

MISSION OF HOPE HAITI, INC.
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

MISSION OF HOPE HAITI, INC.
TABLE OF CONTENTS
JUNE 30, 2018

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

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, 2018, 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, 2018, 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, P.C.

Cary, Trlica & Wood, P.C.

October 8, 2019

11612 FM 2244
Building 1, Suite 260
Austin, TX 78738

Office: 512.373.8239
Fax: 512.524.3419
matt@ctwpc.com

MISSION OF HOPE HAITI, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,415,506
Promises to Give	839,652
Employee Receivable	27,009
Other Assets	45,566
Inventory	2,506,478
Investments	209,065
Property and Equipment, Net	16,670,683
Construction in Process	<u>1,628,804</u>
 Total Assets	 \$ <u><u>24,342,763</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts Payable	\$ 253,787
Credit Cards Payable	84,862
Payroll Liabilities	42,873
Deferred Revenue	627,035
Line of Credit	467,243
Notes Payable	<u>199,301</u>
 Total Liabilities	 1,675,101
 <u>Net Assets</u>	
Unrestricted	21,333,481
Temporarily Restricted	<u>1,334,181</u>
Total Net Assets	<u><u>22,667,662</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>24,342,763</u></u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 11,319,827	\$ 844,065	\$ 12,163,892
Contributed Goods and Services	21,838,224	-	21,838,224
Activities and Programs	3,279,937	-	3,279,937
Special Events, Net	8,151	-	8,151
Investment Income	7,516	-	7,516
Other Income	242,092	-	242,092
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	36,695,747	844,065	37,539,812
Net Assets Released from Restrictions	427,288	(427,288)	-
	<hr/>	<hr/>	<hr/>
Total Support, Revenues and Reclassifications	37,123,035	416,777	37,539,812
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	33,017,354	-	33,017,354
General and Administrative	2,228,979	-	2,228,979
Fundraising	958,345	-	958,345
	<hr/>	<hr/>	<hr/>
Total Expenses	36,204,678	-	36,204,678
Change In Net Assets	918,357	416,777	1,335,134
Net Assets - Beginning of Year	20,415,124	917,404	21,332,528
	<hr/>	<hr/>	<hr/>
Net Assets - End of Year	<u>\$ 21,333,481</u>	<u>\$ 1,334,181</u>	<u>\$ 22,667,662</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Services	General and Administrative	Fundraising	Total Expenses
Agricultural Program	\$ 262,062	\$ -	\$ -	\$ 262,062
Church Advancement	647,428	-	-	647,428
Computer Expense	75,365	25,122	25,122	125,609
Construction Projects	214,080	-	-	214,080
Containers	53,077	5,897	-	58,974
Depreciation and Amortization	524,185	70,595	21,325	616,105
Education	768,886	-	-	768,886
Fuel	174,342	51,395	-	225,737
Gifts-in-Kind - Food Distribution	22,854,095	-	-	22,854,095
Group Trips	1,077,603	9,280	9,280	1,096,163
Maintenance	91,739	13,336	6,528	111,603
Marketing and Advertising	-	111,283	-	111,283
Medical Care	188,351	-	-	188,351
Nutrition Program	604,185	-	-	604,185
Office Expense	571,994	109,646	197,001	878,641
Office Rent and Utilities	80,585	17,268	17,268	115,121
Orphan Care	83,003	-	-	83,003
Professional Services	353,924	605,625	101,121	1,060,670
Salaries and Benefits	3,506,392	1,006,648	457,342	4,970,382
Telephone	61,775	13,238	13,238	88,251
Transaction Fees	157,888	39,472	-	197,360
Travel Expense	513,891	110,120	110,120	734,131
Vehicle Expenses	136,709	37,950	-	174,659
Water	15,795	2,104	-	17,899
Total	<u>\$ 33,017,354</u>	<u>\$ 2,228,979</u>	<u>\$ 958,345</u>	<u>\$ 36,204,678</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, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,335,134
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	616,105
Realized and Unrealized Gain on Investments	(6,497)
Donated Securities	(202,568)
(Increase) Decrease in:	
Promises to Give	(839,652)
Employee Receivables	4,753
Other Assets	(21,789)
Inventory	1,020,472
Increase (Decrease) in:	
Accounts Payable	180,430
Credit Cards Payable	27,713
Payroll Liabilities	2,864
Deferred Revenue	10,959
Net Cash Provided by Operating Activities	<u>2,127,924</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	(113,420)
Additions to Construction in Process	(2,457,996)
Net Cash Used in Investing Activities	<u>(2,571,416)</u>
Cash Flows from Financing Activities	
Proceeds from Line of Credit, net	467,243
Principal Payments on Note Payable	(94,879)
Net Cash Provided by Investing Activities	<u>372,364</u>
Net Change in Cash and Cash Equivalents	(71,128)
Cash and Cash Equivalents - Beginning of Year	<u>2,486,634</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,415,506</u></u>
Supplemental Disclosures	
Contributed Goods, Services and Property	<u>\$ 21,838,224</u>
Contributed Securities	<u>\$ 202,568</u>
Transfer of Construction in Process to Property and Equipment	<u><u>\$ 1,671,880</u></u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 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, 2018.

