

MISSION OF HOPE HAITI, INC.
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

Scarborough Trlica & Wood

CERTIFIED PUBLIC ACCOUNTANTS | A MEMBER OF THE S|CPA NETWORK

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, 2021, 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, 2021, 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.

Scarborough, Trlica & Wood, LLC

Scarborough, Trlica & Wood, LLC

MISSION OF HOPE HAITI, INC.
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MISSION OF HOPE HAITI, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,918,961
Promises to Give	2,101,388
Employee Receivables	20,425
Other Assets	42,116
Inventory	3,140,154
Investments	27,801
Property and Equipment, Net	17,290,154
Construction in Process	<u>5,089,298</u>
 Total Assets	 \$ <u><u>30,630,297</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 428,556
Deferred Revenue	80,709
Line of Credit	358,000
Payment Protection Program Loan	579,315
Notes Payable	<u>2,854,413</u>
 Total Liabilities	 4,300,993
 <u>Net Assets</u>	
Without Donor Restrictions	24,247,959
With Donor Restrictions	<u>2,081,345</u>
Total Net Assets	<u><u>26,329,304</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>30,630,297</u></u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$2,951,376	\$ 8,253,095	\$ 11,204,471
Contributed Goods and Services	16,792,963	-	16,792,963
Contributed Property	6,540	-	6,540
Activities and Programs	608,176	-	608,176
Special Events, Net	546,718	-	546,718
Investment Income	961	-	961
Other Income	1,729,693	-	1,729,693
Total Support and Revenues	22,636,427	8,253,095	30,889,522
Net Assets Released from Restrictions	7,891,260	(7,891,260)	-
Total Support, Revenues and Reclassifications	30,527,687	361,835	30,889,522
Expenses			
Program Services	28,201,260	-	28,201,260
General and Administrative	1,076,316	-	1,076,316
Fundraising	1,895,525	-	1,895,525
Total Expenses	31,173,101	-	31,173,101
Change In Net Assets	(645,414)	361,835	(283,579)
Net Assets - Beginning of Year	24,893,373	1,719,510	26,612,883
Net Assets - End of Year	\$ 24,247,959	\$ 2,081,345	\$ 26,329,304

MISSION OF HOPE HAITI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Program Services	General and Administrative	Fundraising	Total Expenses
Conferences, Conventions, and Meetings	11,601	227	668,840	\$ 680,668
Construction Costs	14,386	-	-	14,386
Equipment Rental	2,148	14,860	-	17,008
Finance Charge	10,745	195,317	19,711	225,774
Humanitarian Support	44,829	83,031	-	127,861
Insurance	77,639	102,519	-	180,158
Investment Fees	-	-	-	-
Office Expense	132,891	121,035	107,113	361,039
Other Expenses	1,612	17,417	18,689	37,717
Personnel Expenses	1,401,608	3,089,061	766,641	5,257,310
Professional Fees	39,217	208,531	89,584	337,333
Program Expense	1,740,559	526,439	19,055	2,286,053
Rent and Utilities Expense	35,687	130,028	1,720	167,435
Repairs and Maintenance	402,019	197,724	27,293	627,036
Telecommunication	37,411	48,009	432	85,851
Transactions Fees	13,828	7,843	-	21,671
Transfers	4,152,423	(3,820,077)	5,294	337,639
Travel Expenses	214,115	139,268	156,070	509,452
Depreciaton	594,964	15,084	15,084	625,132
GIK Exepnse	19,273,579	-	-	19,273,579
	<u>\$ 28,201,260</u>	<u>1,076,316</u>	<u>1,895,525</u>	<u>\$ 31,173,101</u>

MISSION OF HOPE HAITI, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities	
Change in Net Assets	\$ (283,579)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	961,750
Loss on Sale of Fixed Assets	4,683
(Increase) Decrease in:	
Promises to Give	(232,435)
Employee Receivables	(12,083)
Other Assets	(9,016)
Inventory	1,902,222
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	207,654
Deferred Revenue	(19,254)
Net Cash Used in Operating Activities	<u>2,519,942</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	199,053
Additions to Construction in Process	(1,531,755)
Proceeds from Sale of Property and Equipment	8,500
Purchases of Investments	(27,801)
Net Cash Used in Investing Activities	<u>(1,352,003)</u>
Cash Flows from Financing Activities	
Proceeds from Line of Credit, net	(173,901)
Principal Payments on Long-Term Debt	(96,565)
Net Cash Provided by Financing Activities	<u>(270,466)</u>
Net Change in Cash and Cash Equivalents	897,473
Cash and Cash Equivalents - Beginning of Year	<u>2,021,488</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,918,961</u></u>
Supplemental Disclosures	
Contributed Goods, Services and Property	<u>\$ 16,799,503</u>
Contributed Securities	<u>\$ 2,496</u>
Transfer of Construction in Process to Property and Equipment	<u>\$ 10,030</u>
Interest Paid	<u>\$ 107,645</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 Section 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:

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the Organization's mission.

With Donor Restrictions – Net assets subject to specific, donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions 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. Other net assets are 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, 2021.

