

**The Grant Foundation
d/b/a Hôpital Albert Schweitzer
Haiti**

Financial Statements

**Years Ended December 31, 2017 and 2016
with Independent Auditor's Report**

MaherDuessel

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**THE GRANT FOUNDATION
D/B/A HÔPITAL ALBERT SCHWEITZER HAITI**

YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

**Board of Directors
The Grant Foundation
d/b/a Hôpital Albert
Schweitzer Haiti**

We have audited the accompanying financial statements of The Grant Foundation d/b/a Hôpital Albert Schweitzer Haiti (HAS), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of unrestricted revenues and expenses, changes in net assets, 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 did not audit the financial statements of the Haiti-based operations of HAS, whose assets constitute twenty-nine percent in 2017 and twenty-eight percent in 2016 of HAS as a whole, and whose total unrestricted support and revenues constitute twelve percent in 2017 and seventeen percent in 2016, of the related totals as presented in Note 15. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haiti-based operations of HAS, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, based on our audits and the report of the other auditors for 2017 and 2016, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of HAS as of December 31, 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.

Mahe Duessel

Pittsburgh, Pennsylvania
April 20, 2018

**THE GRANT FOUNDATION
D/B/A HÔPITAL ALBERT SCHWEITZER HAITI**

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,011,658	\$ 1,442,466
Accounts and contributions receivable (Note 4)	282,359	231,015
Grants receivable (Note 5)	-	26,797
Inventories (Note 6)	1,388,474	1,362,117
Security deposit	6,695	27,342
Advances to suppliers and prepaid expenses	18,894	22,954
Total current assets	2,708,080	3,112,691
Non-current assets:		
Investments (Note 7)	11,831,796	11,697,739
Fixed assets (Note 8)	3,491,046	3,111,491
Total non-current assets	15,322,842	14,809,230
Total Assets	\$ 18,030,922	\$ 17,921,921
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses (Note 9)	\$ 452,556	\$ 432,757
Deferred revenue	6,060	6,060
Accrued pension liability - current	12,483	14,290
Total current liabilities	471,099	453,107
Non-current liabilities:		
Deferred revenue	12,120	18,180
Accrued pension liability (Note 10)	55,198	65,066
Total non-current liabilities	67,318	83,246
Total Liabilities	538,417	536,353
Net Assets:		
Unrestricted	10,696,838	11,019,788
Unrestricted, board-designated, for endowment	2,000,000	2,000,000
Total unrestricted	12,696,838	13,019,788
Temporarily restricted (Note 11)	1,897,165	1,830,850
Permanently restricted (Note 12)	2,898,502	2,534,930
Total Net Assets	17,492,505	17,385,568
Total Liabilities and Net Assets	\$ 18,030,922	\$ 17,921,921

See accompanying notes to financial statements.

THE GRANT FOUNDATION
D/B/A HÔPITAL ALBERT SCHWEITZER HAITI

STATEMENTS OF UNRESTRICTED REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Revenues:		
Contributions	\$ 2,054,730	\$ 2,373,314
Net assets released from restrictions (Note 11)	2,728,651	2,887,050
Fundraising revenue	616,168	478,931
Hospital and community services fees	456,101	430,538
Contributed drugs, supplies, and services	166,439	168,961
Sundry (loss) income	185,766	191,303
Foreign exchange (loss) gain, net	35,498	36,801
Other	-	3,370
	6,243,353	6,570,268
Total operational revenue		
Return on investments (Note 7)	1,218,842	598,357
Total unrestricted revenue	7,462,195	7,168,625
Expenses:		
Operational expenses:		
Hospital operations (Note 14)	3,979,982	3,608,568
Integrated Community Services	1,349,301	1,162,961
Physical plant	534,378	465,588
Depreciation (Note 8)	371,970	346,473
Total operational expenses	6,235,631	5,583,590
Administrative expenses:		
Hospital and programs administration	450,879	437,100
Foundation administration and fundraising	1,055,612	1,056,388
Pension expense (Note 10)	43,023	38,788
Total administrative expenses	1,549,514	1,532,276
Total expenses (Note 14)	7,785,145	7,115,866
Excess (Deficiency) of Unrestricted Revenues Over Expenses	\$ (322,950)	\$ 52,759

See accompanying notes to financial statements.

