June 30, 2016. The unit prices assigned to the inventory items were not appropriate. Management did not update the listing for current prices. Management conducted an analysis of the inventory and corrected the prices assigned. In addition, management did not apply the lower of cost or market method for donated inventory at June 30, 2017 and a valuation adjustment was necessary. Proper accounting recognition was not given to inventory in transit for which the Organization had legal title to at June 30, 2016.

- Property and Equipment

  It was noted that the Organization did not maintain proper fixed asset records during the year ended June 30, 2016. The Foundation did not record depreciation expense throughout the year. The depreciation expense entry provided by management was not accurate due to formula errors in the file used to maintain this information. In addition, fixed assets that were placed into service during FY2017 were classified as construction in progress and not being depreciated at June 30, 2016.

- Restricted Net Assets

  It was noted that the Organization did not properly track and release from restriction, temporarily restricted net assets for which donor-imposed restrictions and/or passage of time restrictions had been satisfied.

- Foreign Currency Translation Adjustment

  It was noted that the Organization did not properly record the foreign currency translation adjustment of cash accounts and accrued liability accounts related to certain transactions conducted in Haiti.

## A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

**Finding 2016-001**: Financial Reporting Not in Accordance with Generally Accepted Accounting Principles (GAAP) (Continued)

Criteria or Specific Requirement:

- In-kind Contributions

  In-kind contributions should be recognized at fair value at the date of donation.

- Inventory

  Inventory should be recorded at the lower of cost or market. Cost must be determined based on the first-in, first-out method. Inventory must be recorded for items purchased when the Organization obtains legal title to those goods.

- Property and Equipment

  When an asset is placed into service, it should be reclassified from construction in progress to the specific property and equipment account and depreciated over its estimated useful life. In addition, depreciation expense on property and equipment should be recorded during the year on a straight-line basis.

- Restricted Net Assets

  When the restriction on a temporarily restricted net asset is fulfilled, a release from restriction should be recognized and the temporarily restricted net asset should be reclassified to the unrestricted net asset class.

- Foreign Currency Translation Adjustment

  Cash and liabilities denominated in Haitian gourdes must be measured in the functional currency of the Foundation which is US dollars. The Foundation is required to translate cash and liabilities into the functional currency using the period-end spot rate. Gains and losses from the effect of exchange rate should be recognized in the statement of activities.

Cause: The Organization did not give proper accounting treatment to certain accounts balances in accordance with GAAP.

Effect: The effect was supporting schedules that did not agree to the general ledger and did not have backup support for transactions in the restricted categories.

## A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

**Finding 2016-001:** Financial Reporting Not in Accordance with Generally Accepted Accounting Principles (GAAP) (Continued)

Recommendation:

In order to properly present the financial statements of the Organization, we offer the following recommendations in respect to the aforementioned financial statement areas.

- In-kind Contributions

  In-kind contributions should be recorded at fair value at the date of donation. Donor documentation/support for the valuation of such contributions should be maintained as part of the reconciliation process. We recommend additional review procedures be implemented to ensure proper accounting.

- Inventory

  We recommend that the Foundation periodically update the unit prices assigned to inventory items to reflect the first-in, first–out method. In addition, reconciliation procedures should be implemented to reconcile Depot activity to physical inventory listings and price lists. For overseas purchases, the vendor invoice, shipping documents, and customs documents should be maintained in support of shipments. Proper accounting recognition for such purchases will be dependent on specific terms with the vendors relating to the point at which the Organization obtains legal title to the assets.

- Property and Equipment

  We recommend that Management review construction in progress on a monthly basis and reclassify any completed projects to specific property and equipment accounts. Once an asset is placed into service, the Organization should depreciate it over useful life of the asset on a straight-line basis. In addition, depreciation expense should be recorded on a monthly basis.

- Restricted Net Assets

  We recommend that reconciliation procedures be implemented to reconcile temporarily restricted activity to the general ledger on a monthly basis. All temporarily restricted activity should be recorded as revenues of the current period and releases from restriction should be recorded in the period in which the restriction is satisfied.

- Foreign Currency Translation Adjustment

  Cash and accrued liability accounts in Haiti should be adjusted monthly to reflect the proper foreign currency translation adjustment using the period-end spot rate.

Status:

Management has followed GAAP when recording account balances as recommended above. During 2017, instances were noted regarding lack of a reconciliation and effective review process related to certain accounts (see findings 2017-01 and 2017-02).

## B. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None

## CORRECTIVE ACTION PLAN

### Finding 2017-001: Account Reconciliation Process

Management agrees with the auditors' comment and has developed the following action plan in response:

i.) Management will document by end of March, 2018 and deploy going forward a greatly enhanced set of accounting closing procedures that will include specific detailed steps, individual accountabilities, timeframes/deadlines, and review/checking responsibilities of key staff members/management in order to ensure timely and comprehensive updating and review of major accounts. This enhanced process will be in place for the 3rd fiscal quarter close of FY18.

ii.) Reflecting the level of international coordination and review required to conduct a complete close, and the limited level of resources available, it is planned that the Organization will conduct a complete financial close (hard close) on a quarterly basis, while also providing interim period results on a best estimate basis (soft close).

iii.) Management will provide the Finance Committee of the Board of Trustees with a quarterly status report – no later than the 20th workday of the period following the most recent quarter, covering key account reconciliation status and issues affecting their resolution.

Name of Contact Person: Randy Atkin, Chief Financial Officer

Anticipated Completion Date: March 31, 2018

### Finding 2017-002: Ineffective Financial Review Process

Management agrees with the auditors' comment and has developed the following action plan in response:

i.) In addition to following the enhanced reconciliation and closing procedures outlined in management's response to 2017-001 (above), senior finance team members will review major account activity (i.e., large recorded transactions) with senior functional staff members (i.e., CEO/CDO/CSCO) prior to regular formal review sessions of periodic performance.

ii.) At fiscal year-end any adjusting or catch up entries, should they be necessary, are also to be reviewed by senior financial team members with senior functional staff to ensure the reasonableness of all large transactions recorded in the ledger.

iii.) During the course of the regularly scheduled Finance Committee performance reviews, typically on the first Tuesday of the second month following the end of the reporting period, the finance team will provide a summary of major transactions in the period.

Name of Contact Person: Randy Atkin, Chief Financial Officer

Anticipated Completion Date: March 31, 2018