

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope for Haiti's Children Ministries, Inc.
Cincinnati, Ohio

We have audited the accompanying financial statements of Hope for Haiti's Children Ministries, Inc., which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years 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 U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. We conducted our audits 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 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 do not express such an 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 Hope for Haiti's Children Ministries, Inc. as of December 31, 2016 and 2015 and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Steven L. Potts". The signature is written in a cursive style with a large, prominent initial "S".

April 5, 2017

Certified Public Accountant

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 550,856	\$ 380,535
Accounts receivable	-	1,683
Prepaid expenses	<u>26,976</u>	<u>1,205</u>
TOTAL CURRENT ASSETS	577,832	383,423
NON CURRENT ASSETS		
Pledges receivable, net--restricted (Note 5)	<u>3,563,048</u>	<u>3,183,938</u>
TOTAL ASSETS	<u><u>\$4,140,880</u></u>	<u><u>\$3,567,361</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 30,956	\$ 38,628
Salaries and payroll taxes payable	13,419	14,487
Employee benefit payable	<u>-</u>	<u>438</u>
TOTAL CURRENT LIABILITIES	<u>44,375</u>	<u>53,553</u>
NET ASSETS		
Unrestricted	170,445	99,635
Temporarily restricted	<u>3,926,060</u>	<u>3,414,173</u>
TOTAL NET ASSETS	<u>4,096,505</u>	<u>3,513,808</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$4,140,880</u></u>	<u><u>\$3,567,361</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2 0 1 6			2 0 1 5		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES						
Contributions	\$ 487,762	\$ 1,459,227	\$ 1,946,989	\$ 382,375	\$ 1,228,273	\$ 1,610,648
Pledges income, net	-	379,110	379,110	-	180,140	180,140
Donated goods and services	4,166	458,686	462,852	3,627	497,434	501,061
Fundraising events, net (Note 7)	104,129	-	104,129	38,605	-	38,605
Other income	155	-	155	15,832	-	15,832
Assets released from restrictions	1,785,136	(1,785,136)	-	1,644,755	(1,644,755)	-
TOTAL REVENUE	2,381,348	511,887	2,893,235	2,085,194	261,092	2,346,286
OPERATING EXPENSES						
Program (Note 10)	2,033,595	-	2,033,595	1,900,790	-	1,900,790
General and administrative	142,884	-	142,884	146,353	-	146,353
Fundraising	134,060	-	134,060	123,648	-	123,648
TOTAL EXPENSES	2,310,538	-	2,310,538	2,170,791	-	2,170,790
INCREASE (DECREASE) IN NET ASSETS	70,810	511,887	582,697	(85,597)	261,092	175,495
NET ASSETS - BEGINNING	99,635	3,414,173	3,513,808	185,232	3,153,081	3,338,313
NET ASSETS - ENDING	\$ 170,445	\$ 3,926,060	\$ 4,096,505	\$ 99,635	\$ 3,414,173	\$ 3,513,808

SEE NOTES TO FINANCIAL STATEMENTS

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 582,697	\$ 175,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	1,682	(1,683)
Pledges receivable	(379,110)	(180,140)
Prepaid expense	(25,770)	(1,205)
Increase (decrease) in:		
Accounts payable	(7,672)	22,907
Accrued payroll taxes	(1,068)	11,344
Employee benefits payable	(438)	(2,937)
	<u>170,321</u>	<u>23,781</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>170,321</u>	<u>23,781</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,321	23,781
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>380,535</u>	<u>356,754</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 550,856</u>	<u>\$ 380,535</u>