**THE GRANT FOUNDATION
D/B/A HÔPITAL ALBERT SCHWEITZER HAITI**

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Net Assets:		
Beginning of year	\$ 13,019,788	\$ 12,967,029
Change in unrestricted net assets	(322,950)	52,759
Balance at end of year	\$ 12,696,838	\$ 13,019,788
Temporarily Restricted Net Assets:		
Beginning of year	\$ 1,830,850	\$ 1,799,366
Contributions during the year	2,750,721	2,901,691
Return on investments (Note 7)	44,245	16,843
Net assets released from restrictions	(2,728,651)	(2,887,050)
Change in temporarily restricted net assets	66,315	31,484
Balance at end of year (Note 11)	\$ 1,897,165	\$ 1,830,850
Permanently Restricted Net Assets		
Beginning of year	\$ 2,534,930	\$ 931,295
Contributions during the year	-	1,002,219
Return on investments (Note 7)	363,572	601,416
Change in permanently restricted net assets	363,572	1,603,635
Balance at end of year (Note 12)	\$ 2,898,502	\$ 2,534,930
Total Net Assets:		
Beginning of year	\$ 17,385,568	\$ 15,697,690
Change in net assets	106,937	1,687,878
Balance at end of year	\$ 17,492,505	\$ 17,385,568

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 106,937	\$ 1,687,878
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized (increase) decrease in fair value of investments	(953,139)	(368,431)
Net realized (gain) loss on sale of investments	(496,434)	(693,200)
Contributions restricted for long-lived assets	345,873	(111,108)
Contributed stock for the permanent endowment	-	(1,001,219)
Depreciation (Note 8)	371,970	346,473
Change in:		
Accounts and contributions receivable	(51,344)	(5,859)
Grants receivable	26,797	3,191
Inventories	(26,357)	172,298
Security deposit	20,647	(22,581)
Advances to suppliers and prepaid expenses	4,060	40,989
Accounts payable and accrued expenses	19,799	128,124
Deferred revenue	(6,060)	24,240
Accrued pension liability	(11,675)	(13,231)
Gift annuity liability	-	(341)
	(648,926)	187,223
Net cash provided by (used in) operating activities		
Cash Flows From Investing Activities:		
Additions to land, buildings, construction in progress, and equipment (Note 8)	(751,670)	(356,965)
(Purchase) sales of investments, net	1,315,661	(792,202)
	563,991	(1,149,167)
Net cash provided by (used in) investing activities		
Cash Flows From Financing Activities:		
Contributions for long-lived assets	(345,873)	111,108
Contributions for permanent endowment	-	1,001,219
	(345,873)	1,112,327
Net cash provided by (used in) financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(430,808)	150,383
Cash and Cash Equivalents:		
Beginning of year	1,442,466	1,292,083
End of year (Note 3)	\$ 1,011,658	\$ 1,442,466

See accompanying notes to financial statements.

THE GRANT FOUNDATION D/B/A HÔPITAL ALBERT SCHWEITZER HAITI

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Organization

The Grant Foundation, doing business as Hôpital Albert Schweitzer Haiti (HAS), is a not-for-profit corporation, registered in the State of Pennsylvania, USA, which supports and maintains operations in Deschapelles, Haiti. As referenced in le Moniteur (the Official Publication of the Government of Haiti) of October 1, 1953, under a contract between the Haitian Government and HAS, HAS is authorized to establish and maintain a hospital in Haiti.

HAS was founded in 1956 and its mission is to collaborate with the people in the Artibonite Valley District of Haiti, as they strive to improve their health and quality of life. The financial statements include the operations of HAS USA and the operations of HAS Haiti.

Per the 1953 agreement with the Haitian Government, HAS has the option at its discretion to remit the hospital and its equipment to the Haitian Government or to a private organization duly approved by the Haitian Government. Management of HAS does not believe that it will exercise that option in the foreseeable future.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting, recognizing revenues when earned and recording expenses when incurred. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Certain unrestricted net assets are designated by the Board of Directors (Board) for specific purposes.

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NOTES TO FINANCIAL STATEMENTS

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Temporarily Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of HAS pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the statements of unrestricted revenues and expenses as net assets released from restriction.

Permanently Restricted Net Assets

Net assets with donor-imposed restrictions that stipulate that resources be maintained permanently, but permit HAS to expend all or a portion of the income derived from the donated assets.

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, HAS considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

(c) Investments

Investments are stated at fair value, which is based on quoted market prices. Gains or losses realized on sales and changes in net unrealized gains or losses are presented in the statements of unrestricted revenues and expenses unless otherwise instructed by the donor for endowment related contributions.

