

CONSOLIDATED FINANCIAL STATEMENTS

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011



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October 8, 2012

Board of Directors
Hope For Haiti, Inc. and Affiliate
Naples, Florida

Independent Auditors' Report

We have audited the accompanying consolidated statements of financial position of Hope For Haiti, Inc. and affiliate (the Organization) as of June 30, 2012 and 2011 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope For Haiti, Inc. and affiliate as of June 30, 2012 and 2011 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Barth & King LLC
Certified Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,122,615	\$ 1,915,681
Certificates of deposit	0	1,520,486
Investments - NOTE B	2,473,636	2,869,416
Prepaid expenses and deposits	8,160	51,380
TOTAL CURRENT ASSETS	<u>5,604,411</u>	<u>6,356,963</u>
<u>PROPERTY AND EQUIPMENT - NOTE C</u>	<u>561,841</u>	<u>505,855</u>
TOTAL ASSETS	<u>\$ 6,166,252</u>	<u>\$ 6,862,818</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 25,529	\$ 60,968
 <u>NET ASSETS</u>		
Unrestricted:		
Undesignated	2,764,230	2,369,634
Board designated - NOTE E	2,804,982	3,835,491
TOTAL UNRESTRICTED NET ASSETS	<u>5,569,212</u>	<u>6,205,125</u>
Temporarily restricted - NOTE F	<u>571,511</u>	<u>596,725</u>
TOTAL NET ASSETS	<u>6,140,723</u>	<u>6,801,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,166,252</u>	<u>\$ 6,862,818</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

HOPE FOR HAITI, INC. AND AFFILIATE

Years ended June 30, 2012 and 2011

	2012		2011	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 410,701	\$ 571,511	\$ 1,106,983	\$ 596,725
Special event, net - NOTE D	1,010,459	0	993,137	0
In-kind donations - NOTE G	10,224,141	0	9,208,891	0
Investment return	81,546	0	187,844	0
Net assets released from donor restrictions	596,725	(596,725)	585,574	(585,574)
TOTAL SUPPORT AND REVENUES	12,323,572	(25,214)	12,082,429	11,151
		Total		Total
		\$ 982,212		\$ 1,703,708
		1,010,459		993,137
		10,224,141		9,208,891
		81,546		187,844
		0		(585,574)
		12,298,358		12,093,580
<u>EXPENSES</u>				
Program services	12,650,851	0	11,446,459	0
Supporting services:				
General and administrative	186,273	0	164,609	0
Fundraising	121,408	0	96,203	0
TOTAL SUPPORTING SERVICES	307,681	0	260,812	0
TOTAL EXPENSES	12,958,532	0	11,707,271	0
Loss on disposal of assets	953	0	0	0
	12,959,485	0	11,707,271	0
	(635,913)	(25,214)	375,158	11,151
INCREASE (DECREASE) IN NET ASSETS		(661,127)		386,309
<u>NET ASSETS</u>				
Beginning of year	6,205,125	596,725	5,829,967	585,574
End of year	\$ 5,569,212	\$ 571,511	\$ 6,205,125	\$ 596,725

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

HOPE FOR HAITI, INC. AND AFFILIATE

Years ended June 30, 2012 and 2011

	2012						2011					
	SUPPORTING SERVICES			SUPPORTING SERVICES			SUPPORTING SERVICES			SUPPORTING SERVICES		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES
<u>EXPENSES</u>												
Depreciation	\$ 36,786	\$ 10,510	\$ 5,255	\$ 15,765	\$ 52,551	\$ 22,791	\$ 6,512	\$ 3,256	\$ 9,768	\$ 32,559	\$ 9,768	\$ 32,559
In-kind expenses - NOTE G	10,224,141	0	0	0	10,224,141	9,208,891	0	0	0	9,208,891	0	9,208,891
Interest expense	0	0	0	0	0	12,251	3,500	1,750	5,250	17,501	5,250	17,501
Occupancy	18,745	5,356	2,678	8,034	26,779	14,355	4,101	2,051	6,152	20,507	2,051	20,507
Office expense	16,008	56,037	8,005	64,042	80,050	16,469	57,634	8,233	65,867	82,336	8,233	82,336
Payroll taxes and employee benefits	64,250	18,357	9,179	27,536	91,786	61,834	17,667	8,833	26,500	88,334	8,833	88,334
Postage and shipping	7,810	6,248	1,562	7,810	15,620	5,553	4,442	1,111	5,553	11,106	1,111	11,106
Professional fees	2,843	9,951	1,422	11,373	14,216	2,554	8,939	1,277	10,216	12,770	1,277	12,770
Programs - NOTE H	2,045,043	0	0	0	2,045,043	1,943,836	0	0	0	1,943,836	0	1,943,836
Promotions	0	0	59,256	59,256	59,256	0	0	46,399	46,399	46,399	46,399	46,399
Repairs and maintenance	0	8,584	0	8,584	8,584	0	10,102	0	10,102	10,102	0	10,102
Salaries and wages	236,312	67,518	33,759	101,277	337,589	157,555	45,016	22,508	67,524	225,079	22,508	225,079
Telephone	1,251	4,380	626	5,006	6,257	2,050	7,176	1,025	8,201	10,251	1,025	10,251
Travel credit	(2,338)	(668)	(334)	(1,002)	(3,340)	(1,680)	(480)	(240)	(720)	(2,400)	(240)	(2,400)
TOTAL EXPENSES	\$ 12,650,851	\$ 186,273	\$ 121,408	\$ 307,681	\$ 12,958,532	\$ 11,446,459	\$ 164,609	\$ 96,203	\$ 260,812	\$ 11,707,271	\$ 260,812	\$ 11,707,271

