

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

Financial Statements

December 31, 2009 and 2008

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Financial Statements

December 31, 2009 and 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5-6
Notes to Financial Statements	7-9



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 statements of financial position of HOPE FOR HAITI'S CHILDREN MINISTRIES, INC. (an Ohio nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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.

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, 2009 and 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.

July 7, 2010

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 162,588	\$ 205,275
Prepaid expenses	<u> -</u>	<u> 1,000</u>
Total current assets	<u>162,588</u>	<u>206,275</u>
Property and equipment		
Furniture and equipment	15,330	13,881
Less: accumulated depreciation	<u>(4,961)</u>	<u>(3,378)</u>
Net property and equipment	<u>10,369</u>	<u>10,503</u>
Other assets	<u>11,635</u>	<u>1,193</u>
Total Assets	<u>\$ 184,592</u>	<u>\$ 217,971</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 14,914	\$ 6,488
Accrued expenses	<u>1,991</u>	<u>2,851</u>
Total liabilities	<u>16,905</u>	<u>9,339</u>
Net Assets		
Unrestricted	53,992	46,365
Temporarily restricted	<u>113,695</u>	<u>162,267</u>
Total net assets	<u>167,687</u>	<u>208,632</u>
Total Liabilities and Net Assets	<u>\$ 184,592</u>	<u>\$ 217,971</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in Unrestricted Net Assets:		
Revenues:		
Contributions	\$ 246,255	\$ 211,255
Fundraising	30,467	27,576
In-kind support	-	25,651
Net assets released from restriction:		
Satisfaction of program restriction	<u>796,241</u>	<u>879,027</u>
Total Revenues	<u>1,072,963</u>	<u>1,143,509</u>
Functional expenses:		
Program services	920,764	1,077,739
Fundraising	9,918	36,492
Management & general	<u>134,656</u>	<u>112,883</u>
Total operating expenses	<u>1,065,338</u>	<u>1,227,114</u>
Other income:		
Interest income	<u>2</u>	<u>811</u>
Net other income	<u>2</u>	<u>811</u>
Increase (Decrease) in Unrestricted Net Assets	<u>7,627</u>	<u>(82,794)</u>
Changes in Temporarily Restricted Net Assets:		
Contributions for designated programs	747,669	994,768
Less: net assets released from restriction	<u>(796,241)</u>	<u>(879,027)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(48,572)</u>	<u>115,741</u>
Increase (Decrease) in Net Assets	(40,945)	32,947
Net Assets at Beginning of Year	<u>208,632</u>	<u>175,685</u>
Net Assets at End of Year	<u>\$ 167,687</u>	<u>\$ 208,632</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Contributions received	\$ 1,005,898	\$ 1,233,599
Cash paid for operations and programs	(1,047,138)	(1,210,638)
Interest earned	<u>2</u>	<u>811</u>
Net cash provided (utilized) by operating activities	<u>(41,238)</u>	<u>23,772</u>
Cash Flows from Investing Activities		
Purchase of equipment	<u>(1,449)</u>	<u>(4,409)</u>
Net cash utilized by investing activities	<u>(1,449)</u>	<u>(4,409)</u>
Net increase (decrease) in cash and cash equivalents	(42,687)	19,363
Cash and cash equivalents at beginning of year	<u>205,275</u>	<u>185,912</u>
Cash and cash equivalents at end of year	<u>\$ 162,588</u>	<u>\$ 205,275</u>

Net Cash Provided by Operating Activities

Increase (Decrease) in Net Assets	\$ (40,945)	\$ 32,947
Adjustments to reconcile increase (decrease) in net assets to net cash provided (utilized) by operating activities:		
Depreciation	1,583	1,564
Non-cash equipment donation	-	(7,158)
Decrease in prepaids	1,000	9,595
Increase in other assets	(10,442)	(1,193)
(Decrease) increase in accounts payable	8,426	(1,309)
Decrease in accrued expenses	<u>(860)</u>	<u>(10,674)</u>
Total adjustments	<u>(293)</u>	<u>(9,175)</u>
Net Cash Provided (Utilized) by Operating Activities	<u>\$ (41,238)</u>	<u>\$ 23,772</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, 2009

