

MISSION OF HOPE HAITI, INC.
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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

INDEPENDENT AUDITORS' REPORT

To the 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, 2016, 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 audit opinion.

Opinion

In our opinion, 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, 2016, 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, PC

Cary, Trlica & Wood, P.C.

January 26, 2017

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MISSION OF HOPE HAITI, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

<u>Assets</u>	
Cash and Cash Equivalents	\$ 1,969,728
Employee Receivable	27,959
Other Assets	17,703
Inventory	7,623,582
Property and Equipment, Net	13,075,087
Construction in Process	<u>1,490,439</u>
Total Assets	\$ <u>24,204,498</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts Payable	\$ 405,794
Credit Card Payable	68,561
Payroll Liabilities	29,078
Deferred Revenue	<u>585,222</u>
Total Liabilities	1,088,655
<u>Net Assets</u>	
Unrestricted	22,308,253
Temporarily Restricted	<u>807,590</u>
Total Net Assets	<u>23,115,843</u>
Total Liabilities and Net Assets	\$ <u>24,204,498</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 8,368,317	\$ 257,399	\$ 8,625,716
Contributed Goods and Services	13,523,798	-	13,523,798
Activities and Programs	3,345,888	-	3,345,888
Special Events, Net	(8,259)	-	(8,259)
Investment Income	(513)	-	(513)
Other Income	237,820	-	237,820
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	25,467,051	257,399	25,724,450
Net Assets Released from Restrictions	893,183	(893,183)	-
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	26,360,234	(635,784)	25,724,450
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	28,112,530	-	28,112,530
General and Administrative	1,558,666	-	1,558,666
Fundraising	663,342	-	663,342
	<hr/>	<hr/>	<hr/>
Total Expenses	30,334,538	-	30,334,538
Change In Net Assets	(3,974,304)	(635,784)	(4,610,088)
Net Assets - Beginning of Period	26,282,557	1,443,374	27,725,931
	<hr/>	<hr/>	<hr/>
Net Assets - End of Period	<u>\$ 22,308,253</u>	<u>\$ 807,590</u>	<u>\$ 23,115,843</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Services	General and Administrative	Fundraising	Total Expenses
Agricultural Program	\$ 113,089	\$ -	\$ -	\$ 113,089
Church Advancement	666,555	-	-	666,555
Computer Expense	104,119	17,460	5,820	127,399
Construction Projects	12,301	-	-	12,301
Containers	61,102	-	-	61,102
Depreciation and Amortization	395,101	48,582	25,011	468,694
Education	454,174	-	2,354	456,528
Fuel	212,420	70,754	-	283,174
Gifts-in-Kind - Food Distribution	20,044,194	-	-	20,044,194
Group Trips	818,909	-	55,157	874,066
Maintenance	130,707	14,523	-	145,230
Marketing and Advertising	-	24,027	85,318	109,345
Medical Care	245,454	-	-	245,454
Nutrition Program	622,719	-	-	622,719
Office Expense	562,413	231,918	103,819	898,150
Office Rent and Utilities	65,612	12,302	4,101	82,015
Orphan Care	96,684	-	-	96,684
Professional Services	32,984	99,040	9,424	141,448
Salaries and Benefits	2,894,513	925,747	346,499	4,166,759
Telephone	40,708	7,633	2,544	50,885
Transaction Fees	120,021	30,242	945	151,208
Travel Expense	340,351	63,816	21,272	425,439
Vehicle Expenses	61,908	8,796	1,078	71,782
Water	16,492	3,826	-	20,318
Total	<u>28,112,530</u>	<u>1,558,666</u>	<u>663,342</u>	<u>30,334,538</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities	
Change in Net Assets	\$ (4,610,088)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	468,694
Realized and Unrealized Loss on Investments	8,676
Donated Securities	(52,342)
Gain on Sale of Fixed Assets	(2,712)
(Increase) Decrease in:	
Employee Receivables	9,227
Other Assets	19,685
Inventory	6,520,396
Increase (Decrease) in:	
Accounts Payable	302,086
Credit Card Payable	(4,377)
Payroll Liabilities	(1,381)
Deferred Revenue	(76,239)
Net Cash Provided by Operating Activities	<u>2,581,625</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(139,621)
Additions to Construction in Process	(2,789,670)
Proceeds from Sale of Investments, net	318,640
Net Cash Used in Investing Activities	<u>(2,610,651)</u>
Net Change in Cash and Cash Equivalents	(29,026)
Cash and Cash Equivalents - Beginning of Year	<u>1,998,754</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,969,728</u></u>
Supplemental Disclosures	
Contributed Goods, Services and Property	<u>\$ 13,523,798</u>
Contributed Securities	<u>\$ 52,342</u>
Transfer of Construction in Process to Property and Equipment	<u><u>\$ 2,295,842</u></u>

MISSION OF HOPE HAITI, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Business and 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 Foundation 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, 2016.

