

FINANCIAL STATEMENTS

**HOPE FOR HAITI, INC.**

June 30, 2011

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September 23, 2011

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

**Independent Auditors' Report**

We have audited the accompanying statement of financial position of Hope For Haiti, Inc. (the Organization) as of June 30, 2011 and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 U.S. generally accepted auditing standards. 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 provides 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, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Hill, Barth & King LLC*  
Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

**HOPE FOR HAITI, INC.**

June 30, 2011

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,915,681
Certificates of deposit	1,520,486
Investments - NOTE B	2,869,416
Prepaid expenses and deposits	<u>51,380</u>

TOTAL CURRENT ASSETS 6,356,963

**PROPERTY AND EQUIPMENT - NOTE C**

505,855

TOTAL ASSETS \$ 6,862,818

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 60,968
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**NET ASSETS**

Unrestricted:

Undesignated	2,369,634
Board designated - NOTE E	<u>3,835,491</u>

TOTAL UNRESTRICTED NET ASSETS 6,205,125

Temporarily restricted - NOTE F

596,725

TOTAL NET ASSETS 6,801,850

TOTAL LIABILITIES AND NET ASSETS \$ 6,862,818

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

**HOPE FOR HAITI, INC.**

Year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>			
Contributions	\$ 1,106,983	\$ 596,725	\$ 1,703,708
Special event, net - NOTE D	993,137	0	993,137
In-kind donations - NOTE G	9,208,891	0	9,208,891
Investment return	187,844	0	187,844
Net assets released from donor restrictions	585,574	(585,574)	0
TOTAL SUPPORT AND REVENUES	<u>12,082,429</u>	<u>11,151</u>	<u>12,093,580</u>
 <u>EXPENSES</u>			
Program services	11,446,459	0	11,446,459
Supporting services:			
General and administrative	164,609	0	164,609
Fundraising	96,203	0	96,203
TOTAL EXPENSES	<u>11,707,271</u>	<u>0</u>	<u>11,707,271</u>
INCREASE IN NET ASSETS	375,158	11,151	386,309
 <u>NET ASSETS</u>			
Beginning of year	5,829,967	585,574	6,415,541
End of year	<u>\$ 6,205,125</u>	<u>\$ 596,725</u>	<u>\$ 6,801,850</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

**HOPE FOR HAITI, INC.**

Year ended June 30, 2011

	<u>SUPPORTING SERVICES</u>				<u>TOTAL</u>
	<u>PROGRAM SERVICES</u>	<u>MGMT. AND GENERAL</u>	<u>FUND- RAISING</u>	<u>TOTAL SUPPORTING SERVICES</u>	
<u>EXPENSES</u>					
Depreciation	\$ 22,791	\$ 6,512	\$ 3,256	\$ 9,768	\$ 32,559
In-kind expenses - NOTE G	9,208,891	0	0	0	9,208,891
Interest expense	12,251	3,500	1,750	5,250	17,501
Occupancy	14,355	4,101	2,051	6,152	20,507
Office expense	16,469	57,634	8,233	65,867	82,336
Payroll taxes and employee benefits	61,834	17,667	8,833	26,500	88,334
Postage and shipping	5,553	4,442	1,111	5,553	11,106
Professional fees	2,554	8,939	1,277	10,216	12,770
Programs - NOTE H	1,943,836	0	0	0	1,943,836
Promotions	0	0	46,399	46,399	46,399
Repairs and maintenance	0	10,102	0	10,102	10,102
Salaries and wages	157,555	45,016	22,508	67,524	225,079
Telephone	2,050	7,176	1,025	8,201	10,251
Travel credit	(1,680)	(480)	(240)	(720)	(2,400)
<b>TOTAL EXPENSES</b>	<u>\$ 11,446,459</u>	<u>\$ 164,609</u>	<u>\$ 96,203</u>	<u>\$ 260,812</u>	<u>\$ 11,707,271</u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