	Child Sponsorship <u>Ministry</u>	Orphanage <u>Ministry</u>	School Sponsorship <u>Ministry</u>	Village <u>Ministry</u>	Mission Trip <u>Ministry</u>
Grants & allocations	\$ 242,047	\$ 132,725	\$ 33,780	\$ 147,600	\$ 21,550
Compensation & payroll taxes	-	1,900	-	-	-
Supplies	4,346	3,306	-	-	9,156
Telephone	-	-	-	-	-
Postage	717	67	-	-	-
Office & rental expenses	-	-	-	-	-
Printing	37	-	-	-	263
Travel	-	-	853	-	21,511
Bank fees	-	-	-	-	294
Meeting & conferences	-	-	-	-	10,189
Legal & professional fees	-	-	-	-	-
Insurance	-	-	-	-	831
Computer expenses	-	-	-	-	-
Miscellaneous	3,037	6,240	-	-	1,290
Depreciation	-	-	-	-	-
Total Functional Expenses	<u>\$ 250,184</u>	<u>\$ 144,238</u>	<u>\$ 34,633</u>	<u>\$ 147,600</u>	<u>\$ 65,084</u>

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

<u>Medical Ministry</u>	<u>Crisis Relief Ministry</u>	<u>General Haiti Operations</u>	<u>Other</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,100	\$ 53,475	\$ 87,800	\$ 18,775	\$ 738,852	\$ -	\$ -	\$ 738,852
-	-	70,878	-	72,778	88,087	-	160,865
4,166	2,702	2,309	150	26,135	11	-	26,146
-	42	1,060	-	1,102	4,400	-	5,502
-	11	8,114	8314	17,223	1,382	580	19,185
-	-	186	-	186	9,722	49	9,957
-	-	52	-	352	1,937	2,801	5,090
-	1,438	10,818	-	34,620	3,190	1,040	38,850
-	-	1,648	-	1,942	428	-	2,370
-	-	15	-	10,204	2,264	4,439	16,907
-	-	-	-	-	11,966	-	11,966
-	-	-	-	831	1,898	-	2,729
-	-	1,625	-	1,625	8,184	1,009	10,818
-	300	2,026	1550	14,443	75	-	14,518
-	-	471	-	471	1,112	-	1,583
<u>\$ 5,266</u>	<u>\$ 57,968</u>	<u>\$ 187,002</u>	<u>\$ 28,789</u>	<u>\$ 920,764</u>	<u>\$ 134,656</u>	<u>\$ 9,918</u>	<u>\$ 1,065,338</u>

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>	Mission Trip <u>Ministry</u>
Grants & allocations	\$ 225,531	\$ 107,056	\$ 118,437	\$ 310,860	\$ 2,345	\$ 16,540
Compensation & payroll taxes	-	-	-	-	-	-
Supplies	-	1,267	-	-	-	5,759
Telephone	-	-	-	-	-	-
Postage	-	-	-	-	-	165
Office & rental expenses	-	-	-	-	-	-
Printing	-	-	-	-	-	262
Travel	-	-	-	-	-	31,096
Bank fees	-	-	-	155	-	18
Meeting & conferences	-	-	-	-	-	10,725
Legal & professional fees	-	-	-	-	-	-
Insurance	-	-	-	-	-	343
Computer expenses	-	-	-	-	-	-
Miscellaneous	-	580	500	1,998	-	750
Depreciation	-	-	-	-	-	-
Total Functional Expenses	<u>\$ 225,531</u>	<u>\$ 108,903</u>	<u>\$ 118,937</u>	<u>\$ 313,013</u>	<u>\$ 2,345</u>	<u>\$ 65,658</u>