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 - For purposes of the statement of cash flows, the Company considers all highly liquid investments with insignificant interest rate risk purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the Company may maintain cash held at financial institutions in excess of the insured limit of \$250,000. As of the balance sheet date, the Company was in excess of that limit by \$842,861.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 \$2,500 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.

Fair Value Measurements

Generally Accepted Accounting Principles defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value. Fair value is the selling price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Directly or indirectly observable inputs other than quoted prices included in Level 1 for assets and liabilities;

Level 3: Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best available information available in the circumstances, including the entity's own data.

Available-for-sale securities are measured at fair value on a recurring basis using Level 1 inputs. There are no changes in the methodologies used at June 30, 2016.

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.

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 246,000 volunteer hours for the year ended June 30, 2016.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributed Services and Gift-in-Kind Goods Donated (Continued)

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, 2016, donated goods were recorded totaling \$13,523,798. These gifts were predominately contributed by other non-profit corporations and private donors.

Inventory

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, 2016 is \$7,623,582. This value consists of medicines valued at \$6,438,172 and food and supplies valued at \$1,185,410.

Income Tax

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, 2016.

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.

Note 2 - Property and Equipment, Net

Property and equipment, net, at June 30, 2016, consisted of the following:

Land	\$	1,209,961
Buildings and Improvements		13,499,075
Furniture and Equipment		330,583
Automobiles		643,068
		15,682,687
Less: Accumulated Depreciation		(2,607,600)
Total	\$	13,075,087

Depreciation expense during the year ended June 30, 2016 totaled \$468,694.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments

During the fiscal year ended June 30, 2016 the Organization sold all investments. Net investment loss during the year ended June 30, 2016 totaled approximately \$513.

Note 4 - Construction In Process

Construction in process consisted of the following at June 30, 2016:

Bercy Pastor Conference Center	\$	93,406
Tech School		416,206
Minoterie Homes		643,250
Bercy Energy Project		96,103
Bercy Cabana		84,261
Minoterie Child Development Center		33,854
Minoterie School		117,288
Hospital Construction		6,071
	\$	<u>1,490,439</u>

Note 5 - Deferred Revenue

During the year ended June 30, 2016, the Organization collected \$585,222 from individuals to be utilized for group trips occurring subsequent to June 30, 2016.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2016:

College Sponsorships	\$	3,388
Container Fund		10,306
HaitiOne Network Development		142,955
Church Advancement Projects		17,338
Bible Fund		4,296
A&M Missions		11,536
Business Mentorship Program		4,325
Pastoral Training		44,129
Agricultural/ Meal Packing Program		8,585
Designated Orphanage Support		13,383
Women's Ministry		915
Surgical Fund		15,279
Grace House Program		27,755
Construction Projects		503,400
	\$	<u>807,590</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS

Note 7 - Concentrations

During the year ended June 30, 2016, the Organization received approximately 53% of its revenues from contributed goods from one donor.

Note 8 - Contributed Goods and Property

During the year ended June 30, 2016, the Organization received contributed goods through partnership with Convoy of Hope, Inc., and contributed medicines and goods from other organizations valued at \$13,523,798 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 - Lease Commitment

On September 1, 2016, the Company entered into a long-term lease for office space in Austin, TX, expiring January 2019. Current monthly lease payment is \$6,019.

On April 8, 2016, the Company entered into a lease for apartment space in Austin, TX, expiring May 2017. Current monthly lease payment is \$1,185.

Total lease expense paid during the period was \$67,070.

The minimum future lease payments under operating leases at June 30, 2016 are as follows:

2017	\$	75,537
2018		72,228
2019		36,114
Total	\$	<u>183,879</u>

Note 10 - Subsequent Events

Management has evaluated subsequent events through January 26, 2017, the date on which the financial statements were available to be issued.

In August 2016 the Organization obtained a \$300,000 revolving line of credit with BB&T Bank to facilitate working capital needs. The line of credit is secured by substantially all assets held by the Organization. The unused balance of the credit line was \$300,000 as of January 26, 2017.