

**HOPE FOR HAITI'S
CHILDREN MINISTRIES, INC.**
Houston, Texas

Financial Statements

December 31, 2008

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
Financial Statements
December 31, 2008

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Ratloff & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.:

We have audited the accompanying statement of financial position of HOPE FOR HAITI'S CHILDREN MINISTRIES, INC. (an Ohio nonprofit corporation) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of HOPE FOR HAITI'S CHILDREN MINISTRIES, INC. for the year ended December 31, 2007 were audited by other auditors. Their report dated July 21, 2008 expressed an unqualified opinion.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE FOR HAITI'S CHILDREN MINISTRIES, INC. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ratloff & Associates, P.C.

May 22, 2009

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
 Statements of Financial Position
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash	\$ 205,275	\$ 185,912
Prepaid expenses	<u>1,000</u>	<u>10,595</u>
Total current assets	<u>206,275</u>	<u>196,507</u>
Property and equipment		
Furniture and equipment	13,881	2,314
Less: accumulated depreciation	<u>(3,378)</u>	<u>(1,814)</u>
Net property and equipment	<u>10,503</u>	<u>500</u>
Other assets	<u>1,193</u>	<u>-</u>
Total Assets	<u>\$ 217,971</u>	<u>\$ 197,007</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 6,488	\$ 7,797
Accrued expenses	<u>2,851</u>	<u>13,525</u>
Total liabilities	<u>9,339</u>	<u>21,322</u>
Net Assets		
Unrestricted	46,365	129,159
Temporarily restricted	<u>162,267</u>	<u>46,526</u>
Total net assets	<u>208,632</u>	<u>175,685</u>
Total Liabilities and Net Assets	<u>\$ 217,971</u>	<u>\$ 197,007</u>

The accompanying notes are an integral part of these financial statements.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Statements of Activities

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Net Assets:		
Revenues:		
Contributions	\$ 211,255	\$ 350,292
Fundraising	27,576	-
In-kind support	25,651	6,000
Net assets released from restriction:		
Satisfaction of program restriction	<u>879,027</u>	<u>384,598</u>
Total Revenues	<u>1,143,509</u>	<u>740,890</u>
Functional expenses:		
Program services	1,077,739	507,763
Fundraising	36,492	52,856
Management & general	<u>112,883</u>	<u>78,176</u>
Total operating expenses	<u>1,227,114</u>	<u>638,795</u>
Other income:		
Interest income	<u>811</u>	<u>1,953</u>
Net other income (expense)	<u>811</u>	<u>1,953</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(82,794)</u>	<u>104,048</u>
Changes in Temporarily Restricted Net Assets:		
Contributions for designated programs	994,768	316,122
Less: net assets released from restriction	<u>(879,027)</u>	<u>(384,598)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>115,741</u>	<u>(15,929)</u>
Increase in Net Assets	32,947	88,119
Net Assets at Beginning of Year	<u>175,685</u>	<u>87,566</u>
Net Assets at End of Year	<u>\$ 208,632</u>	<u>\$ 175,685</u>

The accompanying notes are an integral part of these financial statements.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Contributions received	\$ 1,233,599	\$ 724,961
Cash paid for operations and programs	(1,210,638)	(629,885)
Interest earned	<u>811</u>	<u>1,953</u>
Net cash provided by operating activities	<u>23,772</u>	<u>97,029</u>
Cash Flows from Investing Activities		
Purchase of equipment	(4,409)	-
Proceeds from sale of other assets	<u>-</u>	<u>500</u>
Net cash utilized by investing activities	<u>(4,409)</u>	<u>500</u>
Net increase in cash and cash equivalents	19,363	97,529
Cash and cash equivalents at beginning of year	<u>185,912</u>	<u>88,383</u>
Cash and cash equivalents at end of year	<u>\$ 205,275</u>	<u>\$ 185,912</u>

Net Cash Provided by Operating Activities

Increase in Net Assets	\$ 32,947	\$ 88,119
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,564	363
Non-cash equipment donation	(7,158)	-
Decrease (increase) in prepaids	9,595	(10,595)
Increase in other assets	(1,193)	-
(Decrease) increase in accounts payable	(1,309)	7,797
(Decrease) increase in accrued expenses	<u>(10,674)</u>	<u>11,345</u>
Total adjustments	<u>(9,175)</u>	<u>8,910</u>
Net Cash Provided by Operating Activities	<u>\$ 23,772</u>	<u>\$ 97,029</u>

The accompanying notes are an integral part of these financial statements.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2008

