

CONSOLIDATED FINANCIAL STATEMENTS

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

--- ○ ○ ○ ○ ○ ---

C O N T E N T S

	<u>P A G E</u>
Independent Auditor's Report -----	1
Consolidated Statements of Financial Position -----	2
Consolidated Statements of Activities and Changes in Net Assets -----	3
Consolidated Statements of Functional Expenses -----	4
Consolidated Statements of Cash Flows -----	5
Notes to Consolidated Financial Statements -----	6-12

--- ○ ○ ○ ○ ○ ---



October 17, 2013

3838 Tamiami Trail N
Suite 200
Naples, Florida 34103
(239) 263-2111 PHONE
(239) 263-0496 FAX
www.hbkcpa.com

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

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Hope For Haiti, Inc. and affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Certified Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,751,079	\$ 3,122,615
Investments - NOTE B	2,708,488	2,473,636
Prepaid expenses and deposits	10,000	8,160
TOTAL CURRENT ASSETS	<u>5,469,567</u>	<u>5,604,411</u>
<u>PROPERTY AND EQUIPMENT - NOTE C</u>	<u>590,572</u>	<u>561,841</u>
TOTAL ASSETS	<u>\$ 6,060,139</u>	<u>\$ 6,166,252</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 43,756	\$ 25,529
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	3,275,800	2,764,230
Board designated - NOTE E	1,693,549	2,804,982
TOTAL UNRESTRICTED NET ASSETS	<u>4,969,349</u>	<u>5,569,212</u>
Temporarily restricted - NOTE F	<u>1,047,034</u>	<u>571,511</u>
TOTAL NET ASSETS	<u>6,016,383</u>	<u>6,140,723</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,060,139</u>	<u>\$ 6,166,252</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, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUES</u>						
Contributions	\$ 1,080,975	\$ 271,034	\$ 1,352,009	\$ 410,701	\$ 571,511	\$ 982,212
Special event, net - NOTE D	781,929	776,000	1,557,929	1,010,459	0	1,010,459
Gifts-in-kind - NOTE G	9,614,779	0	9,614,779	10,224,141	0	10,224,141
Investment return	199,435	0	199,435	81,546	0	81,546
Net assets released from donor restrictions	571,511	(571,511)	0	596,725	(596,725)	0
TOTAL SUPPORT AND REVENUES	12,248,629	475,523	12,724,152	12,323,572	(25,214)	12,298,358
<u>EXPENSES</u>						
Program services	12,493,305	0	12,493,305	12,650,851	0	12,650,851
Supporting services:						
General and administrative	218,120	0	218,120	186,273	0	186,273
Fundraising	137,067	0	137,067	121,408	0	121,408
TOTAL SUPPORTING SERVICES	355,187	0	355,187	307,681	0	307,681
TOTAL EXPENSES	12,848,492	0	12,848,492	12,958,532	0	12,958,532
Loss on disposal of assets	0	0	0	953	0	953
	12,848,492	0	12,848,492	12,959,485	0	12,959,485
INCREASE (DECREASE) IN NET ASSETS	(599,863)	475,523	(124,340)	(635,913)	(25,214)	(661,127)
<u>NET ASSETS</u>						
Beginning of year	5,569,212	571,511	6,140,723	6,205,125	596,725	6,801,850
End of year	\$ 4,969,349	\$ 1,047,034	\$ 6,016,383	\$ 5,569,212	\$ 571,511	\$ 6,140,723

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

HOPE FOR HAITI, INC. AND AFFILIATE

Years ended June 30, 2013 and 2012

	2013					2012				
	SUPPORTING SERVICES					SUPPORTING SERVICES				
	MANAGEMENT		FUND-	TOTAL		MANAGEMENT		FUND-	TOTAL	
	PROGRAM	AND	RAISING	SUPPORTING		PROGRAM	AND	RAISING	SUPPORTING	
	SERVICES	GENERAL		SERVICES	TOTAL	SERVICES	GENERAL		SERVICES	TOTAL
EXPENSES										
Depreciation	\$ 52,128	\$ 14,894	\$ 7,447	\$ 22,341	\$ 74,469	\$ 36,786	\$ 10,510	\$ 5,255	\$ 15,765	\$ 52,551
Gifts-in-kind - NOTE G	9,614,779	0	0	0	9,614,779	10,224,141	0	0	0	10,224,141
Occupancy	10,248	2,928	1,464	4,392	14,640	18,745	5,356	2,678	8,034	26,779
Office expense	18,466	64,630	9,233	73,863	92,329	16,008	56,037	8,005	64,042	80,050
Payroll taxes and employee benefits	81,178	23,194	11,597	34,791	115,969	64,250	18,357	9,179	27,536	91,786
Postage and shipping	10,679	8,543	2,136	10,679	21,358	7,810	6,248	1,562	7,810	15,620
Professional fees	1,900	6,650	950	7,600	9,500	2,843	9,951	1,422	11,373	14,216
Programs - NOTE H	2,412,133	0	0	0	2,412,133	2,045,043	0	0	0	2,045,043
Promotions	0	0	62,160	62,160	62,160	0	0	59,256	59,256	59,256
Repairs and maintenance	0	10,356	0	10,356	10,356	0	8,584	0	8,584	8,584
Salaries and wages	290,783	83,081	41,540	124,621	415,404	236,312	67,518	33,759	101,277	337,589
Telephone	1,102	3,870	553	4,423	5,525	1,251	4,380	626	5,006	6,257
Travel credit	(91)	(26)	(13)	(39)	(130)	(2,338)	(668)	(334)	(1,002)	(3,340)
TOTAL EXPENSES	\$ 12,493,305	\$ 218,120	\$ 137,067	\$ 355,187	\$ 12,848,492	\$12,650,851	\$ 186,273	\$ 121,408	\$ 307,681	\$12,958,532

