

Mission of Hope Haiti, Inc.
Financial Statements
June 30, 2015

Cary, Trlica & Wood, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Management and Board of Directors
Mission of Hope Haiti, Inc.
Austin, Texas

We have audited the accompanying financial statements of Mission of Hope Haiti, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses 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 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 qualified audit opinion.

Basis for Qualified Opinion

We did not observe the taking of the physical inventories at June 30, 2015, value stated at \$14,143,978. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mission of Hope Haiti, Inc. as of June 30, 2015, 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.

Cary, Trlica & Wood, P.C.

Cary, Trlica & Wood, PC
February 15, 2016

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MISSION OF HOPE HAITI, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

Assets

Cash and Cash Equivalents	\$ 1,998,754
Accounts Receivable	37,186
Other Assets	37,388
Inventory	14,143,978
Property and Equipment, Net	11,109,619
Construction in Process	996,611
Investments	<u>270,961</u>
 Total Assets	 <u><u>\$ 28,594,497</u></u>

Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses	\$ 207,105
Deferred Revenue	<u>661,461</u>
 Total Liabilities	 868,566

Net Assets

Unrestricted	26,282,557
Temporarily Restricted	<u>1,443,374</u>
 Total Net Assets	 <u>27,725,931</u>
 Total Liabilities and Net Assets	 <u><u>\$ 28,594,497</u></u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF ACTIVITIES
JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 5,946,431	\$ 619,110	\$ 6,565,541
Contributed Goods and Services	26,460,556	-	26,460,556
Contributed Property	35,264	-	35,264
Activities and Programs	3,074,494	-	3,074,494
Special Events, Net	2,784	-	2,784
Investment Income	6,207	-	6,207
Other Income	233,119	-	233,119
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	35,758,855	619,110	36,377,965
Net Assets Released from Restrictions	818,807	(818,807)	-
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	36,577,662	(199,697)	36,377,965
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	20,278,691	-	20,278,691
General and Administrative	1,407,445	-	1,407,445
Fundraising	575,948	-	575,948
	<hr/>	<hr/>	<hr/>
Total Expenses	22,262,084	-	22,262,084
Change In Net Assets	14,315,578	(199,697)	14,115,881
Net Assets - Beginning of Year	11,966,979	1,643,071	13,610,050
	<hr/>	<hr/>	<hr/>
Net Assets - End of Period	<u>\$ 26,282,557</u>	<u>\$ 1,443,374</u>	<u>\$ 27,725,931</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Advertising	\$ -	\$ 37,699	\$ 60,791	\$ 98,490
Agricultural Program	91,436	-	-	91,436
Church Advancement	473,207	-	-	473,207
Computer Expense	84,695	15,880	5,293	105,868
Construction Projects	58,129	-	-	58,129
Containers	40,005	-	-	40,005
Depreciation and Amortization	395,322	48,171	24,758	468,251
Education	408,346	-	1,206	409,552
Fuel	217,661	72,535	-	290,196
Gifts-in-Kind - Food Distribution	12,316,578	-	-	12,316,578
Group Trips	757,147	-	53,293	810,440
Maintenance	137,166	15,241	-	152,407
Medical Care	258,669	-	-	258,669
Nutrition Program	658,365	-	-	658,365
Office Expense	661,479	186,036	109,297	956,812
Office Rent and Utilities	70,561	13,230	4,410	88,201
Orphan Care	95,253	-	-	95,253
Professional Services	38,364	74,786	10,961	124,111
Salaries and Benefits	2,888,723	824,394	281,414	3,994,531
Telephone	41,165	7,718	2,573	51,456
Transaction Fees	86,444	21,821	840	109,105
Travel Expense	320,674	60,126	20,042	400,842
Vehicle Expenses	130,038	16,351	1,070	147,459
Water	49,264	13,457	-	62,721
Total	<u>\$ 20,278,691</u>	<u>\$ 1,407,445</u>	<u>\$ 575,948</u>	<u>\$ 22,262,084</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2015

Cash Flows from Operating Activities

Change in Net Assets	\$ 14,115,881
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	468,251
Realized and Unrealized Loss on Investments	3,256
Donated Securities	(50,891)
Net Realized Losses on Sale of Fixed Assets	
(Increase) Decrease in:	
Accounts and Employee Receivables	(24,731)
Prepaid Expenses	(12,060)
Other Assets	40,904
Inventory	(14,143,978)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(3,243)
Deferred Revenue	341,326
Net Cash Provided by Operating Activities	734,715

Cash Flows from Investing Activities

Purchases of Property and Equipment	(142,639)
Additions to Construction in Process	(923,037)
Proceeds from Sale of Investments	90,441
Purchases of Investments	(21,906)
Net Cash Used in Investing Activities	(997,141)

Net Change in Cash and Cash Equivalents

(262,426)

Cash and Cash Equivalents - Beginning of Year

2,261,180

Cash and Cash Equivalents - End of Year

\$ 1,998,754

Supplemental Disclosures

Contributed Goods, Services and Property	\$ 26,495,820
Contributed Securities	\$ 50,891
Transfer of Construction in Process to Property and Equipment	\$ 274,159

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mission of Hope Haiti, Inc. (the Organization), is a not for profit, faith based corporation organized under Internal Revenue Service (IRS) Code Section 501(c)(3) in the State of Ohio on May 23, 2001. The Vision of the Organization is to bring life transformation to every man, woman, and child in Haiti by following Jesus Christ. The Organization fulfills this Vision by executing on the following core initiatives: church advancement, educational development, health care, orphan care, and the HaitiOne network. The Organization operates in Haiti as Fondation Mission de l'Espoir, a registered Non-Government Organization in Haiti. The Organization has been classified as a publicly supported organization that is not a private foundation under 509(a) of the Code. The donor base of Mission of Hope Haiti, Inc. consists primarily of residents of the United States of America and Canada.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with the reporting principles of not-for-profit accounting as defined by current accounting standards for general-purpose external financial statements of not-for-profit organizations.

