

Hope for Haiti, Inc.

Audited Financial Statements

June 30, 2010 and 2009

Hope for Haiti, Inc.

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June 30, 2010 and 2009

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Independent Auditor's Report

To the Board of Directors
Hope for Haiti, Inc.
Naples, Florida

We have audited the accompanying statement of financial position of Hope for Haiti, Inc. (the "Organization"), a nonprofit organization, as of June 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope for Haiti, Inc. as of June 30, 2010 and 2009, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith & Co., LLP
December 7, 2010

Hope for Haiti, Inc.
Statements of Financial Position
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,094,810	\$ 932,126
Prepaid expenses	1,799	-
Accrued interest receivable	6,321	1,352
Certificate of deposits	1,500,000	85,000
Investments	<u>674,643</u>	<u>353,311</u>
	6,277,573	1,371,789
Property and equipment, net	<u>463,913</u>	<u>32,382</u>
Total assets	<u>\$ 6,741,486</u>	<u>\$ 1,404,171</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 27,148	\$ 8,566
Current portion of mortgage note payable	<u>21,584</u>	<u>-</u>
	48,732	8,566
Long-term liabilities		
Mortgage note payable	277,213	-
Net assets		
Unrestricted net assets:		
Undesignated	1,452,449	1,305,146
Designated	4,190,818	-
Investment in property and equipment	<u>186,700</u>	<u>32,382</u>
Total unrestricted net assets	5,829,967	1,337,528
Temporarily restricted	<u>585,574</u>	<u>58,077</u>
Total net assets	<u>6,415,541</u>	<u>1,395,605</u>
Total liabilities and net assets	<u>\$ 6,741,486</u>	<u>\$ 1,404,171</u>

See notes to financial statements

Hope for Haiti, Inc.

Statements of Activities

Years ended June 30, 2010 and 2009

	Unrestricted	Temporarily Restricted	2010	Unrestricted	Temporarily Restricted	2009
Support and revenues						
Contributions	\$ 6,058,945	\$ 564,270	\$ 6,623,215	\$ 940,744	\$ 58,077	\$ 998,821
Special events, net	402,660	-	402,660	500,790	-	500,790
In-kind donations	51,704,967	-	51,704,967	21,139,199	-	21,139,199
Investment return	37,632	-	37,632	8,029	-	8,029
Total support and revenues	58,204,204	564,270	58,768,474	22,588,762	58,077	22,646,839
Net assets released from restrictions	36,773	(36,773)	-	364,360	(364,360)	-
Total support, revenues, and reclassifications	58,240,977	527,497	58,768,474	22,953,122	(306,283)	22,646,839
Expenses						
Program services	53,497,728	-	53,497,728	22,669,789	-	22,669,789
Supporting services	147,965	-	147,965	141,770	-	141,770
General and administrative	102,845	-	102,845	82,323	-	82,323
Fund-raising						
Total expenses	53,748,538	-	53,748,538	22,893,882	-	22,893,882
Change in net assets						
Net assets - beginning of year	4,492,439	527,497	5,019,936	59,240	(306,283)	(247,043)
Net assets - end of year	<u>\$ 1,337,528</u>	<u>58,077</u>	<u>1,395,605</u>	<u>1,278,288</u>	<u>364,360</u>	<u>1,642,648</u>
	<u>\$ 5,829,967</u>	<u>\$ 585,574</u>	<u>\$ 6,415,541</u>	<u>\$ 1,337,528</u>	<u>\$ 58,077</u>	<u>\$ 1,395,605</u>

See notes to financial statements

Hope for Haiti, Inc.

Statements of Functional Expenses

Years Ended June 30, 2010 and 2009

	Supporting Services			Supporting Services			2009	
	Program Services	Management and General	Fund-raising	Total	Management and General	Fund-raising		Total
Depreciation	\$ 9,923	\$ 2,835	\$ 1,418	\$ 4,253	\$ 14,175	\$ 6,514	\$ 2,792	\$ 9,306
In-kind expenses	51,704,967	-	-	-	51,704,967	21,139,199	-	21,139,199
Interest expense	4,297	1,228	614	1,842	6,139	-	-	-
Occupancy	17,866	5,105	2,552	7,657	25,523	29,371	5,781	35,152
Office expense	15,933	55,764	7,966	63,730	79,663	9,186	5,828	68,387
Payroll taxes and employee benefits	37,827	10,808	5,404	16,212	54,039	39,169	5,596	55,956
Postage and shipping	7,405	5,924	1,481	7,405	14,810	6,622	1,324	13,244
Professional fees	1,607	5,624	803	6,427	8,034	1,200	600	6,000
Programs	1,529,663	-	-	-	1,529,663	1,256,153	-	1,256,153
Promotions	-	-	58,032	58,032	58,032	-	41,268	41,268
Repairs and maintenance	-	7,744	-	7,744	7,744	3,918	-	3,918
Salaries and wages	166,727	47,636	23,818	71,454	238,181	175,555	25,079	250,792
Telephone	1,514	5,298	757	6,054	7,568	2,902	1,450	14,507
Total expenses	\$ 53,497,728	\$ 147,965	\$ 102,845	\$ 250,810	\$ 53,748,538	\$ 22,669,789	\$ 82,323	\$ 224,093
								\$ 22,893,882