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, 2018

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization 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 Organization may maintain cash held at financial institutions in excess of the FDIC limit of \$250,000. As of the balance sheet date, the Organization had \$1,946,646 of cash not insured by the FDIC.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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.

Inventory

Inventories at year-end consist of gifts-in-kind (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. Inventory consists of food and supplies valued at \$2,506,478 as of June 30, 2018.

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.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$5,000 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 190,500 volunteer hours for the year ended June 30, 2018.

Gifts-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, 2018, donated goods were recorded totaling \$21,838,224. These gifts were predominately contributed by other non-profit corporations and private donors.

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 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, 2018.

Note 2 - Concentrations

During the year ended June 30, 2018, the Organization received approximately 59% of its revenues from contributed goods from one donor.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - Promises to Give

Unconditional promises to give at June 30, 2018 are as follows:

Receivable in less than one year	\$	652,000
Receivable in one to five years		196,000
Receivable in more than five years		-
Total unconditional promises to give		848,000
Less: Discounts to net present value		(8,348)
Net unconditional promises to give	\$	839,652

Note 4 - Investments

The portfolio of investments is carried at fair market value. For donated investments, cost is determined to be fair market value at the date of gift.

Market values and net unrealized gains and losses pertaining to the investment portfolio as of June 30, 2018 are as follows:

		<u>Cost</u>		<u>Market</u>
Domestic equities	\$	202,568	\$	209,065

Note 5 - Property and Equipment, Net

Property and equipment, net, at June 30, 2018, consisted of the following:

Land	\$	1,372,789
Buildings and Improvements		17,362,940
Furniture and Equipment		336,165
Vehicles and Ship		1,337,562
		20,409,456
Less: Accumulated Depreciation		(3,738,773)
Total	\$	16,670,683

Depreciation expense during the year ended June 30, 2018 totaled \$616,105.

Note 6 - Construction in Process

Construction in process consisted of the following at June 30, 2018:

Multi-Purpose Building	\$	358,545
Titanyen Sports Complex		167,904
Titanyen Solar Project		75,052
Titanyen Homes		1,027,303
	\$	1,628,804

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 - Line of Credit

The Organization has a \$500,000 revolving line of credit with WaterStone to facilitate working capital needs. The line of credit is secured by substantially all assets held by the Organization. The line of credit bears interest at a rate of 5% as of June 30, 2018. Interest payments are due monthly with all outstanding principal and interest due May 31, 2019. The unused balance of the credit line was \$32,757 as of June 30, 2018. Subsequent to June 30, 2018 the Organization renewed the line of credit, extending the due date to March 31, 2020.

The Organization also 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 Organization. The line of credit bears interest at a rate of 5% as of June 30, 2018. Interest payments are due monthly with all outstanding principal and interest due October 5, 2018. The unused balance of the credit line was \$300,000 as of June 30, 2018. Subsequent to June 30, 2018 the Organization renewed the line of credit, extending the due date to October 5, 2019.

Note 8 - Notes Payable

Notes payable consisted of the following at June 30, 2018

Note secured by a ship, payable in monthly installments of \$4,781, including interest at 5.00%, due in April 2022	\$ <u>199,301</u>
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Maturities of Long-Term Debt as of June 30, 2018 are as follows:

2019	\$ 48,505
2020	50,987
2021	53,596
2022	46,213
Total	\$ <u>199,301</u>

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2018:

Designated Projects	\$ 6,048
Disaster Relief	85,344
College Scholarships	37,827
Container Fund	34,327
Technical School Operations	81,856
Church Advancement Projects	10,704
College Missions	34,006
Pastoral Training	38,942
Farm Field School	2,516
Memorial Fund	1,266
Designated Orphanage Support	11,452
Women's Ministry	2,830
Construction Projects	987,063
	\$ <u>1,334,181</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 10 - Contributed Goods and Property

During the year ended June 30, 2018, the Organization received contributed goods through partnership with Convoy of Hope, Inc., valued at \$21,838,224 which represents fair market value of the goods at the time of donation. The goods were utilized in its nutrition and hospital programs.

Note 11 - Lease Commitment

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

On March 22, 2018, the Organization entered into a lease for apartment space in Austin, TX, expiring May 2019. Current monthly lease payment is \$1,312.

Total lease expense paid during the period was \$108,310.

The minimum future lease payments under operating leases at June 30, 2018 are as follows:

2019	\$ <u>49,234</u>
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Note 12 - Subsequent Events

Management has evaluated subsequent events through October 8, 2019, the date on which the financial statements were available to be issued.