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the Organization's mission.

Temporarily Restricted – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or the passage of time. Such assets normally fund specific expenditures of a specific operating or capital nature.

Permanently Restricted – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Organization. Such assets are normally restricted to long-term investments with income earned and appreciation available for specific or general Organization purposes. The Organization had no permanently restricted net assets as of June 30, 2015.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Organization considers all bank and similar deposits, demand accounts, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents. The Organization maintains bank accounts with balances, which, at times, may exceed federally insured limits.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs and quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset or inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight-line method calculated over the estimated useful lives of three through forty years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. The cost of maintenance and repairs that do not materially prolong the useful lives of assets is charged to expense as incurred.

Contributions

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Gift-in-Kind Goods Donated

Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs and fundraising activities; however, no amounts have been reflected in the financial statements as these services do not meet the requirement for recognition. The Organization received approximately 241,900 volunteer hours for the year ended June 30, 2015.

Gift-in-Kind (GIK) Received: The organization received GIK donations of food, clothing and medication for use in programs that support its mission and vision. Such gifts are recorded at estimated fair value on the date of donation based on the quantities donated, their condition and utility for use, by using wholesale pricing guides and sources. During the year ended June 30, 2015, donated goods were recorded totaling \$26,495,820. These gifts were predominately contributed by other non-profit corporations and private donors.

Inventories

Inventories at year-end consist of GIK that have not been distributed or used in the operations of the organization as of the end of the fiscal year. The value of the remaining inventory is based on the estimated fair value as of the date of the donation as disclosed in the GIK note. Value of Inventories as of June 30, 2015 is \$14,143,978. This value consists of medicines valued at \$12,894,917 and food and supplies valued at \$1,249,061.

Income Taxes

The Internal Revenue Service has determined that the Organization is a nonprofit Church that is exempt from income taxes under the provisions of Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

The Organization follows the income tax standard for uncertain tax positions. The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2015.

The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax years ending 2012 to 2014 are open to examination by federal and state authorities.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and supporting services of Mission of Hope Haiti, Inc. are allocated based on the best estimates of management.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 15, 2016, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments consist of the following at June 30, 2015:

	<u>Cost</u>	<u>Market</u>
Fixed Income	\$ 247,983	\$ 245,866
Real Estate Investment Trusts	13,154	14,195
Securitized Reserves	10,923	10,900
Equities	-	-
Total	<u>\$ 272,060</u>	<u>\$ 270,961</u>

Net investment return during the year ended June 30, 2015 totaled \$6,081.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 INVESTMENTS (CONTINUED)

The Organization uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income	\$ 245,866	\$ -	\$ -	\$ 245,866
Real Estate Investment Trusts	14,195	-	-	14,195
Securitized Reserves	10,900	-	-	10,900
Equities	-	-	-	-
	<u>\$ 270,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,961</u>

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2015, consisted of the following:

Land	\$ 1,101,406
Buildings and Improvements	11,203,233
Furniture and Equipment	324,133
Automobiles	729,536
	<u>13,358,308</u>
Less Accumulated Depreciation	<u>(2,248,689)</u>
	<u>\$ 11,109,619</u>

Depreciation expense during the year ended June 30, 2015 totaled \$468,251.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 CONSTRUCTION IN PROCESS

Construction in process consisted of the following at June 30, 2015:

Bercy Pastor Conference Center	\$ 567,215
Grace House	192,644
Tech School	79,801
Transition Home	98,374
Leveque Homes	53,900
Vision 90	1,490
Bercy High School	<u>3,187</u>
	<u>\$ 996,611</u>

NOTE 5 DEFERRED REVENUE

During the year ended June 30, 2015, the Organization collected \$661,461 from individuals to be utilized for group trips occurring subsequent to June 30, 2015.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2015:

HaitiOne Network Development	\$ 289,841
College Sponsorships	7,555
Container Fund	13,864
Bible Fund	7,591
Pastoral Training	25,700
Orphanage Support	12,433
Surgical Fund	15,279
Construction Projects	<u>1,071,111</u>
	<u>\$ 1,443,374</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 LEASE COMMITMENT

The Organization had a lease agreement with Modern Components, LLC. The office facility lease was for a period of three years ending December 31, 2016, with an option to renew for an additional two years. There has not been an extension of the lease as of the date of this financial statement. Total rent expense was \$70,567 during the year ended June 30, 2015.

The following is a schedule by fiscal year of future minimum payments required under this lease:

Year ending June 30:	
2016	\$ 52,776
2017	<u>26,388</u>
Total	<u>\$ 79,164</u>

NOTE 8 CONTRIBUTED GOODS AND PROPERTY

During the year ended June 30, 2015, the Organization received contributed goods through partnership with Convoy of Hope, Inc., and contributed medicines and goods from other organizations valued at \$26,495,820 which represents fair market value of the goods at the time of donation. The goods were utilized in its nutrition and hospital programs.

NOTE 9 CONCENTRATIONS

During the year ended June 30, 2015, the Organization received approximately 72% of its revenues from contributed goods from two donors.