HAS utilizes various investment instruments. Investment securities are stated at fair value and, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

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Earnings on the investment of temporarily restricted net assets are not themselves temporarily restricted; as such, they are reflected within the unrestricted net asset class. Unless otherwise prescribed by the donor, earnings on the investment of permanently restricted net assets are temporarily restricted until released to unrestricted net assets by approval of the Board of Directors; such unreleased investment income is reflected within the restricted net asset class.

(d) Accounts Receivable

Receivables are reported at net realizable value. Accounts receivable are written off to expenses using the direct write-off method if and when they are determined to be uncollectable.

(e) Inventories

Inventories are valued at the lower of average cost or net realizable value. Inventories are expensed as used or, if they are determined to be spoiled, expired, or obsolete, at the time they are so determined.

(f) Contributions

All contributions are available for unrestricted use unless the use is restricted by the donor. Unrestricted contributions are recorded as revenue upon receipt. When contributions are received for a restricted use, they are recorded as either temporarily or permanently restricted contributions. When temporarily restricted contributions are used for the intended purposes or time period, those contributions are recorded as net assets released from restrictions. Permanently restricted net assets are held as such in perpetuity.

Unconditional promises to give cash and other assets to HAS are recorded at fair value at the date the promise is received. Promises expected to be collected in future years are recorded as temporarily restricted net assets, at the present value of their estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Non-cash contributions, such as drugs, supplies, and services, are recorded as unrestricted revenue when received, at their estimated fair market value to the organization.

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Contributed goods are expensed when used. Contributed services are expensed at the time the services are received.

(g) Grants

HAS maintains contractual agreements with international donors whereby it manages programs funded by those donors. Grants received under those programs are recorded as temporarily restricted net assets until related expenses are incurred; at that time, they are recorded as net assets released from restrictions.

Grants receivable in relation to contractual agreements represent expenses already incurred for which funds will be forthcoming under the terms of the agreements and grants promised.

(h) Accounting Estimates

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

(i) Concentration of Credit Risk

HAS's financial instruments exposed to credit risk consist primarily of cash and cash equivalents, investments, grants and accounts receivable, and customs deposits. When valuing those instruments, HAS routinely assesses the financial strength of the financial institutions it uses and the quality of its receivables and the risk of its customs deposits, and, as a consequence, believes that for its cash and cash equivalents, grants receivable, accounts receivable, and customs deposits, credit risk exposure is very limited.

(j) Income Taxes

HAS is a not-for-profit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 509(a)(1) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is necessary. HAS is also exempt from sales and income taxes. Further, HAS annually files a Form 990 and, if necessary, a Form 990T.

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(k) Fixed Assets

Land, building, and equipment are recorded at cost or, if donated, at fair market value at date of receipt. The cost of buildings and equipment is depreciated over the estimated useful lives of the various classes using primarily the straight-line method, as follows:

	<u>Years</u>
Buildings	20
Vehicles	4
Equipment	4, 5, and 10
Computer equipment	5
Generators	5

Investment in progress is transferred to its corresponding category of buildings and equipment, and then depreciated over its estimated useful life from the time it is ready for usage.

Depreciation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

Major costs for improvements and reconditioning are capitalized and costs for maintenance and repairs are charged directly to expenses.

Gains or losses realized on disposals of buildings and equipment are recognized in the statements of unrestricted revenue and expenses.

(l) Hospital and Dispensary Fees

HAS charges a fee to all clinic patients and in-patients for treatment, if they are able to pay, and only amounts collected are reflected in the financial statements as they are the only fees to be realized. A moderate charge is made for any elective surgeries which may be performed for a patient and for several other services performed for out-district patients.

(m) Defined Benefit Pension Plan

HAS maintains a defined benefit pension plan for former employees who were pensioners as of December 31, 2006. The pension plan provides defined pension benefits based upon

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years of credited services and final average earnings. In accordance with accounting principles generally accepted in the United States of America (GAAP), an actuarial valuation was obtained to support the accrued pension liability as of December 31, 2015, and the net periodic benefit cost for the year then ended. For 2017 and 2016, projections were made by the actuaries based upon the 2015 report.

The initial net transition obligation has been amortized over the expected future lifetime of the plan participants at the date established using 4.90 years and a straight-line amortization method. Cumulative gains and losses in excess of 10% of the Projected Benefit Obligation have been amortized over the expected future lifetime of the plan participants.