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

HOPE FOR HAITI, INC. AND AFFILIATE

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>RECONCILIATION OF DECREASE IN NET ASSETS TO</u> <u>NET CASH USED IN OPERATING ACTIVITIES</u>		
Decrease in net assets	\$ (124,340)	\$ (661,127)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	74,469	52,551
Loss on disposal of assets	0	953
(Increase) decrease in prepaid expenses and deposits	(1,840)	43,220
Increase (decrease) in accounts payable and accrued expenses	18,227	(35,439)
NET CASH USED IN OPERATING ACTIVITIES	<u>(33,484)</u>	<u>(599,842)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(103,200)	(119,490)
Proceeds from sale of assets	0	10,000
Purchase of investments	(1,675,605)	(1,875,055)
Proceeds from sale of investments	1,440,753	2,270,835
Proceeds from expiration of certificates of deposit	0	1,520,486
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(338,052)</u>	<u>1,806,776</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(371,536)	1,206,934
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	3,122,615	1,915,681
End of year	<u>\$ 2,751,079</u>	<u>\$ 3,122,615</u>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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, 2013 and 2012.

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:

Gifts-in-kind, which consist primarily of medical supplies and related materials, are reflected in the accompanying consolidated financial statements at their estimated fair values of \$9,614,779 and \$10,224,141 for the years ended June 30, 2013 and 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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 5,800 and 4,200 hours of policy, program, administrative and facility support services in the years ended June 30, 2013 and 2012, 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, 2013 and 2012 for uncertain income tax positions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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 2009.

Advertising:

The Organization expenses the costs of advertising as incurred. Promotions expense for the years ended June 30, 2013 and 2012 totaled \$62,160 and \$59,256, 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.

Subsequent Events:

Management evaluated all activity of the Organization through October 17, 2013, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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, 2013 and 2012, using quoted prices in an active market for identical assets (Level 1). Investments are summarized as follows at June 30:

	<u>2013</u>		<u>2012</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Mutual funds	\$ 1,021,225	\$ 985,494	\$ 896,764	\$ 838,114
Stocks, options and ETFs	1,640,651	1,722,994	1,574,649	1,635,522
TOTALS	<u>\$ 2,661,876</u>	<u>\$ 2,708,488</u>	<u>\$ 2,471,413</u>	<u>\$ 2,473,636</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	<u>2013</u>	<u>2012</u>
Building	\$ 435,763	\$ 435,763
Computer equipment	14,325	13,126
Software	96,273	96,273
Vehicle	214,501	112,501
	<u>760,862</u>	<u>657,663</u>
Less accumulated depreciation	170,290	95,822
NET PROPERTY AND EQUIPMENT	<u>\$ 590,572</u>	<u>\$ 561,841</u>

Depreciation expense was \$74,469 and \$52,551 for the years ended June 30, 2013 and 2012, respectively.

NOTE D - SPECIAL EVENTS

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

	<u>2013</u>	<u>2012</u>
Revenues	\$ 1,646,774	\$ 1,068,073
Expenses	(88,845)	(57,614)
SPECIAL EVENTS, NET	<u>\$ 1,557,929</u>	<u>\$ 1,010,459</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Board designated net assets for earthquake relief and operations	<u>\$ 1,693,549</u>	<u>\$ 2,804,982</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>2013</u>	<u>2012</u>
Community development	\$ 913,871	\$ 364,732
Healthcare	<u>133,163</u>	<u>206,779</u>
	<u>\$ 1,047,034</u>	<u>\$ 571,511</u>

NOTE G - GIFTS-IN-KIND

For the years ended June 30, 2013 and 2012, 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. Gifts-in-kind are as follows at June 30:

	<u>2013</u>	<u>2012</u>
Medical and supplies	\$ 9,523,961	\$ 10,066,725
School supplies and books	4,921	27,641
Other supplies	<u>85,897</u>	<u>129,775</u>
	<u>\$ 9,614,779</u>	<u>\$ 10,224,141</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, 2013 and 2012, the Organization had expenses of \$2,412,133 and \$2,045,043 respectively, for these programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

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 \$617,443 at June 30, 2013.

For the year ended June 30, 2013, the Organization received \$1,160,704 from two donors, which represents 39% of its total contributions and special events revenue. 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, 2013, the Organization received non-cash contributions totaling \$8,106,554 from two donors, which represents 84% of its gifts-in-kind. For the year ended June 30, 2012, the Organization received gifts-in-kind totaling \$6,515,736 from two donors, which represents 64% of its gifts-in-kind.

NOTE K - CONDITIONAL PROMISES TO GIVE

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

	<u>2013</u>	<u>2012</u>
Promise conditioned on the development of two sustainable school communities	\$ 1,580,288	\$ 2,000,000
Promise conditioned on the development of a social business project in Haiti	<u>2,000,000</u>	<u>0</u>
	<u>\$ 3,580,288</u>	<u>\$ 2,000,000</u>

These funds are expected to be received on an annual basis through 2018. Also, in accordance with a donor grant agreement, funds received from a conditional promise to give are maintained in a separate bank account, totaling \$388,134 at June 30, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

HOPE FOR HAITI, INC. AND AFFILIATE

June 30, 2013 and 2012

NOTE L - RELATED PARTY TRANSACTIONS

The Organization has contracts for services in Haiti, including construction services and distributions of gifts-in-kind with a company owned by an individual related to the Organization. Total program expenses incurred under these agreements totaled \$190,148 and \$93,350 for the years ended June 30, 2013 and 2012, respectively. Additionally, at June 30, 2013, the Organization had outstanding accounts payable to the related company totaling \$20,604. At June 30, 2012 there were no amounts due to the related party.