	Child Sponsorship <u>Ministry</u>	Orphanage <u>Ministry</u>	School Sponsorship <u>Ministry</u>	Village <u>Ministry</u>	Vocational <u>Ministry</u>
Grants & allocations	\$ 225,531	\$ 107,056	\$ 118,437	\$ 310,860	\$ 2,345
Compensation & payroll taxes	-	-	-	-	-
Supplies	-	1,267	-	-	-
Telephone	-	-	-	-	-
Postage	-	-	-	-	-
Office & rental expenses	-	-	-	-	-
Printing	-	-	-	-	-
Travel	-	-	-	-	-
Bank fees	-	-	-	155	-
Meeting & conferences	-	-	-	-	-
Legal & professional fees	-	-	-	-	-
Insurance	-	-	-	-	-
Computer expenses	-	-	-	-	-
Miscellaneous	-	580	500	1,998	-
Depreciation	-	-	-	-	-
Total Functional Expenses	<u>\$ 225,531</u>	<u>\$ 108,903</u>	<u>\$ 118,937</u>	<u>\$ 313,013</u>	<u>\$ 2,345</u>

The accompanying notes are an integral part of these financial statements.

<u>Mission Trip Ministry</u>	<u>Medical Ministry</u>	<u>Special Gifts & Crisis Relief Ministry</u>	<u>General Haiti Operations</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 16,540	\$ 1,180	\$ 123,185	\$ 35,050	\$ 940,184	\$ -	\$ -	\$ 940,184
-	-	-	54,675	54,675	58,883	22,380	135,938
5,759	18,493	123	410	26,052	-	45	26,097
-	-	-	1,378	1,378	5,624	-	7,002
165	-	-	454	619	3,012	425	4,056
-	-	-	104	104	12,449	-	12,553
262	-	-	50	312	3,965	4,148	8,425
31,096	-	92	3,541	34,729	3,034	5,491	43,254
18	-	-	441	614	1,556	-	2,170
10,725	-	-	705	11,430	4,548	1,459	17,437
-	-	-	-	-	6,395	-	6,395
343	-	-	-	343	2,280	-	2,623
-	-	-	2,234	2,234	9,036	1,778	13,048
750	-	586	451	4,865	837	666	6,368
-	-	-	200	200	1,264	100	1,564
<u>\$ 65,658</u>	<u>\$ 19,673</u>	<u>\$ 123,986</u>	<u>\$ 99,693</u>	<u>\$ 1,077,739</u>	<u>\$ 112,883</u>	<u>\$ 36,492</u>	<u>\$ 1,227,114</u>

The accompanying notes are an integral part of these financial statements.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Statement of Functional Expenses

For the year ended December 31, 2007

	Child Sponsorship <u>Ministry</u>	Orphanage <u>Ministry</u>	School Sponsorship <u>Ministry</u>	Vocational <u>Ministry</u>	Mission Trip <u>Ministry</u>
Grants & allocations	\$ 119,288	\$ 50,257	\$ 41,266	\$ 5,255	\$ 26,303
Compensation & payroll taxes	-	-	-	-	-
Supplies	1,891	-	-	-	57,787
Telephone	-	-	-	-	-
Postage	2,154	-	-	-	181
Office & rental expenses	-	325	-	-	-
Printing	-	-	-	-	-
Travel	-	-	557	-	26,581
Bank fees	145	-	-	-	-
Meeting & conferences	-	-	-	-	8,998
Legal & professional fees	-	-	-	-	-
Insurance	-	-	-	-	-
Rent-in-kind	-	-	-	-	-
Computer expenses	-	-	-	-	-
Donor Management	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Functional Expenses	<u>\$ 123,478</u>	<u>\$ 50,582</u>	<u>\$ 41,823</u>	<u>\$ 5,255</u>	<u>\$ 119,850</u>

The accompanying notes are an integral part of these financial statements.

<u>Medical Ministry</u>	<u>Special Gifts & Crisis Relief Ministry</u>	<u>Youth Sponsor Ministry</u>	<u>General Haiti Operations</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 5,145	\$ 11,210	\$ 51,738	\$ 19,500	\$ 329,962	\$ -	\$ -	\$ 329,962
-	-	-	63,552	63,552	41,076	32,276	136,904
1,522	41	-	1,104	62,345	3,527	666	66,538
-	-	-	1,098	1,098	3,067	-	4,165
-	1,729	-	494	4,558	2,075	186	6,819
-	-	-	725	1,050	8,443	30	9,523
-	-	175	-	175	4,411	97	4,683
-	805	-	6,387	34,330	1,439	3,542	39,311
-	-	-	-	145	2,189	102	2,436
-	-	-	-	8,998	446	4,224	13,668
-	-	-	1,500	1,500	1,800	-	3,300
-	-	-	-	-	2,242	-	2,242
-	-	-	-	-	6,000	-	6,000
-	-	-	-	-	108	-	108
-	-	-	-	-	-	11,600	11,600
-	50	-	-	50	990	133	1,173
-	-	-	-	-	363	-	363
\$ 6,667	\$ 13,835	\$ 51,913	\$ 94,360	\$ 507,763	\$ 78,176	\$ 52,856	\$ 638,795