**HOPE FOR HAITI, INC.**

Year ended June 30, 2011

RECONCILIATION OF INCREASE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

	\$	386,309
Increase in net assets		
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		32,559
Increase in prepaid expenses and deposits		(49,581)
Decrease in accrued interest receivable		6,321
Increase in accounts payable and accrued expenses		33,820
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>409,428</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(74,501)
Purchase of investments	(5,426,277)
Proceeds from sale of investments	3,231,504
Reinvestment of return on certificates of deposit	(20,486)
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,289,760)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on mortgage note payable	(298,797)
NET CASH USED IN FINANCING ACTIVITIES	<u>(298,797)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (2,179,129)

CASH AND CASH EQUIVALENTS

Beginning of year	4,094,810
End of year	<u>\$ 1,915,681</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest	<u>\$ 17,501</u>

See accompanying notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

### **HOPE FOR HAITI, INC.**

June 30, 2011

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Organization:**

Hope For Haiti, Inc. (the Organization) is a not-for-profit corporation organized to improve the quality of life for the Haitian people, particularly children, through education, nutrition and healthcare.

##### **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, 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 financial statements at their estimated fair market values of \$9,208,891 for the year ended June 30, 2011.

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 financial statements. While the financial statements do not reflect values for donated services, management estimates volunteers gave over 5,100 hours of policy, program, administrative and facility support services in the year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**HOPE FOR HAITI, INC.**

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Contributions and Unconditional Promises to Give:**

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**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, 2011 for uncertain income tax positions.

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 2007.

**Advertising:**

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**HOPE FOR HAITI, INC.**

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 support services, are allocated on the best estimate of management.

**Use of Estimates:**

The preparation of 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 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 statement 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.

NOTE B - INVESTMENTS

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

	<u>COST</u>	<u>FAIR VALUE</u>
Mutual funds	\$ 913,185	\$ 870,558
Stocks, options and ETFs	1,910,704	1,998,858
TOTAL	<u>\$ 2,823,889</u>	<u>\$ 2,869,416</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**HOPE FOR HAITI, INC.**

June 30, 2011

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30, 2011:

Building	\$ 435,763
Computer equipment	13,126
Software	14,783
Vehicle	<u>107,360</u>
	571,032
Less accumulated depreciation	<u>65,177</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 505,855</u>

Depreciation expense was \$32,559 for the year ended June 30, 2011.

NOTE D - SPECIAL EVENTS

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

Revenues	\$ 1,040,930
Expenses	<u>(47,793)</u>
SPECIAL EVENTS, NET	<u>\$ 993,137</u>

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, 2011:

Board designated net assets for earthquake relief and operations	<u>\$ 3,835,491</u>
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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. As of June 30, 2011 restricted assets are as follows:

Earthquake relief - special projects	\$ 87,192
Education	44,408
Emergency relief	9,112
Healthcare	<u>456,013</u>
	<u>\$ 596,725</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**HOPE FOR HAITI, INC.**

June 30, 2011

NOTE G - IN-KIND DONATIONS AND EXPENSES

During the year ended June 30, 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 as of June 30, 2011 are as follows:

Medical and supplies	\$ 8,958,060
School supplies and books	116,782
Other supplies	134,049
	<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 year ended June 30, 2011, the Organization had expenses of \$1,943,836 for these programs.

NOTE I - CONCENTRATIONS OF CREDIT RISK

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 \$1,103,789 at June 30, 2011.

NOTE J - SUBSEQUENT EVENTS

Management evaluated all activity of the Organization through September 23, 2011, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes except as described below.

On August 28, 2011, the Organization commenced operations of Kuehner Foundation (the affiliate), a commonly controlled organization which was founded and established by the Organization in the Republic of Haiti. The affiliate was created to assist the Organization in carrying out its mission within the Republic of Haiti by managing all operations and programs on behalf of the Organization.