

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope for Haiti's Children Ministries, Inc.
Cincinnati, Ohio

We have audited the accompanying statement of financial position of Hope for Haiti's Children Ministry, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Ministry, Inc. as of December 31, 2010, 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

Maddox & Associates CPAs Inc

September 1, 2011

Hope for Haiti's Children Ministries, Inc
 Statements of Financial Position
 December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash	\$ 675,164	\$ 162,588
Property and equipment		
Furniture and equipment	13,897	15,330
Less: accumulated depreciation	<u>(7,134)</u>	<u>(4,961)</u>
Net property and equipment	6,763	10,369
Other assets	-	11,635
 Total assets	 <u>\$ 681,927</u>	 <u>\$ 184,592</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 13,163	\$ 14,914
Accrued expenses	<u>7,796</u>	<u>1,991</u>
Total liabilities	20,959	16,905
Net assets		
Unrestricted	135,513	53,992
Temporarily restricted	<u>525,455</u>	<u>113,695</u>
Total net assets	660,968	167,687
 Total Liabilities and Net Assets	 <u>\$ 681,927</u>	 <u>\$ 184,592</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, 2010 and 2009

	2010	2009
Changes in Unrestricted Net Assets:		
Revenues:		
Contributions	\$ 218,976	\$ 246,255
Fundraising, net	-	30,467
Net assets released from restriction:		
Satisfaction of program restriction	<u>1,240,298</u>	<u>796,241</u>
Total revenues	1,459,274	1,072,963
Functional expenses		
Program services	1,210,689	920,764
Fundraising	22,814	9,918
Management and general	<u>144,879</u>	<u>134,656</u>
Total functional expenses	1,378,382	1,065,338
Interest income	<u>629</u>	<u>2</u>
Increase in Unrestricted Net Assets	<u>81,521</u>	<u>7,627</u>
Changes in Temporarily Restricted Net Assets:		
Contributions for designated programs	1,652,058	747,669
Less: net assets released from restriction	<u>(1,240,298)</u>	<u>(796,241)</u>
Increase in Temporarily Restricted Net Assets	<u>411,760</u>	<u>(48,572)</u>
Increase (decrease) in Net Assets	493,281	(40,945)
Net Assets - Beginning of Year	<u>167,687</u>	<u>208,632</u>
Net Assets - End of Year	<u>\$ 660,968</u>	<u>\$ 167,687</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, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Contributions received	\$ 1,871,034	\$ 1,005,898
Cash paid or operations and programs	(1,359,087)	(1,047,138)
Interest received	629	2
Net cash provided (utilized) by operating activities	<u>512,576</u>	<u>(41,238)</u>
Cash Flows from Investing Activities		
Purchase of equipment	<u>-</u>	<u>(1,449)</u>
Net cash utilized by investing activities	-	(1,449)
Net increase in cash and cash equivalents	<u>512,576</u>	<u>(42,687)</u>
Cash and cash equivalents and beginning of year	<u>162,588</u>	<u>205,275</u>
Cash and cash equivalents and end of year	<u>\$ 675,164</u>	<u>\$ 162,588</u>
Increase (Decrease) in Net Assets	\$ 493,281	\$ (40,945)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (utilized) by operating activities:		
Depreciation	3,606	1,583
Decrease in prepaids	-	1,000
(Increase) decrease in other assets	11,635	(10,442)
(Decrease) increase in accounts payable	(1,751)	8,426
Increase (decrease) in accrued expenses	<u>5,805</u>	<u>(860)</u>
Total adjustments	<u>19,295</u>	<u>(293)</u>
Net Cash Provided (Utilized) by Operating Activities	<u>\$ 512,576</u>	<u>\$ (41,238)</u>

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

Hope for Haiti's Children Ministries, Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2010