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

HOPE FOR HAITI, INC. AND AFFILIATE

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO</u>		
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ (661,127)	\$ 386,309
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	52,551	32,559
Loss on disposal of assets	953	0
(Increase) decrease in prepaid expenses and deposits	43,220	(49,581)
Decrease in accrued interest receivable	0	6,321
Increase (decrease) in accounts payable and accrued expenses	(35,439)	33,820
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(599,842)</u>	<u>409,428</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(119,490)	(74,501)
Proceeds from sale of assets	10,000	0
Purchase of investments	(1,875,055)	(5,426,277)
Proceeds from sale of investments	2,270,835	3,231,504
Reinvestment of return on certificates of deposit	0	(20,486)
Proceeds from expiration of certificates of deposit	1,520,486	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,806,776</u>	<u>(2,289,760)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on mortgage note payable	0	(298,797)
NET CASH USED IN FINANCING ACTIVITIES	<u>0</u>	<u>(298,797)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,206,934	(2,179,129)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	1,915,681	4,094,810
End of year	<u>\$ 3,122,615</u>	<u>\$ 1,915,681</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 0</u>	<u>\$ 17,501</u>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Hope For Haiti, Inc. is a not-for-profit corporation organized to improve the quality of life for the Haitian people, particularly children, through education, nutrition and healthcare. Foundation Kuehner, which commenced operations in August 2011 as a Haitian Foundation, was established in the Republic of Haiti and assists Hope for Haiti, Inc. in carrying out its mission within the Republic of Haiti by managing all operations and programs on behalf of Hope For Haiti, Inc.

Consolidation:

The accompanying consolidated financial statements include the accounts of Hope For Haiti, Inc. and its commonly controlled affiliate Foundation Kuehner (collectively, the Organization). All significant intercompany balances and transactions have been eliminated.

Financial Statement Presentation:

FASB ASC 958 Not-for-Profit Entities requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows based on donor-imposed restrictions:

Unrestricted: Net assets not subject to donor-imposed restriction. Such assets are available for any purpose consistent with the Organization's mission.

Temporarily restricted: Net assets subject to specific donor-imposed restriction that must be met by actions of the Organization and/or passage of time. Such assets normally fund specific expenditures of an operating or capital nature.

Permanently restricted: Net assets subject to donor-imposed restriction requiring they be maintained permanently by the Organization. Such assets are normally restricted to long-term investment with income earned and appreciation available for specific or general Organization purposes. The Organization held no permanently restricted net assets at June 30, 2012 and 2011.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Contributed Goods and Services:

In-kind donations, which consist primarily of medical supplies and related materials, are reflected in the accompanying consolidated financial statements at their estimated fair values of \$10,224,141 and \$9,208,891 for the years ended June 30, 2012 and 2011, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services (Continued):

Many individuals and businesses have donated significant amounts of time and services to the Organization's fund-raising campaigns, policy making committees, and program operations. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying consolidated financial statements. While the consolidated financial statements do not reflect values for donated services, management estimates volunteers gave over 4,200 and 5,100 hours of policy, program, administrative and facility support services in the years ended June 30, 2012 and 2011, respectively.

Contributions and Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become 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.

Property and Equipment:

The Organization records property and equipment at cost when purchased or at fair market value when donated. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to 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 restricted contributions. 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years and depreciation is recorded as an expense in current operations. Expenditures for additions, repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Income Taxes:

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from state income taxes under Chapter 220.13 of the Florida Statutes.

The Organization assesses uncertain tax positions in accordance with FASB ASC 740 and has determined that all income tax filing positions would be sustained upon examination and, accordingly, has not recorded any reserves or related accruals for interest and penalties at June 30, 2012 and 2011 for uncertain income tax positions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued):

The Organization files tax returns in the U.S. federal and state of Florida jurisdictions. The Organization is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2008.

Advertising:

The Organization expenses the costs of advertising as incurred. Advertising and public relations expense for the years ended June 30, 2012 and 2011 totaled \$59,256 and \$46,399, respectively.

Functional Expenses:

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated on the best estimate of management.

Use of Estimates:

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Investments are initially recorded at cost if purchased or, if donated at fair market value on the date received. Realized and unrealized gains and losses are recognized as changes in unrestricted net assets unless restricted by donor, in which case the amounts are reflected as temporarily restricted until expended according to the donors' stipulations.