The pension plan does not maintain any assets; the net periodic benefit cost is funded from unrestricted net assets.

(n) Foreign Exchange and Foreign Exchange Risk

The functional currency of HAS is the United States (US) Dollar. Monetary assets and liabilities stated in Haitian Gourdes are converted to US Dollars at the exchange rate prevailing at year-end. Gains and losses resulting from this conversion are included in the statement of unrestricted revenues and expenses.

Transactions in Haitian Gourdes are converted at the exchange rate in effect at the transaction date.

HAS is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below summarizes the allocation of HAS's financial assets and liabilities carried in Haitian Gourdes converted to US Dollars below as of December 31, 2017 and 2016:

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	2017	2016
Cash and cash equivalents	\$ 54,589	\$ 41,095
Accounts and grants receivable	1,138	-
Total assets	55,727	41,095
Accounts payable and accrued liabilities	320,124	280,978
Net	<u>\$ (264,397)</u>	<u>\$ (239,883)</u>

The rates of exchange published by the Central Bank of Haiti as of December 31, 2017 and 2016, respectively, were G 67.7 and G 67.4 for one US Dollar. As of December 31, 2017 and 2016, for each variation of one Gourde versus the US Dollar, the currency position in Haitian Gourdes converted would result in an exchange gain or loss of \$4,152 and \$3,560, respectively, as the case may be.

(o) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the hospital's processes, personnel, technology, and infrastructure, and from external factors other than credit, foreign exchange, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all of the hospital's operations.

The hospital's objective regarding operational risk is to balance the avoidance of financial losses and damage to the hospital's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

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- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

(p) Pending Pronouncements

The Financial Accounting Standards Board (FASB) has issued statements that will become effective in future years as outlined below. Management has not yet determined the impact of these statements on the financial statements.

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for the financial statements for the year ending December 31, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606),”* is effective for the financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for the financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash,”* is effective for the financial statements for the year ending December 31, 2019. This amendment requires that

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the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

(r) Reclassification

Certain items for 2016 have been reclassified to conform to the 2017 presentation. The reclassification had no effect on the change in net assets.

(q) Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents

As of December 31, cash and cash equivalents are as follows:

	2017	2016
Cash on hand	\$ 17,199	\$ 13,796
Non-interest bearing accounts	657,582	1,099,943
Interest bearing accounts	336,877	328,727
	<u>\$ 1,011,658</u>	<u>\$ 1,442,466</u>

Interest-bearing accounts in the United States of America represent bank accounts and money market accounts which earn interest at the prevailing rate. There were no interest-bearing accounts in Haiti in 2017 and 2016.

Cash and cash equivalents in Gourdes and US Dollars are as follows:

	2017	2016
In Haitian Gourdes (as converted to US Dollars)	\$ 54,589	\$ 17,062
In US Dollars	957,069	1,425,404
	<u>\$ 1,011,658</u>	<u>\$ 1,442,466</u>

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HAS's United States bank account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended December 31, 2017 and 2016. At December 31, 2017 and 2016, HAS had bank balances of \$46,285 and \$356,404, respectively, in excess of FDIC insured limits.

4. Accounts and Contributions Receivable

As of December 31, accounts and contributions receivable are as follows:

	2017	2016
Accounts receivable	\$ 1,397	\$ 574
Contributions receivable	280,962	230,441
Total	<u>\$ 282,359</u>	<u>\$ 231,015</u>

All receivables are expected to be collected within one year.

5. Grants Receivable

As of December 31, 2017 and 2016, HAS had grants receivable of \$0 and \$26,797, respectively. Receivables are expected to be collected in one year.

6. Inventories

As of December 31, inventories are as follows:

	2017	2016
Pharmaceutical and medical supplies	\$ 1,026,474	\$ 1,088,148
Parts, supplies, and materials	229,282	237,873
Goods in transit	109,294	7,580
Fuel, gas, and oil	23,424	28,516
	<u>\$ 1,388,474</u>	<u>\$ 1,362,117</u>

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7. Investments

Investments consist of cash investments, money market funds, stocks, mutual funds, and other instruments. The fair value of the investments as of December 31, 2017 and 2016 is \$11,831,796 and \$11,697,739, respectively.

