

Restavek Freedom Foundation

Financial Statements

Year Ended December 31, 2018

Table of Contents

Independent Auditor's Report-----	1-2
Financial Statements:	
Statement of Financial Position-----	3
Statement of Activities-----	4
Statement of Cash Flows-----	5
Notes to Financial Statements-----	6-12
Supplemental Schedule:	
Statement of Functional Expenses-----	14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Restavek Freedom Foundation

We have audited the accompanying financial statements of Restavek Freedom Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the accounting policies used and the reasonableness of significant 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 reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Restavek Freedom Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 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.

Switzer, McGaughey & King, PSC
Lexington, Kentucky

July 24, 2019

RESTAVEK FREEDOM FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$1,210,277
Investments	1,122,294
Other Receivables	<u>34,611</u>

Total Current Assets	2,367,182
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Fixed Assets:

Land and Buildings	1,705,625
Vehicles	281,275
Office Equipment	28,440
Other Equipment	<u>4,000</u>
	2,019,340

Less Accumulated Depreciation	<u>(388,633)</u>
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Fixed Assets, Net	1,630,707
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Total Assets	<u>\$3,997,889</u>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 21,419
Accrued Payroll	<u>1,158</u>

Total Current Liabilities	22,577
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Net Assets:

Net Assets without Donor Restrictions	3,975,312
Net Assets with Donor Restrictions	<u>- -</u>

Total Net Assets	<u>3,975,312</u>
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Total Liabilities and Net Assets	<u>\$3,997,889</u>
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See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains & Other Support:</u>				
Contributions	\$ 2,537,505	\$ --	\$ --	\$ 2,537,505
Other Income	8,622	--	--	8,622
Dividend & Interest Income, net	27,115	--	--	27,115
Loss on Investments	(62,435)	--	--	(62,435)
Net Assets Released from Restrictions	<u>298,197</u>	<u>(298,197)</u>	<u>--</u>	<u>--</u>
Total Revenues, Gains & Other Support	2,809,004	(298,197)	--	2,510,807
<u>Expenses:</u>				
Program Services:				
Child Advocacy	518,461	--	--	518,461
Leadership Development	302,345	--	--	302,345
Awareness	153,209	--	--	153,209
Rural Community Programs	380,171	--	--	380,171
Hurricane Reconstruction	362,615	--	--	362,615
Bridge Scholarship Program	107,880	--	--	107,880
Other Program Development	286,605	--	--	286,605
Supporting Services:				
Management & General	175,175	--	--	175,175
Fundraising	68,395	--	--	68,395
Total Expenses	<u>2,354,856</u>	<u>--</u>	<u>--</u>	<u>2,354,856</u>
Change in Net Assets	454,148	(298,197)	--	155,951
Net Assets, Beginning of Year	<u>3,521,164</u>	<u>298,197</u>	<u>--</u>	<u>3,819,361</u>
Net Assets, End of Year	<u>\$ 3,975,312</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,975,312</u>

See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flow from Operating Activities:

Increase in Net Assets	\$ 155,951
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	57,551
Realized & Unrealized Loss on Investments, net	35,331
Contributions of Securities	(3,006)
Change in Operating Assets:	
Other Receivables	(11,275)
Change in Operating Liabilities:	
Accounts Payable	10,377
Accrued Payroll	<u>(11,852)</u>
Net Cash Provided by Operating Activities	233,077

Cash Flow from Investing Activities:

Purchase of Fixed Assets	(18,261)
Sale of Investments	<u> --</u>
Net Cash Used in Investing Activities	<u>(18,261)</u>

Increase in Cash	214,816
Cash at Beginning of Year	<u>995,461</u>
Cash at End of Year	<u><u>\$1,210,277</u></u>

Supplemental Disclosures:

Cash Paid for Interest Expense	\$ <u> --</u>
Cash Paid for Income Taxes	<u><u> --</u></u>

See Independent Auditor's Report and Accompanying Notes

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Restavek Freedom Foundation (the Organization) exempt purpose is to help the population of former, current and potential restavecs, the majority of whom are located in Port au Prince, Haiti. By receiving and disbursing donations, money will be available to secure necessary educational supplies and medical supplies for Haitian children living in poverty, unable to attend school or to receive the most basic of hygienic and medical care.

In 2017, the Organization was supported through donor contributions. The officers of the Organization contributed approximately 8% of the Organization's support in 2018. The Organization is a 501(c)(3) non-profit corporation.

Promises to Give

Contributions are recognized when received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grantors that previously provided promises to give have since changed their grants to expense reimbursements. The Organization now receives reimbursements on these grants based on money expended and therefore, no grant receivable is recorded as of December 31, 2018.

Contributed Services

During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization receives more than 3,000 volunteer hours per year.

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Under the Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions

Under ASU No. 2018-08, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence of any donor restrictions.

Also, under ASU No. 2018-18, receipts of unconditional promises to give with payments due in future periods have been reported as net assets with donor restrictions.

Income Taxes

The Organization is a not-for-profit organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization did not have 2017 income subject to unrelated business income tax on Form 990-T.

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2018

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all bank balances and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value based on available market values at year end. Unrealized and realized gains and losses are recorded in the Statement of Activities.

Availability of Organization's Financial Assets

The Organization's cash and cash equivalents, as well as investments on hand at year end, are highly liquid and are available to meet the operating needs of the Organization for the next twelve months. There are no restrictions by donors or others on these assets that would preclude their use in funding the Organization's continued operations.

Fixed Assets

Fixed assets are recorded at cost if purchased or fair value if contributed. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The fixed assets owned by the foundation are all in use in Haiti. The Organization normally capitalizes fixed assets that have lives over one year and a cost basis in excess of \$5,000.