SEE NOTES TO FINANCIAL STATEMENTS

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Compensation and related expenses				
Compensation	\$ 105,304	\$ 83,135	\$ 88,677	\$ 277,115
Payroll taxes	7,399	5,841	6,231	19,471
Employee benefits	4,427	3,495	3,728	11,649
Total compensation and related expense	<u>117,130</u>	<u>92,471</u>	<u>98,635</u>	<u>308,236</u>
Grants	1,665,905	-	-	1,665,905
Travel	99,258	1,716	14,290	115,264
Supplies and materials	67,057	-	-	67,057
Postage and shipping	28,857	2,292	4,073	35,222
Information technology	8,389	11,859	643	20,891
Printing	5,598	2,077	13,138	20,813
Bank fees	1,141	12,641	-	13,782
Conferences and meetings	12,611	692	390	13,693
Professional fees	300	10,436	-	10,736
Contract services	10,595	-	-	10,595
Telephone	6,793	1,293	-	8,086
Office supplies	3,049	1,672	1,137	5,858
Repairs and maintenance	5,602	-	-	5,602
Insurance	574	2,952	-	3,526
Other expenses	736	336	1,754	2,826
Rent	-	2,200	-	2,200
Staff expense	-	247	-	247
Consulting	-	-	-	-
TOTAL EXPENSES	<u><u>\$ 2,033,595</u></u>	<u><u>\$ 142,884</u></u>	<u><u>\$ 134,060</u></u>	<u><u>\$ 2,310,538</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Compensation and related expenses				
Compensation	\$ 72,984	\$ 56,856	\$ 61,543	\$ 191,382
Payroll taxes	5,322	4,146	4,488	13,956
Employee benefits	5,657	4,407	4,770	14,834
Total compensation and related expense	<u>83,963</u>	<u>65,409</u>	<u>70,801</u>	<u>220,172</u>
Grants	1,506,428	-	-	1,506,428
Travel	110,989	8,131	10,591	129,711
Supplies and materials	79,797	-	-	79,797
Postage and shipping	26,651	1,628	4,637	32,916
Information technology	6,715	8,534	1,247	16,496
Printing	6,461	3,167	14,668	24,296
Bank fees	1,217	12,870	-	14,087
Conferences and meetings	13,139	1,182	-	14,321
Professional fees	-	6,287	-	6,287
Contract services	9,171	-	-	9,171
Telephone	7,358	1,160	-	8,518
Office supplies	3,624	3,555	1,491	8,670
Repairs and maintenance	4,532	-	-	4,532
Insurance	1,513	2,005	-	3,518
Other expenses	704	3,019	949	4,672
Rent	-	2,200	-	2,200
Staff expense	-	1,506	-	1,506
Consulting	38,528	25,700	19,264	83,492
TOTAL EXPENSES	<u><u>\$ 1,900,790</u></u>	<u><u>\$ 146,353</u></u>	<u><u>\$ 123,648</u></u>	<u><u>\$ 2,170,791</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1--THE ORGANIZATION

Hope for Haiti's Children Ministries, Inc., ("the Organization") is located in Cincinnati, Ohio and was organized in 1995. The organization is a not for profit corporation with a mission to educate and care for the impoverished children of Haiti. The Organization meets the needs of the children through an education sponsorship program, health care services, orphan care and crisis relief efforts.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with U.S generally accepted accounting principles.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly the organization's net assets and changes therein are classified and reported as unrestricted assets, temporarily restricted assets and permanently restricted assets. Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as a release from restriction in the statement of activities. Contributions whose restrictions are met within the same reporting period are reported as unrestricted net assets.

b. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

c. Tax Status

As a non-profit corporation, the profits and losses for the Organization are exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, these financial statements do not reflect a provision for income taxes and the organization has no other tax position which must be considered for disclosure.

The organization holds no uncertain tax positions and therefore has no policy for evaluating them. The organization's Form 990, return of organization exempt from income taxes is generally subject to examination by the internal revenue service for three years after the date filed.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

d. Functional Expenses

The cost of programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Management has made certain allocations of expenses among program, administrative and fund raising expenses according to their judgment of the categories receiving the benefit.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

f. Donated Goods and Services

During the years ended December 31, 2016 and 2015, the organization received various goods and services in connection with its program activities. The fair value of donated goods and services used in the operation of its programs in the years ended December 31, 2016 and 2015 totaled \$462,852 and \$501,061 respectively.

g. Contributions

Contributions, which include unconditional promises to give (pledges receivable) are recognized as revenue at fair value when received or pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at risk adjusted rates commensurate with the duration of donor's contribution plan. These inputs to the fair value estimates are considered as Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. An allowance for uncollectible contributions is estimated based upon prior year collection history and analysis of past due amounts.

h. Subsequent Events

In connection with the preparation of the financial statement, the Organization evaluated subsequent events from December 31, 2016 through April 5, 2017, which was the date the audit report was available for issuance, and has concluded that there are no subsequent events for disclosure.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3--STATEMENT OF CASH FLOWS--SUPPLEMENTAL INFORMATION

No income or excise taxes were paid in the years ended December 31, 2016 and 2015. No interest expense was paid in the years ended December 31, 2016 and 2015.

NOTE 4--FAIR VALUATION OF FINANCIAL INSTRUMENTS

FASB ASC 825-10 requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of instruments. FASB ASC 825-10 excludes certain financial instruments and nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization.

The amounts reflected in the balance sheets for cash, accounts receivable, and short-term borrowings approximate their respective fair values due to the short term maturities of the instruments. The carrying value of pledges receivable also approximates fair value because its value is based on estimated future cash flows using a discount rate commensurate with the risks involved.