The total returns on investments and cash equivalents for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 170,332	\$ 28,034	\$ -	\$ 198,366
Investment advisor fees	(16,324)	-	(4,956)	(21,280)
Realized gain (loss) on sale of investments	491,952	4,501	(19)	496,434
Change in unrealized gain (loss) in fair value of investments	572,882	11,710	368,547	953,139
Total return on investments	\$ 1,218,842	\$ 44,245	\$ 363,572	\$ 1,626,659

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 162,522	\$ 17,314	\$ -	\$ 179,836
Investment advisor fees	(19,000)	(471)	(2,209)	(21,680)
Realized gain (loss) on sale of investments	697,613	-	(7,189)	690,424
Change in unrealized gain (loss) in fair value of investments	(242,778)	-	610,814	368,036
Total return on investments	\$ 598,357	\$ 16,843	\$ 601,416	\$ 1,216,616

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Fair values of assets measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

Description	12/31/17	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash investments:				
Money market funds	\$ 649,039	\$ 649,039	\$ -	\$ -
Equities - domestic	6,685,353	6,685,353	-	-
Equities - international	1,633,883	1,633,883	-	-
Equities - emerging markets	455,804	455,804	-	-
Fixed income - bond funds	1,514,618	1,514,618	-	-
Fixed income - other	539,800	539,800	-	-
Alternative investments - Strategy Fund	347,909	-	347,909	-
Alternative investments - Private Equity	5,390	-	-	5,390
Totals	<u>\$ 11,831,796</u>	<u>\$ 11,478,497</u>	<u>\$ 347,909</u>	<u>\$ 5,390</u>

Description	12/31/16	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash investments:				
Money market funds	\$ 699,044	\$ 699,044	\$ -	\$ -
Equities - domestic	6,340,723	6,340,723	-	-
Equities - international	1,291,756	1,291,756	-	-
Equities - emerging markets	282,007	282,007	-	-
Fixed income - bond funds	2,091,640	2,091,640	-	-
Fixed income - other	532,771	532,771	-	-
Alternative investments - Strategy Fund	428,767	-	428,767	-
Alternative investments - Private Equity	31,031	-	-	31,031
Totals	<u>\$ 11,697,739</u>	<u>\$ 11,237,941</u>	<u>\$ 428,767</u>	<u>\$ 31,031</u>

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including HAS's own assumptions in determining the fair value of financial instruments.

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Return Objectives and Risk Parameters

To satisfy its long-term rate-of-return objectives, HAS relies on returns in excess of the rate of inflation. HAS targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

8. Fixed Assets

Fixed assets at cost are stated as follows at December 31, 2017 and 2016:

	Balance as of December 31, 2016	Additions	Transfers	Disposals	Balance as of December 31, 2017
Land	\$ 183,295	\$ -	\$ -	\$ -	\$ 183,295
Buildings	6,271,562	32,080	1,414,254	-	7,717,896
Vehicles	956,992	1,402	-	(59,800)	898,594
Equipment	1,996,815	64,261	-	(60,573)	2,000,503
Computer equipment	367,372	20,644	-	-	388,016
Generators	330,472	-	-	-	330,472
Investments in progress	993,335	633,283	(1,414,254)	-	212,364
Total fixed assets	<u>\$ 11,099,843</u>	<u>\$ 751,670</u>	<u>\$ -</u>	<u>\$ (120,373)</u>	<u>\$ 11,731,140</u>

	Balance as of December 31, 2015	Additions	Transfers	Disposals	Balance as of December 31, 2016
Land	\$ 183,295	\$ -	\$ -	\$ -	\$ 183,295
Buildings	5,581,296	-	690,266	-	6,271,562
Vehicles	915,191	41,801	-	-	956,992
Equipment	1,888,352	108,463	-	-	1,996,815
Computer equipment	347,617	19,755	-	-	367,372
Generators	330,472	-	-	-	330,472
Investments in progress	1,496,655	186,946	(690,266)	-	993,335
Total fixed assets	<u>\$ 10,742,878</u>	<u>\$ 356,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,099,843</u>

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During 2017 and 2016, accumulated depreciation is as follows:

<u>Accumulated Depreciation</u>	Balance as of December 31, 2016	Additions	Disposals	Balance as of December 31, 2017
Buildings	\$ 4,815,054	\$ 197,216	\$ -	\$ 5,012,270
Vehicles	840,255	56,364	(59,800)	836,819
Equipment	1,656,095	111,009	(60,428)	1,706,676
Computer equipment	346,475	7,381	-	353,856
Generators	330,473	-	-	330,473
Total accumulated depreciation	<u>\$ 7,988,352</u>	<u>\$ 371,970</u>	<u>\$ (120,228)</u>	<u>\$ 8,240,094</u>

