

THE HAITIAN PROJECT, INC.

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Financial Statements

December 31, 2023

Mullen Scorpio Cerilli
Certified Public Accountants
Business Consultants

Mullen Scorpio Cerilli

THE HAITIAN PROJECT, INC.

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Independent Auditor's Report

To the Board of Directors of
The Haitian Project, Inc.

Opinion

We have audited the accompanying financial statements of The Haitian Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Haitian Project, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Haitian Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about The Haitian Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Mullen Scorpio Cerilli

To the Board of Directors of
The Haitian Project, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Haitian Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about The Haitian Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mullen Scorpio Cerilli

To the Board of Directors of
The Haitian Project, Inc.

Report on Summarized Comparative Information

We have previously audited The Haitian Project, Inc. 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 9, 2024
Providence, Rhode Island

THE HAITIAN PROJECT, INC.

Statement of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents - unrestricted	\$ 155,421	\$ 200,412
Cash and cash equivalents - restricted	914,567	273,242
Contributions receivable	449,801	101,473
Endowment pledges receivable	1,903,213	545,150
Accounts receivable	1,184	-
Investments	4,151,469	3,617,524
Operating lease right of use asset	<u>14,509</u>	<u>-</u>
Total assets	<u>\$ 7,590,164</u>	<u>\$ 4,737,801</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 596	\$ 92
Operating lease liability	<u>14,314</u>	<u>-</u>
Total liabilities	<u>14,910</u>	<u>92</u>
Net assets:		
Without donor restrictions:		
Board designated	2,064,641	1,825,980
Operating reserves	498,645	490,585
Unrestricted	<u>421,603</u>	<u>301,885</u>
Total without donor restrictions	2,984,889	2,618,450
With donor restrictions	<u>4,590,365</u>	<u>2,119,259</u>
Total net assets	<u>7,575,254</u>	<u>4,737,709</u>
Total liabilities and net assets	<u>\$ 7,590,164</u>	<u>\$ 4,737,801</u>

The notes are an integral part of these financial statements.

THE HAITIAN PROJECT, INC.

Statement of Activities

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Contributions of cash and other financial assets	\$ 1,653,829	\$ 2,791,962	\$ 4,445,791	\$ 1,678,905
Interest income	1,615	-	1,615	173
Investment income	340,321	210,872	551,193	(549,372)
Contributions of nonfinancial assets	9,960	-	9,960	36,675
Miscellaneous income	-	-	-	26
Total revenue and support	2,005,725	3,002,834	5,008,559	1,166,407
Reclassification - net assets released from restrictions:	531,728	(531,728)	-	-
Total revenue, support, and reclassification	2,537,453	2,471,106	5,008,559	1,166,407
Expenses:				
Program services	1,538,741	-	1,538,741	1,589,852
Management and general	260,000	-	260,000	254,873
Fundraising	372,273	-	372,273	329,433
Total expenses	2,171,014	-	2,171,014	2,174,158
Change in net assets	366,439	2,471,106	2,837,545	(1,007,751)
Net assets - beginning	2,618,450	2,119,259	4,737,709	5,745,460
Net assets - ending	\$ 2,984,889	\$ 4,590,365	\$ 7,575,254	\$ 4,737,709

The notes are an integral part of these financial statements.