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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 net assets without donor restrictions 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 \$2,668,961 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. All expenses are allocated based on time and effort.

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 \$3,140,154 as of June 30, 2021.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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.

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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are 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 46,000 volunteer hours for the year ended June 30, 2021.

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, 2021, donated goods were recorded totaling \$16,792,963. 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, 2021.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 - Concentrations

During the year ended June 30, 2021, the Organization received approximately 55% of its revenues from contributed goods from one donor.

Note 3 - Promises to Give

Unconditional promises to give at June 30, 2021, are as follows:

Receivable in less than one year	\$ 1,219,270
Receivable in one to five years	920,362
Receivable in more than five years	-
Total unconditional promises to give	<u>2,139,632</u>
Less: Discounts to net present value	(38,244)
Net unconditional promises to give	<u>\$ 2,101,388</u>

Note 4 - Property and Equipment, Net

Property and equipment, net, at June 30, 2021, consisted of the following:

Land	\$ 2,652,240
Buildings and Improvements	18,255,789
Furniture and Equipment	336,226
Vehicles and Ship	1,367,740
	<u>22,611,995</u>
Less: Accumulated Depreciation	(5,321,841)
Total	<u>\$ 17,290,154</u>

Depreciation expense during the year ended June 30, 2021, totaled \$625,132.

Note 5 - Construction in Process

Construction in process consisted of the following at June 30, 2021:

Multi-Purpose Building	482,435
Tech School	140,243
Titanyen Sports Complex	1,422,958
Minoterie Child Development Center	40,308
Titanyen Solar Project	896,962
Titanyen Homes	<u>2,106,392</u>
	<u>\$ 5,089,298</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6 - Line of Credit

The Organization has a \$550,000 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, 2021. Interest payments are due monthly with all outstanding principal and interest due May 31, 2022. The unused balance of the credit line was \$192,000 as of June 30, 2021.

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 3.25% as of June 30, 2021. Interest payments are due monthly with all outstanding principal and interest due January 5, 2022. The unused balance of the credit line was \$300,000 as of June 30, 2021.

Note 7 - Notes Payable

Notes payable consisted of the following at June 30, 2021:

Note secured by a ship, payable in monthly installments of \$4,781, including interest at 5.00%, due in April 2022	\$ 55,776
Note secured by land, payable in a lump sum payment of principal, including interest at 10.50%, due in January 2021	600,000
Note secured by land, payable in a lump sum payment of principal, with no interest due in January 2021	753,000
Note secured by a building, payable in monthly installments, including interest at 5.50%, due in October 2028	<u>1,450,637</u>
	<u>\$ 2,854,413</u>

Maturities of Long-Term Debt as of June 30, 2021, are as follows:

2022	\$ 1,454,034
2023	53,156
2024	56,211
2025	59,440
2026 and thereafter	<u>1,231,562</u>
Total	<u>\$ 2,854,413</u>

Note 8 – Paycheck Protection Program Loan

On February 25, 2021, the Organization received loan proceeds in the amount of \$579,315 under the Paycheck Protection Program (the PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan and accrued interest are forgivable as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Organization believes that all proceeds will be used on qualifying expenses. However, if there is an unforgiven portion of the PPP loan it will be payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021:

Designated Projects	\$	90
College Scholarships		29,873
Church Advancement Projects		16,352
A&M Missions		21,517
Business Mentorship Program		3,251
Pastoral Training		5,323
Memorial Fund		2,407
Designated Orphanage Support		74
Women's Ministry		50,467
RKECT		62,021
Team Hope		156,632
Construction Projects		1,733,337
	\$	<u>2,081,345</u>

Note 10 - Contributed Goods and Property

During the year ended June 30, 2021, the Organization received contributed goods through partnership with Convoy of Hope, Inc., valued at \$16,792,963 which represents the 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

The Organization is obligated on leases related to certain properties and facilities. For accounting purposes, the leases are treated as operating leases. Lease expense under operating leases for the year ended June 30, 2021, totaled \$27,170

The minimum future lease payments under operating leases at June 30, 2021, are as follows:

2022	\$	<u>1,745</u>
Total	\$	<u>1,745</u>

MISSION OF HOPE HAITI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12 – Liquidity and Availability

The table below presents financial assets available for general expenditures within one year at June 30, 2021:

Financial assets at year-end:

Cash and cash equivalents	\$ 2,918,922
Promises to give (receivable in less than one year)	1,219,270
Employee receivables	<u>10,349</u>
Total financial assets	<u>4,148,541</u>

Less amounts not available to be used within one year:

Net assets with purpose restrictions	\$ 1,597,692
Less net assets with purpose restrictions to be met in less than a year	<u>(1,361,767)</u>
	<u>235,925</u>

Financial assets available to meet general expenditures within one year:

3,790,798

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization's goal is generally to maintain financial assets to meet four months of operating expenses. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents.

Note 13 - Subsequent Events

Management has evaluated subsequent events through March 22, 2022, the date on which the financial statements were available to be issued.