<u>Accumulated Depreciation</u>	Balance as of December 31, 2015	Additions	Disposals	Balance as of December 31, 2016
Buildings	\$ 4,652,352	\$ 162,702	\$ -	\$ 4,815,054
Vehicles	771,274	68,981	-	840,255
Equipment	1,561,935	94,160	-	1,656,095
Computer equipment	342,758	3,717	-	346,475
Generators	313,560	16,913	-	330,473
Total accumulated depreciation	<u>\$ 7,641,879</u>	<u>\$ 346,473</u>	<u>\$ -</u>	<u>\$ 7,988,352</u>

9. Accounts Payable and Accrued Expenses

	<u>2017</u>	<u>2016</u>
HASUC (a)	\$ 102,660	\$ 91,377
Trade payables	349,896	341,380
	<u>\$ 452,556</u>	<u>\$ 432,757</u>

(a) The Hôpital Albert Schweitzer Credit Union (HASUC) receives deposits from its members to whom it makes loans. The balance deposited with HAS represents the net outstanding deposits, including interest earned.

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10. Pension Plans

Defined Benefit Pension Plan

During 2017 and 2016, the change in the accrued pension liability was as follows:

	<u>2017</u>	<u>2016</u>
Provision at the beginning of the year	\$ 79,356	\$ 92,587
Benefits paid from the plan	(14,730)	(15,506)
Net periodic benefit (gain)	3,055	2,275
Provision at the end of the year	<u>\$ 67,681</u>	<u>\$ 79,356</u>
Current portion	\$ 12,483	\$ 14,290
Non-current portion	<u>55,198</u>	<u>65,066</u>
	<u>\$ 67,681</u>	<u>\$ 79,356</u>

Net periodic benefit (gain) cost includes:

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 2,573	\$ 3,057
Actuarial loss	4,818	(782)
Exchange rate changes	<u>(4,336)</u>	<u>-</u>
Net periodic benefit (gain)	<u>\$ 3,055</u>	<u>\$ 2,275</u>

As of December 31, 2015, the plan was subjected to an actuarial valuation. For the 2017 and 2016 projections, the following assumptions were used:

- Mortality tables: sex-distinct RP-2014 healthy annuitant mortality tables with generational projection using scale MP-2014 set forward 15 years with no collar adjustment.
- Discount rate of 3.65%
- Weighting for benefit payments of 13/24
- Average future life expectancy of 5.30
- Number of participants: 33 in 2017 and 34 in 2016
- Average age of 79.2 in 2017 and 78.5 in 2016

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Defined Contribution Plan

In 2000, HAS established a qualified contribution plan and a tax-deferred annuity plan covering its employees in the United States. Those plans are administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA CREF) as a single plan. The plan qualifies under Code Section 403(b) of the Internal Revenue Code. Under this plan, HAS contributes 4% of a full-time employee’s compensation to a trust and, in addition, will match an employee’s contribution to the plan up to an additional 4% of compensation. Total employer contributions under the plan were \$39,968 and \$36,513 in 2017 and 2016, respectively.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31 were comprised of the following:

	<u>2017</u>	<u>2016</u>
Agricultural Services	\$ 21,979	\$ 15,770
Hospital Services	623,380	633,592
Infrastructure	237,150	177,005
Other	28,000	149,783
Primary Health Services	614,284	671,937
Endowment	149,821	129,282
Water/Sanitation Services	<u>222,551</u>	<u>53,481</u>
	<u>\$ 1,897,165</u>	<u>\$ 1,830,850</u>

For the year ended December 31, 2017, net assets of \$2,728,651 were released from donor restrictions by incurring expenses satisfying the restricted purpose. For the year ended December 31, 2016, net assets of \$2,887,050 were released from donor restrictions by incurring expenses satisfying the restricted purpose.

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12. Endowment Funds

In 2015, HAS adopted a permanently restricted endowment policy. The policy allows for donor designated endowment contributions to be considered, consistent with the donor's wishes, permanently restricted net assets which will be maintained as such in perpetuity. Unless otherwise set forth by the donor, the investment return earned on permanently restricted net assets is temporarily restricted until released to unrestricted net assets by a decision of the Board of Directors.