THE HAITIAN PROJECT, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	2023			2022	
	Program Services	Management and General	Fundraising	Total	Total
Personnel costs:					
Salaries	\$ 277,785	\$ 166,428	\$ 256,103	\$ 700,316	\$ 670,102
Employee benefits	62,444	26,935	55,933	145,312	148,361
Total personnel costs	<u>340,229</u>	<u>193,363</u>	<u>312,036</u>	<u>845,628</u>	<u>818,463</u>
Other expenses:					
Advertising and promotion	-	-	2,014	2,014	8,625
Community and school progs. and outreach	11,483	1,500	-	12,983	9,282
Facility maintenance and upgrades	-	200	-	200	1,845
Fees (bank, donation proc., payroll proc.)	545	3,203	8,635	12,383	-
Fees for services	8,508	20,288	-	28,796	33,391
Grants to partner fdtns in Haiti - operating	1,053,775	-	-	1,053,775	924,130
Grants to partner fdtns in Haiti - capital	88,500	-	-	88,500	211,500
Grants to other organizations	5,000	-	-	5,000	4,800
Insurance	3,317	5,501	-	8,818	10,273
LCS schools network	2,458	-	-	2,458	14,213
Media subscriptions	330	441	-	771	525
Missionary in-country community	1,624	-	-	1,624	1,245
Occupancy	12,419	14,693	8,040	35,152	34,404
Postage	-	1,338	2,864	4,202	4,506
Printing	-	437	13,888	14,325	20,705
Professional development	649	487	427	1,563	1,698
Staff search	-	-	-	-	73
Supplies	1,000	2,021	1,888	4,909	29,108
Tech services and upgrades	2,944	5,137	3,460	11,541	10,449
Telephone and internet	3,097	2,980	2,801	8,878	9,241
Travel/housing/transportation	2,863	8,411	13,220	24,494	20,682
Uncollectible pledges	-	-	3,000	3,000	5,000
Total other expenses	<u>1,198,512</u>	<u>66,637</u>	<u>60,237</u>	<u>1,325,386</u>	<u>1,355,695</u>
Total functional expenses	<u>\$ 1,538,741</u>	<u>\$ 260,000</u>	<u>\$ 372,273</u>	<u>\$ 2,171,014</u>	<u>\$ 2,174,158</u>

The notes are an integral part of these financial statements.

THE HAITIAN PROJECT, INC.
Statement of Cash Flow
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating activities:		
Change in net assets	\$ 2,837,545	\$ (1,007,751)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized and realized loss (gain) on investments	(485,097)	596,653
Changes in current assets and liabilities:		
Accounts receivable	(1,184)	-
Pledges receivable	(1,706,391)	419,791
Operating lease right of use asset	(14,509)	-
Accounts payable	504	92
Operating lease liability	14,314	-
	645,182	8,785
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of investments	(48,848)	21,474
	(48,848)	21,474
Net cash provided by investing activities		
Net increase (decrease) in cash	596,334	30,259
Cash and restricted cash and cash equivalents - beginning of period	473,654	443,395
Cash and restricted cash and cash equivalents - end of period	\$ 1,069,988	\$ 473,654
Additional disclosures		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

The notes are an integral part of these financial statements.

THE HAITIAN PROJECT, INC.

Notes to Financial Statements

December 31, 2023

Note 1 - Description of the Organization

The Haitian Project (“the Project”) through its support of Louverture Cleary Schools, a national network of tuition-free, Catholic, co-educational secondary boarding schools in Haiti, provides for the education of academically talented and motivated students from Haitian families who cannot afford the cost of their children’s education in order to maximize their potential and enable them to work toward building a Haiti where justice and peace thrive.

The majority of revenue is from contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Project have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require the Project to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions are those not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Project. These net assets may be used at the discretion of management and the Board of Directors.
- Net assets with donor restrictions are those subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Project or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Project considers cash and cash equivalents to be equal to cash balances within checking, savings accounts, certificate of deposits, and money market funds.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Pledges Receivable

The Project uses a specific write-off method for bad debts. Under this method, an allowance for doubtful accounts is not maintained, but pledges receivable is written off when they become uncollectible.

Generally accepted accounting principles require an allowance for doubtful accounts receivable whenever they can be reasonably estimated and is a material amount. The effect of using the specific write-off method instead of the reserve method is not material to these financial statements.

Property and Equipment

The Project's policy is to capitalize all purchases of property and equipment over \$2,500 having a useful life of a year or more as fixed assets. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value.

Depreciation is calculated under the straight-line method over the estimated useful lives of the assets. Building and improvements have a useful life of twenty-five years; vehicles and equipment have useful lives of five to twenty-five years.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at fair value in the accompanying financial statements. Unrealized gains and losses are included in the change in net assets.

Revenue Recognition

Contribution Revenue

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows. Conditional contributions are recorded when conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Project reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated tie restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the statement of activities.

Donor restricted contributions are initially reported as net asset with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grant Income

Grants that are funded as reimbursements are recognized in the period in which the Project incurs the reimbursable program expenses.

Grants that are funded in advance of programs are recognized as contributions and recorded in the period of their award notice.