NOTE B - RESTRICTIONS ON NET ASSETS

During 2018, the Organization expended the remaining balance of \$298,070 in net assets with donor restrictions received in 2016 and 2017 for hurricane reconstruction. During 2017, the Organization's Board of Directors also designated an additional \$200,000 for use in Hurricane Reconstruction. Hurricane reconstruction efforts were completed in 2018 and therefore the Board released from designation \$135,582 in remaining unused funds from the previous Board designation.

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2018

NOTE C - INVESTMENTS

At December 31, 2018, the fair value of investments consisted of the following:

Common Stock	
Consulting	\$ 25,147
Consumer Products	151,172
Energy	35,946
Health Care	32,845
Financials	89,680
Information Technology	43,676
Construction	8,042
 Mutual Funds	
Non-Directional	280,302
Energy	30,601
Fixed Income Equities	396,637
Real Estate	9,808
 Uninvested Cash	<u>18,438</u>
 Total	<u>\$1,122,294</u>

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes here levels of inputs that may be used to measure fair value:

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2018

NOTE C - INVESTMENTS (Continued)

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that is observable or can be observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

All of the Organization's investments, which include cash, equities and mutual funds and total \$1,122,294 as of December 31, 2018, are classified Level 1. The fair values of these investments are based upon quoted prices for identical assets in active markets that the entity has the ability to access as of the measurement date.

Investment expenses are typically not a material amount and are netted with dividend and interest income in the Statement of Activities. Investment expenses were \$-0- for the year ended December 31, 2018.

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2018

NOTE D - PROMISES TO GIVE

The only promises to give relates to individual donors who are making monthly payments to the Sponsor a Child program. There are no pledges to the Foundation that are for longer than one year.

NOTE E - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Organization's cash deposits are in financial institutions in Ohio and Haiti and may at times exceed federally insured amounts. The Organization performs ongoing evaluations of their donors. Although the Organization is directly affected by the wellbeing of the economy in general, management does not believe significant credit risk exists at December 31, 2018.

NOTE F - LEASES

The Organization is subject to year-to-year lease agreements for residential, office and educational space in Haiti. A six-month lease agreement was signed in September 2018 at which time rent of \$7,200 was pre-paid for that term. An additional six-month agreement was signed in March 2019. A one-year lease agreement for office space was signed in January 2018 at which time annual rent of \$39,600 was paid. In January 2019, this agreement was renewed for an additional year at an annual rate of \$42,000. A one-year lease agreement for educational space was signed in December 2018 at which time annual rent of \$8,400 was paid. Therefore, no future minimum lease payments exist as of December 31, 2018.

RESTAVEK FREEDOM FOUNDATION
NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)
DECEMBER 31, 2018

NOTE F - LEASES (concluded)

The Organization has also signed an agreement with a vendor for use of hosted website applications including general ledger and online giving portals. The Organization agreed to a minimum annual renewal fee of \$27,548 per year for three additional years beginning in March 2016. This original agreement expired in March 2019, at which time the agreement was renewed for an additional three years at \$13,121 per year.

NOTE G - COMPENSATION POLICY

The Organization's management decided that all officers, directors and direct family members of the officers and directors would serve the organization without compensation during 2018.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2019, which is the date that the financial statements were available to be issued.

Supplemental Schedule

RESTAVEK FREEDOM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Child Advocacy	Leadership Development	Awareness	Rural Community Program	Hurricane Reconstruction	Bridge Scholarship Program	Other Program Development	Total Program	Management & General	Fundraising	Total
Tuition & Education	\$284,511	\$	\$	\$ 29,402	\$	\$ 64,800	\$ 10,430	\$ 389,143	\$	\$	\$ 389,143
Travel:											
Transportation to/from and in Haiti	21,029	36,411	13,723	8,865	7,880	2,041	8,510	98,459	1,328	2,513	102,300
Lodging/Housing	1,500	3,810	1,000	14,685	--	13,425	848	35,268	--	--	35,268
Miscellaneous	5,612	42	10	11,552	7,818	200	796	26,030	3,590	--	29,620
Construction & Labor	1,156	4,422	2,068	42,740	226,405	4,576	2,488	283,855	4,249	--	288,104
Food & Beverage											
Distribution	5,088	3,646	3,059	5,661	5,232	399	31,514	54,599	877	153	55,629
Staffing Costs	147,699	101,252	63,514	102,401	71,870	15,110	117,163	619,009	97,134	35,040	751,183
Supplies	37,754	34,007	4,291	33,192	34,940	3,939	24,390	172,513	16,566	11,539	200,618
Occupancy Costs	--	23,775	23,775	15,000	--	--	14,537	77,087	--	--	77,087
Utilities	4,756	1,910	2,795	4,596	--	917	4,781	19,755	1,692	1,896	23,343
Contract Services	826	84,695	12,482	4,881	--	625	--	103,509	--	6,872	110,381
Funding Other Organizations	--	--	--	--	--	--	--	59,519	--	--	59,519
Depreciation	7,666	6,394	--	--	250	--	36,569	50,879	6,672	--	57,551
Organizational Expenses	--	105	117	117	2,274	--	--	2,613	1,027	--	3,640
Website	--	--	25,051	--	--	--	--	25,051	9,167	71	34,289
Special Events	--	--	--	1,643	--	1,282	--	2,925	--	--	2,925
Processing Fees	--	--	--	316	--	316	--	316	1,777	--	2,093
Professional Fees	864	1,876	1,324	68,867	5,946	250	11,629	90,756	31,096	4,556	126,408
Total Expense	\$518,461	\$302,345	\$153,209	\$343,602	\$362,615	\$107,880	\$323,174	\$2,111,286	\$175,175	\$68,395	\$2,354,856

See Independent Auditor's Report