See notes to financial statements

Hope for Haiti, Inc.
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 5,019,936	\$ (247,043)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	14,175	9,306
Unrealized loss on investments	20,284	60,086
(Increase) decrease in assets:		
Prepaid expenses	(1,799)	19,000
Accrued interest receivable	(4,969)	20,840
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	18,582	7,523
Deferred revenue	<u>-</u>	<u>(50,348)</u>
Net cash provided (used in) by operating activities	<u>5,066,209</u>	<u>(180,636)</u>
Cash flows from investing activities		
Purchase of property and equipment	(445,705)	(6,398)
Purchase of investments	(341,616)	(334,148)
Purchase of certificate of deposits	(1,500,000)	-
Proceeds from redemption of certificates of deposit	<u>85,000</u>	<u>971,000</u>
Net cash provided by (used in) investing activities	<u>(2,202,321)</u>	<u>630,454</u>
Cash flows from financing activities		
Principal payments of mortgage notes payable	(1,204)	
Proceeds from long term borrowings	<u>300,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>298,796</u>	<u>-</u>
Net change in cash and cash equivalents	3,162,684	449,818
Cash and cash equivalents - beginning of year	<u>932,126</u>	<u>482,308</u>
Cash and cash equivalents - end of year	<u>\$ 4,094,810</u>	<u>\$ 932,126</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 6,139</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Hope for Haiti, Inc. (the "Organization") is a non-profit corporation organized to improve the quality of life for the Haitian people, particularly children, through education, nutrition and healthcare.

Summary of significant accounting policies

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. Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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, 2010 and 2009.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity

Assets are presented in the accompanying statements of financial position according to the nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all bank and similar deposits, demand accounts and money market funds and certificate of deposits with an original maturity of three months or less to be cash equivalents.

The Organization maintains bank accounts with balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

Investments

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. Investments securities are reflected at market value, and 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.

Contributions

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 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.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 support 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 land, building, and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the assets are acquired and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method calculated over the estimated useful lives of five through thirty-nine years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Income taxes

The Internal Revenue Service has determined the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these financial statements

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The implementation of this standard had no impact on the Organization's financial statements.

The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. An Exempt Organization Business Income Tax Return (Form 990) is filed annually by the Organization. The tax returns from the tax years ended 2007 through 2009 are open to examination by the IRS.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and goods

In-kind donations, which consist primarily of medical supplies and related materials, are reflected in the accompanying financial statements at their estimated fair market value of \$51,704,967 and \$21,139,199 for the years ended June 30, 2010 and 2009.

Many individuals and business 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 financial statements. While the financial statements do not reflect a value for donated services, management estimates volunteers gave over 1,000 hours of policy, program, administrative, and facility support services in the eighteen months ended June 30, 2010 and 2009.

Functional expenses

The costs of providing program and support services have been summarized on a functional basis in the Statement of Activities. 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 service, are allocated on the best estimate of management.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

The fair value hierarchy consists of three levels of inputs used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying value amounts to their fair value.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Evaluation of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2010, the date the financial statements were available to be issued.

NOTE 2 – CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at June 30, 2010 and 2009:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2010</u>	<u>2009</u>
5/25/2010	3.40%	\$ -	\$ 85,000
8/16/2010	1.51%	250,000	-
12/16/2010	1.75%	250,000	-
2/11/2012	1.49%	1,000,000	-
		<u>\$ 1,500,000</u>	<u>\$ 85,000</u>

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 3 – INVESTMENTS

Investments are comprised of the following at June 30, 2010 and 2009:

	2010		2009	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Domestic equities	\$ 1,049	\$ 1,020	\$ -	\$ -
Exchange traded stock fund	<u>713,397</u>	<u>673,623</u>	<u>413,397</u>	<u>353,311</u>
Total	<u>\$ 714,446</u>	<u>\$ 674,643</u>	<u>\$ 413,397</u>	<u>\$ 353,311</u>