Fair Value Measurements:

The Organization measures its assets and liabilities in accordance with FASB ASC 820 Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE B - INVESTMENTS

The following are the major categories of assets measured at fair value on a recurring basis for the years ended June 30, 2012 and 2011, using quoted prices in an active market for identical assets (Level 1). Investments are summarized as follows at June 30:

	<u>2012</u>		<u>2011</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Mutual funds	\$ 896,764	\$ 838,114	\$ 913,185	\$ 870,558
Stocks, options and ETFs	1,574,649	1,635,522	1,910,704	1,998,858
TOTAL	\$ 2,471,413	\$ 2,473,636	\$ 2,823,889	\$ 2,869,416

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	<u>2012</u>	<u>2011</u>
Building	\$ 435,763	\$ 435,763
Computer equipment	13,126	13,126
Software	96,273	14,783
Vehicle	112,501	107,360
	<u>657,663</u>	<u>571,032</u>
Less accumulated depreciation	95,822	65,177
NET PROPERTY AND EQUIPMENT	\$ 561,841	\$ 505,855

Depreciation expense was \$52,551 and \$32,559 for the years ended June 30, 2012 and 2011, respectively.

NOTE D - SPECIAL EVENTS

Special events revenue and expenses for the Organization's annual Gala consist of the following:

	<u>2012</u>	<u>2011</u>
Revenues	\$ 1,068,073	\$ 1,040,930
Expenses	(57,614)	(47,793)
SPECIAL EVENTS, NET	\$ 1,010,459	\$ 993,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE E - BOARD DESIGNATED NET ASSETS

Designated net assets consist of unrestricted contributions which are designated by the Organization's Board of Directors for general earthquake relief, education and operations in Haiti. Board designated net assets are comprised of the following at June 30:

	<u>2012</u>	<u>2011</u>
Board designated net assets for earthquake relief and operations	<u>\$ 2,804,982</u>	<u>\$ 3,835,491</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of donor-restricted contributions of which the Organization does not have complete control. Temporarily restricted net assets are comprised of the following at June 30:

	<u>2012</u>	<u>2011</u>
Community development	\$ 364,732	\$ 0
Earthquake relief - special projects	0	87,192
Education	0	44,408
Emergency relief	0	9,112
Healthcare	206,779	456,013
	<u>\$ 571,511</u>	<u>\$ 596,725</u>

NOTE G - IN-KIND DONATIONS AND EXPENSES

For the years ended June 30, 2012 and 2011, the Organization received the following non-cash contributions which were distributed among local communities to help and improve the quality of life of the children and families of Haiti. In-kind donations and expenses are as follows at June 30:

	<u>2012</u>	<u>2011</u>
Medical and supplies	\$ 10,066,725	\$ 8,958,060
School supplies and books	27,641	116,782
Other supplies	129,775	134,049
	<u>\$ 10,224,141</u>	<u>\$ 9,208,891</u>

NOTE H - PROGRAMS

The Organization is engaged in several programs which include Education, Clean Water, Emergency Relief, Nutrition and Healthcare for the Haitian people. For the years ended June 30, 2012 and 2011, the Organization had expenses of \$2,045,043 and \$1,943,836, respectively, for these programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2012 and 2011

NOTE I - RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's investment balances and the amount reported in the consolidated statements of financial position.

NOTE J - CONCENTRATIONS

The Organization maintains its cash balances at several local financial institutions and one foreign institution. Accounts at each domestic institution are insured by the Federal Deposit Insurance Corporation (FDIC) subject to various limits and conditions, while the foreign bank account is not subject to the FDIC insurance protections. The Organization had uninsured cash balances of \$1,029,817 at June 30, 2012.

For the year ended June 30, 2012, the Organization received \$530,029 from two donors, which represents 26% of its total contributions and special events revenue. For the year ended June 30, 2011, the Organization received \$528,308 from one donor, which represents 19% of its total contributions and special events revenue.

For the year ended June 30, 2012, the Organization received non-cash contributions totaling \$6,515,736 from two donors, which represents 64% of its in-kind donations and expenses. For the year ended June 30, 2011, the Organization received non-cash contributions totaling \$7,185,931 from three donors, which represents 78% of its in-kind donations and expenses.

NOTE K - CONDITIONAL PROMISE TO GIVE

As of June 30, the Organization is the recipient of a conditional promise to give, as follows:

	<u>2012</u>	<u>2011</u>
Promise conditioned on the development of two sustainable school communities	<u>\$ 2,000,000</u>	<u>\$ 0</u>

The pledge is scheduled to be paid in eight installments of \$250,000 through 2016.

NOTE L - SUBSEQUENT EVENTS

Management evaluated all activity of the Organization through October 8, 2012, the date the consolidated financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements or notes except as described below.

On July 10, 2012, the Organization was the recipient of a conditional promise to give totaling \$2,500,000 conditioned on the development of a social business project in Haiti. The pledge is scheduled to be paid in annual installments of \$500,000 for five years.