Under its endowment policy, the Board of Directors determined that in 2015, \$2,000,000 of unrestricted net assets would be used to create a Board-designated endowment fund.

In 2017 and 2016, under the terms of a number of endowment gift agreements (Agreements), HAS received permanently restricted contributions of stock shares valued at \$0 and \$1,001,219, respectively. According to the Agreements, the donated shares will be held for periods of five years in a custody-only account, beginning as of the date of the Agreements. During the five-year periods, regular or special dividends generated from the donation in the form of cash, may be distributed annually at the discretion of the Board of Directors of HAS for the purpose of providing ongoing support to the mission of HAS. Any special dividends or other distributions generated from the donation during this time period that are paid in the form of stock shares or equity instruments other than cash, will remain in the custody-only account. Following the five-year periods, the donated shares will be invested in accordance with the investment policies and procedures as described in Note 7. In 2017 and 2016, permanently restricted net assets also include \$0 and \$1,000 in cash contributions. During 2017, \$43,950 in investment income earned on endowment assets was added to temporarily restricted net assets for future use at the discretion of the Board of Directors. Endowment funds are included in the investments described in Note 7.

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The composition of and changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at December 31, 2016	\$ 2,000,000	\$ 129,282	\$ 2,534,930	\$ 4,664,212
Contributions received	-	-	-	-
Return on investments	-	43,950	363,572	407,522
Appropriation of endowment funds	-	(23,411)	-	(23,411)
Balance at December 31, 2017	<u>\$ 2,000,000</u>	<u>\$ 149,821</u>	<u>\$ 2,898,502</u>	<u>\$ 5,048,323</u>

13. Lease

HAS leases its office space in the United States. The expenses relating to this lease for the years ended December 31, 2017 and 2016 were \$34,146 and \$34,146, respectively. Future minimum non-cancelable lease payments include \$31,800 for 2018 and \$31,800 for 2019.

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14. Expenses

For 2017 and 2016, expenses by nature are as follows:

	2017					Total
	Haiti Program Services			Institutional Support		
	Hospital	Community Health	Community Development	Administration	Fundraising	
Salaries, benefits, and taxes	\$ 2,692,442	\$ 539,790	\$ 90,390	\$ 109,688	\$ 449,762	\$ 3,882,072
Supplies and pharmaceuticals	1,482,460	456,478	50,608	5,132	29,838	2,024,516
Professional services	251,576	7,500	900	22,075	72,663	354,714
Depreciation	369,741	-	-	2,229	-	371,970
Training and education	19,870	74,121	3,133	198	3,425	100,747
Transportation and travel	117,030	68,460	38,569	57,290	71,890	353,239
Plant maintenance and electrical power generation	312,978	-	-	-	-	312,978
Others	98,054	11,102	8,250	83,429	184,074	384,909
	<u>\$ 5,344,151</u>	<u>\$ 1,157,451</u>	<u>\$ 191,850</u>	<u>\$ 280,041</u>	<u>\$ 811,652</u>	<u>\$ 7,785,145</u>

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	2016					
	Haiti Program Services			Institutional Support		Total
	Hospital	Community Health	Community Development	Administration	Fundraising	
Salaries, benefits, and taxes	\$ 2,548,688	\$ 506,645	\$ 115,138	\$ 107,917	\$ 386,364	\$ 3,664,752
Supplies and pharmaceuticals	1,240,120	296,928	80,802	4,075	22,465	1,644,390
Professional services	242,259	-	-	72,377	104,070	418,706
Depreciation	343,710	-	-	2,763	-	346,473
Training and education	6,946	23,011	8,497	-	382	38,836
Transportation and travel	155,106	45,770	40,495	50,487	61,311	353,169
Plant maintenance and electrical power generation	238,394	-	-	-	-	238,394
Others	88,204	24,986	20,689	45,502	231,765	411,146
	<u>\$ 4,863,427</u>	<u>\$ 897,340</u>	<u>\$ 265,621</u>	<u>\$ 283,121</u>	<u>\$ 806,357</u>	<u>\$ 7,115,866</u>

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Hospital operations of \$5,344,151 and \$4,863,427 for 2017 and 2016, respectively, represent the major component of total expenses. They consist of salaries of physicians, nurses, nurses' aides, nurse assistants, clinical technicians in pharmacy, laboratory, radiology, finance, front desk, clerical, housekeeping, and other general support personnel; in addition, they also include all medical costs such as pharmaceuticals, medical supplies and equipment, information technology and communications expenses, and other related expenses used to provide services.