The accompanying notes are an integral part of these financial statements.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

1 - Nature of Organization

Hope for Haiti's Children Ministries, Inc. ("HFH") is incorporated under the laws of the State of Ohio as a not-for-profit religious organization. In May of 2008 HFH relocated its office from Cincinnati, Ohio, to Houston, Texas where it is registered to do business as a not-for-profit. HFH is a faith-based child and youth development organization which provides comprehensive care and opportunities to poverty-bound Haitian children and orphans. HFH's primary source of revenue is free-will donations from individuals, foundations and other interested donors. Their mission is to release these young people to become all God wants them to become in the name of Jesus. HFH accomplishes this with an innovative approach by addressing each child's unmet physical, educational, and spiritual needs in partnership with local Christian schools and orphanages in Haiti to develop a new generation of outstanding leaders in Haiti.

2 - Summary of Significant Accounting Policies

A summary of HFH's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements of HFH have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Revenues and Support - Revenues and support for HFH are primarily derived from unrestricted contributions from individuals, churches and foundations and other interested donors. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

Recognition of Donor Restrictions - HFH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time temporarily restricted net assets are reclassified to unrestricted net assets. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the donation is received, the donation is recognized as unrestricted revenue.

Donated Assets and Services - Donated property and equipment is recorded at fair market value on the date of receipt in the appropriate investment, property, building or equipment account. In the absence of donor restrictions, donated assets are reported as unrestricted revenue.

Programs - HFH pursues its objectives through the execution of these major programs:

Program Services – providing comprehensive resources to Haitian children and orphans.

Fund raising - facilitating giving from supporters and donors of HFH.

General and Administrative - providing administrative support to the above functional areas.

Cash Equivalents - For purposes of the Statement of Cash Flows, HFH considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk - Financial instruments that potentially subject HFH to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000. HFH maintains a savings and checking account with one bank.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

2 - Summary of Significant Accounting Policies (continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - Property and equipment are recorded at acquisition cost. HFH capitalizes assets with a cost greater than \$500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight-line method over estimated useful lives of from 5 to 7 years.

Income Tax Status - HFH is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. HFH is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

3 - Business and Support Concentrations

HFH receives support from a number of businesses, foundations, trusts, and individuals in the United States. Four donors provided a total of \$355,806 in 2008, which represents 28.7% of 2008 revenues. In 2007 one donor provided \$55,000, which represents 8.2% of 2007 revenues. No other donors provided more than 10% of total revenues for 2008 or 2007.

4 - Grants and Allocations

Grants and allocations of \$929,589 for 2008 and \$340,557 for 2007 consist of grants made to a Haitian Non-Government Organization called Hope for Haiti's Children. The Haitian organization is not controlled by HFH and has no common board members. All board members of the Haitian organization are Haitian. The Haitian organization has an independent board of directors and is affiliated with Eglise du Christ, a Haitian church. HFH provides targeted grants to the Haitian organization for the programs specified in the Statement of Functional Expenses.

5 - Net Assets

Unrestricted net assets:	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 129,159	\$ 25,111
(Decrease) increase in unrestricted net assets	<u>(82,794)</u>	<u>104,048</u>
Balance, end of year	<u>\$ 46,365</u>	<u>\$ 129,159</u>
Temporarily restricted net assets:		
Balance, beginning of year	\$ 46,526	\$ 62,455
Increase (decrease) in temporarily restricted net assets	<u>115,741</u>	<u>(15,929)</u>
Balance, end of year	<u>\$ 162,267</u>	<u>\$ 46,526</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Notes to Financial Statements

December 31, 2008 and 2007

5 - Net Assets (continued)

Temporarily restricted net assets at December 31, 2008 and 2007 are available for the support of various projects and HFH activities as follows:

	<u>2008</u>	<u>2007</u>
Child Sponsorship	\$ 52,903	\$ 19,425
Crisis Relief	66,314	10,568
Mission Trips	14,129	-
School Sponsorship	22,340	1,100
Other	<u>6,581</u>	<u>15,433</u>
	<u>\$ 162,267</u>	<u>\$ 46,526</u>