Recognition of Donor Restrictions

All donor restricted support is reported as an donor restricted net assets. When a restriction expires, the restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Project reports the donation as unrestricted.

Contributions of Nonfinancial Assets

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair market values in the period received.

Income Taxes

The Project is exempt from income taxes as a charitable organization under Section 501(c)(3) under the Internal Revenue Code and is not considered a private foundation.

The Project evaluates its uncertain tax positions using guidance for contingencies as contained in U.S. generally accepted accounting principles. The Project was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Project annually files Internal Revenue Service Form 990 - *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities and the Project's income tax returns are subject to examination by the IRS and state authorities, generally for three years after they were filed. The Project currently has no tax examinations in progress.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Leases

At contract inception, the Project determines if a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the accompanying statement of Financial Position.

ROU assets represent the Project’s right to use an underlying asset for the lease term and lease liabilities represent the Project’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Bureau will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Project has elected to expense payments for short-term leases with a term of twelve (12) months or less, as these leases are not included as lease liabilities or right of use assets on the Statement of Financial Position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Project has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liabilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Project’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassification

Amounts from prior year financial statements have been reclassified to conform to the current year’s presentation.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncement

On February 25, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-12, *Leases (Topic 842)*. Accounting Standards Codification (“ASC”) Topic 842 supersedes existing lease guidance, including ASC-840-*Lease*. Among other things, ASU 2016-02 requires recognition of a right-of-use assets and liability of the future lease payments for contracts that meet the definition of a lease and requires disclosure of certain information about leasing arrangements. On July 30, 2018, the FASB issued ASU No. 2018-11., *Leases (Topic 842): Targeted Improvements*, which among other things, allows companies to elect an option transition method to apply the new lease standard through a cumulative-effect adjustment in the period of adoption.

The Project adopted the standard on January 1, 2023, using the optional transition method and, as a result, did not adjust the prior period financial statements. All prior period amounts and disclosures are presented under ASC 840. The Project elected the package of practical expedients, which, among other things, allows the Project to carry forward the prior lease terms they previously determined under ASC 840. Adoption of the new standard resulted in the recording of additional lease assets and liabilities on the Statement of Financial Position, with no cumulative impact to net assets, and did not have a material impact on the Project’s change in net assets for the year ended December 31, 2023.

Effective January 1, 2023, the Project adopted the provisions of FASB ASC Topic 326, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13). This update establishes the current expected credit loss (CECL) model established by ASU 2016-13, which requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers historical information as well as current and future economic conditions and events. As of December 31, 2023, the Project has determined that there are no current expected credit losses that require recognition.

Note 3 - Availability and Liquidity

The following represents the Project’s financial assets at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,069,988	\$ 473,654
Investments	4,151,469	3,617,524
Receivables	<u>2,354,198</u>	<u>646,623</u>
Total financial assets	7,575,655	4,737,801
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(4,590,365)	(2,119,259)
Board restricted	<u>(2,064,641)</u>	<u>(1,825,980)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 920,649</u>	<u>\$ 792,562</u>

Note 4 - Pledges Receivable

For the years ended December 31, 2023 and 2022, the Project has accepted contribution pledges. These pledges are expected to be collected in future years. The pledges have not been adjusted to the present value of their estimated future cash flows because it was not material to these financial statements. An allowance for doubtful pledges was not recorded in the years ended December 31, 2023 and 2022 because the Project uses the specific write-off method. The effect of using the specific write-off method instead of the reserve method is not material to these financial statements.

Included in pledges receivable are the following promises to give at December 31, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Pledges receivable	\$ 1,903,213	\$ 545,150
Less: unamortized present value discount	<u>-</u>	<u>-</u>
Net pledges receivable	<u>\$ 1,903,213</u>	<u>\$ 545,150</u>

The following schedule summarizes pledges receivable as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current:		
Due within one year	\$ 276,861	\$ 34,023
Noncurrent:		
Due in two years	\$ 735,700	\$ 245,300
Due in three years	735,810	64,260
Due in four years	60,250	62,200
Due in five years and thereafter	<u>94,592</u>	<u>139,367</u>
Total noncurrent	<u>1,626,352</u>	<u>511,127</u>
Total	<u>\$ 1,903,213</u>	<u>\$ 545,150</u>

Note 5 - Investments

Investments are stated at fair value and are summarized as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money markets and cash equivalents	\$ 785,390	\$ 524,893
Certificate of deposit - domestic	17,100	16,601
Domestic equities	1,990,276	1,622,821
International equities	738,965	711,667
Fixed income	<u>619,738</u>	<u>741,542</u>
Total	<u>\$ 4,151,469</u>	<u>\$ 3,617,524</u>

Note 5 continued on the next page.