HAS delivers its community health and community development services in an integrated manner and the operations in each of these areas combine to form one set of integrated community services.

Community Health operations of \$1,157,451 and \$897,340 for 2017 and 2016, respectively, include activities at four community health centers, mobile clinics, community health posts, and public health programs, which operate in the surrounding rural and mountain communities in central Haiti. Expenses consist of salaries of nurses, nurse assistants, supporting personnel, a vast network of community health workers, and include medical supplies and training activities.

Community Development operations of \$191,850 and \$265,621 for 2017 and 2016, respectively, support the reforestation program and water and sanitation activities throughout the communities HAS serves. Expenses consist of salaries of skilled technicians, technical support, materials and equipment, as well as community training.

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15. Segment Reporting

As of December 31, assets are distributed as follows:

	United States		Haiti		Total	
	2017	2016	2017	2016	2017	2016
ASSETS:						
Cash and banks	\$ 641,808	\$ 924,041	\$ 369,850	\$ 518,425	\$ 1,011,658	\$ 1,442,466
Accounts and contributions receivable	280,914	230,479	1,445	536	282,359	231,015
Grants receivable	-	26,797	-	-	-	26,797
Inventories	-	-	1,388,474	1,362,117	1,388,474	1,362,117
Security deposits	3,845	3,845	2,850	23,497	6,695	27,342
Advances and prepaids	18,894	22,954	-	-	18,894	22,954
Investments	11,831,796	11,697,739	-	-	11,831,796	11,697,739
Land, buildings, and equipment, net	6,461	3,315	3,484,585	3,108,176	3,491,046	3,111,491
Total	\$ 12,783,718	\$ 12,909,170	\$ 5,247,204	\$ 5,012,751	\$ 18,030,922	\$ 17,921,921
	71%	72%	29%	28%	100%	100%

	United States		Haiti		Total	
	2017	2016	2017	2016	2017	2016
UNRESTRICTED REVENUES:						
Contributions and fundraising	\$ 2,670,898	\$ 2,852,245	\$ -	\$ -	\$ 2,670,898	\$ 2,852,245
Sundry income and sales	37,453	29,358	148,313	161,945	185,766	191,303
Investment income	645,960	841,135	-	-	645,960	841,135
Net unrealized (decline) increase in fair value of investments	572,882	(242,778)	-	-	572,882	(242,778)
Net assets released from restrictions	2,709,817	2,437,046	18,834	450,004	2,728,651	2,887,050
Other		3,370	658,038	636,300	658,038	639,670
Total	\$ 6,637,010	\$ 5,920,376	\$ 825,185	\$ 1,248,249	\$ 7,462,195	\$ 7,168,625
	88%	83%	12%	17%	100%	100%

The revenue percentages above do not include the change in the fair value of investments.

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16. Sundry Gain

For 2017 and 2016, sundry gain is as follows:

	2017	2016
Revenues collected (a)	\$ 90,627	\$ 121,307
Housing income (b)	88,330	58,300
Others	6,809	11,696
	<u>\$ 185,766</u>	<u>\$ 191,303</u>

- (a) Revenues collected represent management fees paid by donors related to projects managed by HAS. The related expenses are recorded in operational expenses.
- (b) Housing income represents room and board paid by visitors and housing rental revenue.

17. Contingent Liabilities

As of December 31, 2017, HAS was not party to litigation. According to HAS legal counsels, HAS does not anticipate any litigations that could materially affect its financial situation or the results of its operations.

18. Related Party Transactions

The wife of a member of the Board of Directors (Board) of HAS is on the Board of Swiss Partnerschaft Hôpital Albert Schweitzer Haiti (SPHASH). SPHASH, a non-profit organization, located in Switzerland, contributed a total of \$1,056,662 and \$673,374 in 2017 and 2016, respectively, for the support of HAS. These amounts include both cash and donated goods and services. This non-profit expands awareness of the need for health services in Haiti.

A Board member of HAS also serves on the Board of the Canadian Friends of Hôpital Albert Schweitzer Haiti. Canadian Friends of Hôpital Albert Schweitzer Haiti, a non-profit organization, contributed \$80,000 and \$82,500 in 2017 and 2016, respectively, to HAS. This non-profit supports maternal and child health services at HAS and expands awareness in Canada of the need for health services in Haiti.

Significant donations are made to HAS by its Board members.
