

MISSION OF HOPE HAITI, INC.  
AUDITED FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2017

MISSION OF HOPE HAITI, INC.  
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JUNE 30, 2017

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

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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, 2017, 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, 2017, 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*  
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Cary, Trlica & Wood, P.C.

April 23, 2018

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MISSION OF HOPE HAITI, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017

ASSETS

<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,486,634
Employee Receivable	31,762
Other Assets	23,777
Inventory	3,526,950
Property and Equipment, Net	15,501,489
Construction in Process	<u>842,687</u>
Total Assets	<u>\$ 22,413,299</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts Payable	\$ 73,357
Credit Card Payable	57,149
Payroll Liabilities	40,009
Deferred Revenue	616,076
Notes Payable	<u>294,180</u>
Total Liabilities	1,080,771
<u>Net Assets</u>	
Unrestricted	20,415,124
Temporarily Restricted	<u>917,404</u>
Total Net Assets	<u>21,332,528</u>
Total Liabilities and Net Assets	<u>\$ 22,413,299</u>

MISSION OF HOPE HAITI, INC.  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>			
Contributions	\$ 10,449,411	\$ 571,266	\$ 11,020,677
Contributed Goods and Services	31,187,726	-	31,187,726
Activities and Programs	3,218,452	-	3,218,452
Special Events, Net	22,690	-	22,690
Investment Income	39,226	-	39,226
Other Income	218,630	-	218,630
	<u>45,136,135</u>	<u>571,266</u>	<u>45,707,401</u>
Total Support and Revenues	45,136,135	571,266	45,707,401
Net Assets Released from Restrictions	<u>461,452</u>	<u>(461,452)</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>45,597,587</u>	<u>109,814</u>	<u>45,707,401</u>
<b>Expenses</b>			
Program Services	44,741,594	-	44,741,594
General and Administrative	1,797,027	-	1,797,027
Fundraising	952,095	-	952,095
	<u>47,490,716</u>	<u>-</u>	<u>47,490,716</u>
Total Expenses	47,490,716	-	47,490,716
<b>Change In Net Assets</b>	(1,893,129)	109,814	(1,783,315)
Net Assets - Beginning of Year	<u>22,308,253</u>	<u>807,590</u>	<u>23,115,843</u>
<b>Net Assets - End of Year</b>	<u>\$ 20,415,124</u>	<u>\$ 917,404</u>	<u>\$ 21,332,528</u>

MISSION OF HOPE HAITI, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Program Services	General and Administrative	Fundraising	Total Expenses
Agricultural Program	\$ 302,682	\$ -	\$ -	\$ 302,682
Church Advancement	875,663	-	-	875,663
Computer Expense	109,820	36,607	36,606	183,033
Construction Projects	255,451	-	-	255,451
Containers	56,090	5,969	-	62,059
Depreciation and Amortization	432,812	59,078	35,844	527,734
Education	665,224	-	1,350	666,574
Fuel	184,874	61,614	-	246,488
Gifts-in-Kind - Food Distribution	35,284,358	-	-	35,284,358
Group Trips	915,654	9,331	9,331	934,316
Maintenance	106,958	14,076	4,552	125,586
Marketing and Advertising	-	13,040	52,159	65,199
Medical Care	160,956	-	-	160,956
Nutrition Program	537,317	-	-	537,317
Office Expense	595,896	203,443	187,678	987,017
Office Rent and Utilities	75,738	16,229	16,229	108,196
Orphan Care	70,983	-	-	70,983
Professional Services	38,503	91,652	11,001	141,156
Salaries and Benefits	3,034,960	1,023,805	402,019	4,460,784
Telephone	66,571	14,265	14,265	95,101
Transaction Fees	145,637	36,660	1,004	183,301
Travel Expense	498,067	106,729	106,728	711,524
Vehicle Expenses	265,644	78,402	73,329	417,375
Water	61,736	26,127	-	87,863
Total	<u>\$ 44,741,594</u>	<u>\$ 1,797,027</u>	<u>\$ 952,095</u>	<u>\$ 47,490,716</u>

See Independent Auditors' Report  
The Accompanying Notes are an Integral Part of these Financial Statements