Note 5 - Investments (continued)

The following schedule summarizes the investments return and its classification in the statement of activities for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 50,630	\$ 33,371	\$ 84,001
Unrealized and realized gains (losses)	300,717	184,380	485,097
Investment fees	<u>(11,026)</u>	<u>(6,879)</u>	<u>(17,905)</u>
Total	<u>\$ 340,321</u>	<u>\$ 210,872</u>	<u>\$ 551,193</u>

The following schedule summarizes the investments return and its classification in the statement of activities for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 45,300	\$ 25,101	\$ 70,401
Unrealized and realized gains (losses)	(380,781)	(215,872)	(596,653)
Investment fees	<u>(14,865)</u>	<u>(8,255)</u>	<u>(23,120)</u>
Total	<u>\$ (350,346)</u>	<u>\$ (199,026)</u>	<u>\$ (549,372)</u>

Note 6 - Fair Value Measurements

U.S. generally accepted accounting principles establish a framework for measuring fair value and expand disclosures about fair value measurements for assets and liabilities. That framework provides 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 (level 1 input) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1 - valuations based on quoted prices in active markets for identical investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3 - valuations based on inputs that are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Note 6 continued on the next page.

Note 6 - Fair Value Measurements (continued)

The following tables present assets at December 31, 2023 and 2022 that the Project measures at fair value on a recurring basis by level within the fair value hierarchy.

<u>Investments</u>	<u>2023</u>	<u>2022</u>
Level 1:		
Money market and cash equivalents	\$ 785,390	\$ 524,893
Certificate of deposit - domestic	17,100	16,601
Equities:		
Domestic - Vanguard Index Fund	1,990,276	1,622,821
International - Vanguard Star Fund	738,965	711,667
Fixed Income:		
Government Bonds	79,801	158,537
Corporate Bonds	539,937	583,005
Total Level 1	<u>4,151,469</u>	<u>3,617,524</u>
Level 2	-	-
Level 3	-	-
Total investments	<u>\$ 4,151,469</u>	<u>\$ 3,617,524</u>

Note 7 - Endowment

The Project's endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Project operates under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Project classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 7 continued on the next page.

Note 7 - Endowment (continued)

In accordance with Rhode Island State law, the Project considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) the duration and preservation of the endowment fund
- b) the purpose of the Project and the endowment
- c) general economic conditions
- d) the possible effect of inflation or deflation
- e) the expected total return from income and the appreciation of investments
- f) other resources
- g) the investment policy of the Project

Return Objective and Risk Parameters - The Project has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Project must hold for a donor-specified time as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for Endowment Funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the Endowment Funds over the long-term and capital market volatility, the Board of Directors believes a very conservative investment strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The Board has reserved the right to change this conservative investment strategy as financial markets improve.

Strategies Employed for Achieving Objective - To satisfy its long-term rate-of-return objectives, the Project relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). The Project targets an asset allocation of 70% equity and 30% fixed and targets a low-risk asset portfolio to minimize potential market loss.

Spending Policy - The Project has the following Spending Policy.

Post-Graduate Education Fund - Annually the Investment Committee, at the request of the Board of Directors, will make available funds to support the continuing education of Louverture Cleary graduates.

The amounts set aside for this purpose shall not exceed the sum of the gross earnings (both realized and unrealized) for the year plus any carry-forward from prior years (see below). The real gross earnings are the nominal gross earnings adjusted for the annual change in the cost of education in Haiti as measured by the "Haiti Education Price Index," an index established and monitored by the Investment Committee.

No distribution of income will be made in the subsequent year if, at the end of the prior calendar year, the market value of the Fund falls below the sum of the combined principals of all individual scholarship funds.