	Child Support Ministry	Orphanage Ministry	School Sponsorship Ministry	Village Ministry	Mission Trip Ministry	Medical Ministry	Crisis Relief Ministry	General Haiti Operations	Other	Total Program Services	Management & General	Fundraising	Total
Grants and allocations	\$ 243,330	\$ 110,531	\$ 24,040	\$ 1,000	\$ (7,300)	\$ (3,103)	\$ 542,820	\$ 13,408	\$ 12,596	\$ 937,322	\$ -	\$ -	\$ 937,322
Compensation and payroll taxes	-	2,000	-	1,800	-	-	4,348	73,822	-	81,970	87,381	13,057	182,408
Employee benefits	-	-	-	-	-	-	-	4,891	-	4,891	-	-	4,891
Office supplies	360	-	-	-	9	-	48	220	-	637	2,171	-	2,808
Occupancy	-	-	-	-	-	-	-	-	-	-	6,669	-	6,669
Telephone	-	186	-	-	-	-	132	1,431	-	1,749	2,938	-	4,687
Printing and publications	259	-	-	-	8	-	1,544	-	-	1,811	5,514	1,743	9,068
Postage and shipping	762	-	-	-	-	69	180	436	4,207	5,654	2,626	210	8,490
Information technology	52	-	-	-	-	-	394	1,044	-	1,490	11,719	474	13,683
Travel	791	-	-	-	11,996	(1,244)	16,714	3,222	-	31,479	6,493	3,482	41,454
Insurance	-	-	-	-	171	-	3,849	116	-	4,136	2,236	-	6,372
Bank and merchant fees	-	-	-	-	-	-	-	1,365	-	1,365	6,435	-	7,800
Legal and professional fees	-	-	-	-	-	-	-	-	-	-	7,510	-	7,510
Conferences and events	-	-	-	-	-	-	-	-	-	-	207	3,801	4,008
Repairs and maintenance	-	-	-	-	-	-	1,261	1,779	-	3,040	-	-	3,040
Supplies and materials	8,577	-	-	-	1,816	272	38,106	-	1,451	50,222	-	-	50,222
Equipment and machinery	-	-	-	-	-	-	46,254	-	-	46,254	-	-	46,254
Construction expense	-	-	-	-	-	-	30,875	-	-	30,875	-	-	30,875
Special needs	325	800	-	-	-	-	3,290	-	157	4,572	-	-	4,572
Household expenses	-	-	-	213	-	-	410	1,239	-	1,862	-	-	1,862
Healthcare expenses	-	-	-	-	-	689	-	-	-	689	-	-	689
Miscellaneous	(64)	(60)	-	-	-	7	(550)	102	(335)	(900)	945	47	92
Depreciation	-	-	-	-	-	-	-	1,571	-	1,571	2,035	-	3,606
Total functional expenses	\$ 254,392	\$ 113,457	\$ 24,040	\$ 3,013	\$ 6,700	\$ (3,310)	\$ 689,675	\$ 104,646	\$ 18,076	\$ 1,210,689	\$ 144,879	\$ 22,814	\$ 1,378,382

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

Hope for Haiti's Children Ministries, Inc.
 Statements of Functional Expenses
 For the Year Ended December 31, 2009

	Child Support Ministry	Orphanage Ministry	School Sponsorship Ministry	Village Ministry	Mission Trip Ministry	Medical Ministry	Crisis Relief Ministry	General Haiti Operations	Other	Total Program Services	Management & General	Fundraising	Total
Grants and allocations	\$ 242,047	\$ 132,725	\$ 33,780	\$ 147,600	\$ 21,550	\$ 1,100	\$ 53,475	\$ 87,800	\$ 18,775	\$ 738,852	\$ -	\$ -	\$ 738,852
Compensation and payroll taxes	-	1,900	-	-	-	-	-	70,878	-	72,778	88,087	-	160,865
Supplies	4,346	3,306	-	-	9,156	4,166	2,702	2,309	150	26,135	11	-	26,146
Telephone	-	-	-	-	-	-	42	1,060	-	1,102	4,400	-	5,502
Postage	717	67	-	-	-	-	11	8,114	8,314	17,223	1,382	580	19,185
Office and rental expenses	-	-	-	-	-	-	-	186	-	186	9,722	49	9,957
Printing	37	-	-	-	263	-	-	52	-	352	1,937	2,801	5,090
Equipment and machinery	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	853	-	21,511	-	1,438	10,818	-	34,620	3,190	1,040	38,850
Bank fees	-	-	-	-	294	-	-	1,648	-	1,942	428	-	2,370
Meetings and conferences	-	-	-	-	10,189	-	-	15	-	10,204	2,264	4,439	16,907
Legal and professional fees	-	-	-	-	-	-	-	-	-	-	11,966	-	11,966
Insurance	-	-	-	-	831	-	-	-	-	831	1,898	-	2,729
Computer expenses	-	-	-	-	-	-	-	1,625	-	1,625	8,184	1,009	10,818
Miscellaneous	3,037	6,240	-	-	1,290	-	300	2,026	1,550	14,443	75	-	14,518
Depreciation	-	-	-	-	-	-	-	471	-	471	1,112	-	1,583
Total functional expenses	\$ 250,184	\$ 144,238	\$ 34,633	\$ 147,600	\$ 65,084	\$ 5,266	\$ 57,968	\$ 187,002	\$ 28,789	\$ 920,764	\$ 134,656	\$ 9,918	\$ 1,065,338