MISSION OF HOPE HAITI, INC.  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (1,783,315)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	527,734
Realized and Unrealized Gain on Investments	(32,335)
Donated Securities	(404,320)
Loss on Sale of Fixed Assets	3,150
(Increase) Decrease in:	
Employee Receivables	(3,803)
Other Assets	(6,074)
Inventory	4,096,632
Increase (Decrease) in:	
Accounts Payable	(332,437)
Credit Card Payable	(11,412)
Payroll Liabilities	10,931
Deferred Revenue	30,854
Net Cash Provided by Operating Activities	<u>2,095,605</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of Property and Equipment	(765,300)
Additions to Construction in Process	(1,544,234)
Proceeds from Sale of Investments, net	436,655
Net Cash Used in Investing Activities	<u>(1,872,879)</u>
<b>Cash Flows from Financing Activities</b>	
Proceeds from Note Payable	300,000
Principal Payments on Note Payable	(5,820)
Net Cash Provided by Investing Activities	<u>294,180</u>
<b>Net Change in Cash and Cash Equivalents</b>	516,906
Cash and Cash Equivalents - Beginning of Year	<u>1,969,728</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 2,486,634</u></u>
Supplemental Disclosures	
Contributed Goods, Services and Property	<u>\$ 31,187,726</u>
Contributed Securities	<u>\$ 404,320</u>
Transfer of Construction in Process to Property and Equipment	<u><u>\$ 2,191,985</u></u>

MISSION OF HOPE HAITI, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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, 2017.

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.

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, 2017

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

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 \$1,364,933.

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

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 220,000 volunteer hours for the year ended June 30, 2017.

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, 2017, donated goods were recorded totaling \$31,187,726. 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, 2017 is \$3,526,950. This value consists of medicines valued at \$44,982 and food and supplies valued at \$3,481,968.

MISSION OF HOPE HAITI, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

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, 2017.

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, 2017, consisted of the following:

Land	\$	1,366,790
Buildings and Improvements		15,691,061
Furniture and Equipment		330,583
Vehicles and Ship		1,246,249
		<hr/> 18,634,683
Less: Accumulated Depreciation		(3,133,194)
Total	\$	<hr/> <u>15,501,489</u>

Depreciation expense during the year ended June 30, 2017 totaled \$527,734.

**Note 3 - Concentrations**

During the year ended June 30, 2017, the Organization received approximately 68% of its revenues from contributed goods from one donor.

**Note 4 - Contributed Goods and Property**

During the year ended June 30, 2017, the Organization received contributed goods through partnership with Convoy of Hope, Inc., and contributed medicines and goods from other organizations valued at \$31,187,726 which represents fair market value of the goods at the time of donation. The goods were utilized in its nutrition and hospital programs.

MISSION OF HOPE HAITI, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 5 - Construction In Process**

Construction in process consisted of the following at June 30, 2017:

Bercy Pastor Conference Center	\$	99,290
Technical School		599,875
Minoterie Child Development Center		41,520
Hospital Construction		6,071
Titanyen Sports Complex		7,385
Bercy Homes		13,451
Titanyen Solar Project		75,052
Titanyen Homes		43
	\$	<u>842,687</u>

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following at June 30, 2017:

College Sponsorships	\$	22,891
Disaster Relief		5,709
Container Fund		4,261
HaitiOne Network Development		8,697
Church Advancement Projects		37,082
Bible Fund		2,153
College Missions		48,163
Business Mentorship Program		10,841
Pastoral Training		25,437
Memorial Fund		3,839
Designated Orphanage Support		10,672
Women's Ministry		2,830
Grace House Program		12,346
Construction Projects		722,483
	\$	<u>917,404</u>

**Note 7 - Deferred Revenue**

During the year ended June 30, 2017, the Organization collected \$616,076 from individuals to be utilized for group trips occurring subsequent to June 30, 2017.

**Note 8 - 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 2018. Current monthly lease payment is \$1,227.

MISSION OF HOPE HAITI, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 8 - Lease Commitment (Continued)**

On September 11, 2016, the Company entered into a lease for apartment space in Austin, TX, expiring September 2017. Current monthly lease payment is \$1,266.

Total lease expense paid during the period was \$92,422.

The minimum future lease payments under operating leases at June 30, 2017 are as follows:

	2018	\$ 87,663
	2019	36,114
	Total	<u>\$ 123,777</u>

**Note 9 - Notes Payable**

Notes payable consisted of the following at June 30, 2017

Note secured by a ship, payable in monthly installments of \$4,781, including interest at 5.00%, due in April 2022	\$ 244,180
Unsecured, interest free note, payable in one lump sum of \$50,000, no stated due date	<u>50,000</u>
Total Notes Payable	<u>\$ 294,180</u>

Maturities of Long-Term Debt as of June 30, 2017 are as follows:

2018	\$ 96,211
2019	48,575
2020	51,061
2021	53,673
2022	44,660
Total	<u>\$ 294,180</u>

**Note 10 - Line of Credit**

The Company has a \$300,000 revolving line of credit with Branch Banking and Trust Company to facilitate working capital needs. The line of credit is secured by substantially all assets held by the Company. The line of credit bears interest at a rate of 5% as of June 30, 2017. Interest payments are due monthly with all outstanding principal and interest due August 5, 2017. The unused balance of the credit line was \$300,000 as of June 30, 2017. On August 3, 2017 the company renewed the line of credit, extending the due date to October 5, 2018.

**Note 11 - Subsequent Events**

Management has evaluated subsequent events through April 23, 2018, the date on which the financial statements were available to be issued.