Note 7 continued on the next page.

Note 7 - Endowment (continued)

Post-Graduate Education Fund (continued) - In years in which less than 100% of the funds set aside for continuing education are used, the difference will be carried forward to subsequent years.

The distribution will be transferred from the Fund to the appropriate operating account(s) in a single transfer in the first calendar quarter of the year.

Endowment Fund (Board Controlled) - The Investment Committee will annually recommend the percentage distribution (“payout rate”) from the Fund to support the programs of The Haitian Project. Except in extraordinary circumstances, the recommended payout rate is to be no more than 6% and should generally fall in the range of 4% to 6%, a level consistent with that of other established foundations and endowments.

The amount of distribution (“Distribution”) will be the payout rate multiplied by the average of the balance of the Fund on December 31 of the prior two years. For example, the distribution for 2016 will be the payout rate multiplied by the average of the balance of the fund on December 31, 2015 and December 31, 2016.

The distribution will be transferred from the Fund to the appropriate operating account(s) in four equal transfers, one in each calendar quarter. For example, four equal transfers might be made as one each in January, April, July and October.

The Board has reserved the right to change the spending policy depending on the financial market conditions and performance and investment returns.

The composition of endowment net assets by net asset class is as follows for the year ended December 31, 2023:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,588,184	\$ 1,588,184
Board designated endowment funds	2,064,641	-	2,064,641
	<u>\$ 2,064,641</u>	<u>\$ 1,588,184</u>	<u>\$ 3,652,825</u>

Note 7 continued on the next page.

Note 7 - Endowment (continued)

Endowment activities by net asset class are as follows for the year ended December 31, 2023:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,825,980	\$ 1,300,959	\$ 3,126,939
Contributions	6,400	76,350	82,750
Investments returns:			
Interest and dividends	42,580	33,374	75,954
Net realized and unrealized gains (losses)	298,940	184,380	483,320
Disbursements	(100,000)		(100,000)
Investments fees	(9,259)	(6,879)	(16,138)
Endowment net assets, end of year	<u>\$ 2,064,641</u>	<u>\$ 1,588,184</u>	<u>\$ 3,652,825</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 2,064,641	\$ 1,588,184	\$ 3,652,825
Other net assets	<u>920,248</u>	<u>3,002,181</u>	<u>3,922,429</u>
Total net assets	<u>\$ 2,984,889</u>	<u>\$ 4,590,365</u>	<u>\$ 7,575,254</u>

The composition of endowment net assets by net asset class is as follows for the year ended December 31, 2022 as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,300,959	\$ 1,300,959
Board designated endowment funds	<u>1,825,980</u>	<u>-</u>	<u>1,825,980</u>
	<u>\$ 1,825,980</u>	<u>\$ 1,300,959</u>	<u>\$ 3,126,939</u>

Note 7 continued on the next page.

Note 7 - Endowment (continued)

Endowment activities by net asset class are as follows for the year ended December 31, 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,260,043	\$ 1,452,261	\$ 3,712,304
Contributions	11,900	147,723	159,623
Investments returns:			
Interest and dividends	40,443	25,101	65,544
Net realized and unrealized gains (losses)	(374,249)	(215,872)	(590,121)
Disbursements	(100,000)	(100,000)	(200,000)
Investments fees	(12,157)	(8,254)	(20,411)
Endowment net assets, end of year	<u>\$ 1,825,980</u>	<u>\$ 1,300,959</u>	<u>\$ 3,126,939</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 1,825,980	\$ 1,300,959	\$ 3,126,939
Other net assets	<u>792,470</u>	<u>818,300</u>	<u>1,610,770</u>
Total net assets	<u>\$ 2,618,450</u>	<u>\$ 2,119,259</u>	<u>\$ 4,737,709</u>

Note 8 - Board Designated Net Assets

At December 31, 2023 and 2022, the Project's Board of Directors has designated unrestricted net assets as follows:

	2023	2022
Designated for long term investment	<u>\$ 2,064,641</u>	<u>\$ 1,825,980</u>

Note 9 - Net Assets - With Donor Restrictions

As of December 31, 2023 and 2022, the following is a detail of the restricted net assets:

	<u>2023</u>	<u>2022</u>
Program grants and isolated funds	\$ 913,971	\$ 273,150
Pledges	1,785,098	166,860
Post Grad Support Endowment Earnings	<u>21,855</u>	<u>-</u>
Total restrictions for specific purpose	<u>\$ 2,720,924</u>	<u>\$ 440,010</u>
Not subject to appropriation of expenditures:		
Post Grad Support Endowment	\$ 886,132	\$ 775,453
OEA Endowment	679,868	525,456
Pledges	<u>303,441</u>	<u>378,340</u>
Total donor restricted endowment	<u>\$ 1,869,441</u>	<u>\$ 1,679,249</u>
Total with donor restrictions	<u>\$ 4,590,365</u>	<u>\$ 2,119,259</u>

Note 10 - Net Assets Released from Restrictions

Net assets were released from contract and donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the contracts or donors. The amounts released during the years ended December 31, 2023 and 2022, respectively, are as follows:

	<u>2023</u>	<u>2022</u>
Program expenses	\$ 350,861	\$ 395,941
Endowment pledge payments	2,000	7,400
Annual fund pledge payments	155,000	262,500
Endowment distribution	-	12,298
Other	23,867	-
To restrict funds with donor restrictions not spent	<u>-</u>	<u>(28,694)</u>
Total net assets released from restriction	<u>\$ 531,728</u>	<u>\$ 649,445</u>

Note 11 - Operating Lease Commitments

Office Space

On June 1, 2022, the Project entered into a two-year lease that expires on May 31, 2024 with an option to extend the lease for one additional year. The lease expense for the years ended December 31, 2023 and 2022 was \$35,268 and \$20,573.

Cash paid for amounts in the measurement of lease liabilities was \$35,346 for the year ended December 31, 2023. The Right-of-Use (ROU) assets obtained in exchange for operating liabilities totaled \$67,086 for the year ended December 31, 2023. The accumulated amortization of the ROU assets as of December 31, 2023 was \$3,069.

Maturities of the lease liabilities at December 31, 2023 are as follows for the years ending:

December 31, 2024	\$ 14,695
Total	14,695
Imputed interest	(381)
Total present value	14,314
Lease liabilities, current portion	(14,314)
Total lease liabilities, net of current portion	<u>\$ -</u>

As of December 31, 2023, the remaining weighted-average lease term for the operating leases is one year. The Project has utilized a risk-free discount rate determined using a period comparable with that of the lease term for computing present value of all lease liabilities. The weighted average discount rate associated with the operating leases as of December 31, 2023 was 2.66%.

Note 12 - Internal Payable/Receivable Loan

During the year ended December 31, 2022, the Project's Board of Directors authorized borrowing \$300,000 from the General Endowment Fund for Model Campus construction costs. The Project has documented this with a promissory note for \$300,000 for one year at an interest rate of 1.5%, which the board renewed for an additional one-year term in August of 2023. The internal payable and receivable amounts have been eliminated for financial purposes on the statement of financial position.

Note 13 - Contributed Services and Facilities

The Project has received nonfinancial asset donations of program services. The values of these donations are recorded as revenue and expense in the statement of activities, and for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Accounting and legal services	\$ 6,240	\$ 3,820
Housing	3,430	5,848
Books and supplies	290	27,007
Total	<u>\$ 9,960</u>	<u>\$ 36,675</u>

Note 14 - Related Party

During the years ending December 31, 2023 and 2022, the spouse of the executive director was employed by the Project as the Director of New School Construction. The employee earned \$63,500 and \$62,500 during the years ended December 31, 2023 and 2022, respectively.

Note 15 - Concentration of Credit Risk

The Project has concentrated its credit risk for cash by maintaining deposits in one financial institution. The Federal Deposit Insurance Corporation (FDIC) insure the balance up to \$250,000. At December 31, 2023 and 2022, the Project had \$1,180,637 and \$358,201, respectively, in uninsured cash balance.

Note 16 - Subsequent Events

Subsequent events have been evaluated through November 9, 2024, which is the date the financial statements were available for issuance.

On July 1, 2024, the Project signed a new one-year agreement for office space with an option to extend the lease for one additional year.