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

<u>Medical Ministry</u>	<u>Crisis Relief Ministry</u>	<u>General Haiti Operations</u>	<u>Other</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,180	\$ 110,410	\$ 35,050	\$ 12,775	\$ 940,184	\$ -	\$ -	\$ 940,184
-	-	54,675	-	54,675	58,883	22,380	135,938
18,493	-	410	123	26,052	-	45	26,097
-	-	1,378	-	1,378	5,624	-	7,002
-	-	454	-	619	3,012	425	4,056
-	-	104	-	104	12,449	-	12,553
-	-	50	-	312	3,965	4,148	8,425
-	92	3,541	-	34,729	3,034	5,491	43,254
-	-	441	-	614	1,556	-	2,170
-	-	705	-	11,430	4,548	1,459	17,437
-	-	-	-	-	6,395	-	6,395
-	-	-	-	343	2,280	-	2,623
-	-	2,234	-	2,234	9,036	1,778	13,048
-	-	451	586	4,865	837	666	6,368
-	-	200	-	200	1,264	100	1,564
<u>\$ 19,673</u>	<u>\$ 110,502</u>	<u>\$ 99,693</u>	<u>\$ 13,484</u>	<u>\$ 1,077,739</u>	<u>\$ 112,883</u>	<u>\$ 36,492</u>	<u>\$ 1,227,114</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Notes to Financial Statements

December 31, 2009 and 2008

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, 2009 and 2008

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. Five donors provided a total of \$357,200 in 2009, which represents 34.9% of 2009 contributions. Four donors provided a total of \$355,800 in 2008, which represents 28.7% of 2008 contributions. No other donors provided more than 10% of total contributions for 2009 or 2008.

4 - Grants and Allocations

Grants and allocations of \$738,852 for 2009 and \$940,184 for 2008 consist of grants made to a Haitian non-government organization called Espoir pour les Enfants d'Haiti and a Haitian government approved orphanage called Grandeur de Dieu. Espoir pour les Enfants d'Haiti has no common board members with HFH. All board members of the Haitian organization are Haitian. The Haitian organization is affiliated with Eglise du Christ, a Haitian church. HFH provides targeted grants to the Haitian organization and orphanage for the programs specified in the Statement of Functional Expenses.

5 - Net Assets

Unrestricted net assets:	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 46,365	\$ 129,159
Increase (decrease) in unrestricted net assets	<u>7,627</u>	<u>(82,794)</u>
Balance, end of year	<u>\$ 53,992</u>	<u>\$ 46,365</u>
Temporarily restricted net assets:		
Balance, beginning of year	\$ 162,267	\$ 46,526
Increase (decrease) in temporarily restricted net assets	<u>(48,572)</u>	<u>115,741</u>
Balance, end of year	<u>\$ 113,695</u>	<u>\$ 162,267</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

Notes to Financial Statements
December 31, 2009 and 2008

5 - Net Assets (continued)

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the support of various projects and HFH activities as follows:

	<u>2009</u>	<u>2008</u>
Child Education	\$ 73,079	\$ 52,903
Crisis Relief	-	66,314
Mission Trips	-	14,129
School Sponsorship	24,426	22,340
Other	<u>16,190</u>	<u>6,581</u>
	<u>\$ 113,695</u>	<u>\$ 162,267</u>

6 - Operating Lease

HFH leases office space under a lease that expires in 2010. Rental expense for this lease was \$7,455 for the year ending December 31, 2009. Total lease payments remaining for 2010 are \$5,136.

7 - Subsequent Events

Subsequent to December 31, 2009, HFH's President and a member of the board resigned from their positions within the organization. As specified in the bylaws, the responsibilities of the President will be fulfilled in the interim by the Board Chairperson. 2009 contributions attributable to the resigning board member are estimated to be \$112,000. Management is unable to estimate the effect that these departures will have on future revenues.