Investment earnings for the years ended June 30, 2010 and 2009 were comprised of:

	2010	2009
Unrealized loss on investments	\$ (20,284)	\$ (60,086)
Interest and dividends	<u>57,916</u>	<u>68,115</u>
Total investment return	<u>\$ 37,632</u>	<u>\$ 8,029</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2010 and 2009:

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 1,020	\$ -	\$ -	\$ 1,020
Exchange traded stock fund	<u>-</u>	<u>673,623</u>	<u>-</u>	<u>673,623</u>
Total	<u>\$ 1,020</u>	<u>\$ 673,623</u>	<u>\$ -</u>	<u>\$ 674,643</u>

	2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ -	\$ -	\$ -	\$ -
Exchange traded stock fund	<u>-</u>	<u>353,311</u>	<u>-</u>	<u>353,311</u>
Total	<u>\$ -</u>	<u>\$ 353,311</u>	<u>\$ -</u>	<u>\$ 353,311</u>

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 5 – PROPERTY AND EQUIPMENT, net

Property and equipment, net at June 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Building	\$ 435,763	\$ -
Computer equipment	13,126	13,126
Software	14,783	4,840
Vehicle	<u>32,860</u>	<u>32,860</u>
	496,532	50,826
Less: accumulated depreciation	<u>(32,619)</u>	<u>(18,444)</u>
	<u>\$ 463,913</u>	<u>\$ 32,382</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$14,175 and \$9,306, respectively.

NOTE 6 – MORTGAGE NOTE PAYBLE

Mortgage note payable at June 30, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Mortgage note payable to an individual, secured by building, with monthly payments and interest of \$1,799, starting February 2010, maturing March 2015, interest at 6.00% with a balloon payment due March 2015.	<u>\$ 298,797</u>	<u>\$ -</u>
Less: Current portion of mortgage notes	<u>(21,584)</u>	<u>-</u>
Mortgage note payable - long term, excluding current portion	<u>\$ 277,213</u>	<u>\$ -</u>

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 6 – MORTGAGE NOTE PAYABLE (continued)

Aggregate future principal payments of the mortgage notes payable are due as follows at June 30, 2010:

<u>Year Ending June 30,</u>	
2011	\$ 21,584
2012	21,584
2013	21,584
2014	21,584
2015	<u>212,461</u>
	<u>\$ 298,797</u>

NOTE 7 – SPECIAL EVENT, net

Special events revenue and expenses for the Organizations annual Hanger Party consist of the following:

	<u>2010</u>	<u>2009</u>
Revenues	\$ 488,688	\$ 622,700
Expenses	<u>(86,028)</u>	<u>(121,910)</u>
	<u>\$ 402,660</u>	<u>\$ 500,790</u>

NOTE 8 – DESIGNATED NET ASSETS

Designated net assets consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Board designated net assets for earthquake relief and operations	<u>\$ 4,190,818</u>	<u>\$ -</u>

Hope for Haiti, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets are comprised of donor-restricted contributions of which the Organization does not have complete control. As of June 30, 2010 and 2009 restricted assets are as follows:

	2010	2009
Dispensary	\$ 20,687	\$ 31,668
Earthquake relief - vehicles	66,500	-
Earthquake relief - special projects	350,694	-
Education	22,400	-
Emergency relief	-	7,015
Healthcare	62,699	-
Reforestation	2,067	3,250
Special projects - medical truck	22,750	-
Special projects - water purification	<u>37,777</u>	<u>16,144</u>
	<u>\$ 585,574</u>	<u>\$ 58,077</u>

NOTE 10 – IN-KIND DONATIONS AND EXPENSE

During the years ended June 30, 2010 and 2009, the Organization received the following non-cash contributions which distributed among the local communities to help and improve the quality of life of the children and families of Haiti. In-kind donations and expenses as of June 30, 2010 and 2009 are as follows:

	2010	2009
Medicine and supplies	\$ 50,720,926	\$ 21,009,034
School supplies and books	18,849	102,094
Other supplies and materials	<u>965,192</u>	<u>28,071</u>
	<u>\$ 51,704,967</u>	<u>\$ 21,139,199</u>

NOTE 11 – PROGRAMS

The Organization is engaged in several programs which include Education, Clean Water, Emergency Relief, Nutrition and Healthcare. For the years ended June 30, 2010 and 2009 the Organization had expenses \$1,528,266 and \$1,247,802 for these programs respectively.