NOTE 5--PLEDGES RECEIVABLE, NET

Pledges receivable consisted of the following as on December 31, 2016:

Due within 1 year	782,740
Due within 2 to 5 years	2,439,936
Due beyond 5 years	1,321,056
	<u>4,543,732</u>
Less Adjustment to pledges due to grade correction	243,460
Less Allowance for uncollectible pledges	(173,333)
Less Discount to present value	<u>(1,050,811)</u>
Pledges receivable, net	<u>\$ 3,563,048</u>

Pledges receivable are reported using a discount rate of 5%. The pledges are based on the number of years each child remains in school. Each child's grade is adjusted annually as to progression and repeating a grade. In 2016, the \$243,460 has been adjusted to reflect this correction.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6--TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted as of December 31 for the following purposes:

	<u>2016</u>	<u>2015</u>
Pledges Receivable	3,563,048	3,183,938
Child Education Sponsorship	99,151	38,328
Mission Trip Ministry	75,924	48,631
Crisis relief	57,267	9,543
Lunch program	38,999	39,224
Special Gifts	30,550	72,797
Community Development	25,172	-
General Haiti Operations	17,133	8,080
Adult education sponsorship	8,118	-
Leadership Camps	8,090	-
Vocational Training	2,608	2,608
Orphan Care Sponsorship	-	11,024
	<u>\$ 3,926,060</u>	<u>\$ 3,414,173</u>

NOTE 7--FUND RAISING EVENTS

The following events contributed to the resources available for programs during the years ended December 31, 2016 and 2015.

	<u>2016</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net Profit</u>
Breakfasts	127,944	23,815	104,129
Other events	-	-	-
	<u>\$ 127,944</u>	<u>\$ 23,815</u>	<u>\$ 104,129</u>
	<u>2015</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net Profit</u>
Breakfasts	39,234	5,942	33,292
Other events	9,792	4,479	5,313
	<u>\$ 49,026</u>	<u>\$ 10,421</u>	<u>\$ 38,605</u>

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8--CONCENTRATIONS OF RISK

The Federal Deposit Insurance Corporation insures cash balances at participating banks at amounts up to \$250,000. The Organization had \$ 190,722 of uninsured balances as of December 31, 2016. The uninsured balances are computed on the balances on deposit with the bank as of December 31 and do not take into consideration outstanding checks or deposits. The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 9-- CREDIT LINE

The Organization has an unsecured line of credit of \$45,000 on a credit card. The available credit as of December 31, 2016 was \$ 34,229.

HOPE FOR HAITI'S CHILDREN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 10- Program Activities

A summary of program activities by sector and type for the years ended December 31, 2016 and 2015 is as follows:

	2016											2015
	Child education sponsorship	Orphan care sponsorship	Adult education sponsorship	Mission trip ministry	Lunch program	Domestic operations	General Haiti operations	Community development	School development	Other programs	Total program	
Grants	\$ 886,973	\$ 207,042	\$ 11,549	\$ -	\$ 82,312	\$ 50,116	\$ 68,967	\$ 39,409	\$ 73,221	\$ 246,316	1,665,905	1,506,428
Travel	10,688	155	-	71,511	-	6,603	981	7,710	-	1,610	99,258	110,989
Compensation and related expenses	-	-	-	-	-	117,130	-	-	-	-	117,130	83,963
Supplies and materials	3,492	18,139	1,200	837	4,455	-	2,863	4,402	3,870	27,799	67,057	79,797
Postage and shipping	4,258	-	-	606	-	3,146	629	124	1,405	18,689	28,857	26,651
Conferences and meetings	-	-	-	-	-	-	-	-	-	12,611	12,611	13,139
Contract services	7,445	278	-	300	-	-	274	268	500	1,530	10,595	9,171
Information technology	-	670	-	80	-	5,510	823	988	90	228	8,389	6,715
Telephone	1,477	930	-	21	-	785	2,779	538	-	263	6,793	7,358
Repairs and maintenance	1,359	2,415	-	-	-	-	8	1,620	200	-	5,602	4,532
Printing	479	-	-	2,284	-	2,087	-	596	-	152	5,598	6,461
Office supplies	682	-	-	12	-	1,864	479	-	-	12	3,049	3,624
Bank fees	-	-	-	-	-	1,141	-	-	-	-	1,141	1,217
Other Expenses	100	38	-	-	-	-	580	18	-	-	736	704
Insurance	-	-	-	450	-	-	-	124	-	-	574	1,513
Professional fees	-	-	-	-	-	-	300	-	-	-	300	-
Consulting	-	-	-	-	-	-	-	-	-	-	-	38,528
Total expenses	\$ 916,953	\$ 229,667	\$ 12,749	\$ 76,101	\$ 86,767	\$ 188,382	\$ 78,683	\$ 55,797	\$ 79,286	\$ 309,210	\$ 2,033,595	\$ 1,900,790