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

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope for Haiti's Children Ministries, Inc. ("HFHC") is incorporated under the laws of the State of Ohio as a not-for-profit organization. In May of 2008, HFHC added an additional office in Sugar Land, Texas where it is registered to do business as a not-for-profit. HFHC is a faith-based child and youth development organization which provides comprehensive care and opportunities to poverty-bound Haitian children and orphans. HFHC'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. HFHC 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.

Basis of Accounting

The financial statements 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 HFHC 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

HFHC 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 net assets.

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 recognized as unrestricted revenue. HFHC receives a substantial amount of services donated by volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For purposes of the statement of cash flows, HFHC 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 HFHC to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. HFHC has not experienced any losses in such accounts.

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

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight line method over the estimated useful lives of 5 to 7 years.

Income Taxes

HFHC 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. HFHC is not a private foundation as defined by Section 509(a) of the Internal Revenue code. Newly effective accounting standards prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken in a tax return. The standards require that a tax position be recognized or derecognized base on a "more likely than not" threshold. Based on management's evaluation, the HFHC does not believe its financial statements include any uncertain tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2010 or for the year then ended. HFHC's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they are filed. As of December 31 ,2010 the following tax years are subject to examination:

Jurisdiction	Tax Return	Open Years for Filed Returns	Return to be Filed in 2011
Federal	Form 990	2007 – 2009	2010

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE B - BUSINESS AND SUPPORT CONCENTRATIONS

HFHC receives support from a number of businesses, foundations, trusts and individuals in the United States. No donors provided more than 10% of 2010 contributions. Five donors provided a total of \$357,200 in 2009 which represents 34.9% of 2009 contributions. No other donors provided more than 10% of contributions for 2009.

NOTE C – GRANTS AND ALLOCATIONS

Grants and allocations of \$937,322 for 2010 and \$738,852 for 2009 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 HFHC. All board members of the Haitian organization are Haitian. The Haitian organization is affiliated with Eglise du Christ, a Haitian church. HFHC provides targeted grants to the Haitian organization and orphanage for the programs specified in the Statement of Functional Expenses.

NOTE D – NET ASSETS

	2010	2009
Unrestricted net assets:		
Balance, beginning of year	\$ 53,992	\$ 46,365
Increase (decrease) in unrestricted net assets	81,521	7,627
Balance, end of year	\$ 135,513	\$ 53,992
Temporarily restricted net assets:		
Balance, beginning of year	\$ 113,695	\$ 162,267
Increase (decrease) in temporarily restricted net assets	411,760	(48,572)
Balance, end of year	\$ 525,455	\$ 113,695

Temporarily restricted net assets at December 31, 2010 and 2009 are available for the support of various projects and HFHC activities as follows:

	2010	2009
Child Support Ministry	\$ 44,358	\$ 73,079
School Sponsorship Ministry	33,693	24,426
Village Ministry	796	-
Mission Trip Ministry	27,269	-

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Medical Ministry	2,581	-
Crisis Relief Ministry	358,570	-
General Haiti Operations	46,918	-
Other	<u>11,270</u>	<u>16,190</u>
Total temporarily restricted net assets	<u>\$ 525,455</u>	<u>\$ 113,695</u>

NOTE E – DATE OF MANAGERMENTS REVIEW

HFHC evaluated subsequent events through September 1, 2011, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure within the financial statements.