

**HOPE FOR THE HUNGRY, INC.**  
**FINANCIAL STATEMENTS AS OF**  
**December 31, 2010**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**

## **C O N T E N T S**

<b>Independent Auditors' Report</b>	<b>1</b>
<b>Statement of Financial Position</b>	<b>2</b>
<b>Statement of Activities</b>	<b>3</b>
<b>Statement of Functional Expenses</b>	<b>4</b>
<b>Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Financial Statements</b>	<b>6 - 9</b>



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Hope for the Hungry, Inc.  
Belton, Texas

We have audited the accompanying statement of financial position of Hope for the Hungry, Inc., a nonprofit organization, as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of 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 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 the Hungry, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Brockway Gersbach, Franklin & Niemeier, P.C.*

March 24, 2011

## **FINANCIAL STATEMENTS**

**HOPE FOR THE HUNGRY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2010**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 627,914
Accounts receivable	120
Donated assets held for sale	42,460
<b>Total Current Assets</b>	<b>670,494</b>

**Fixed Assets**

Land	40,500
Buildings	117,205
Furniture and equipment	80,207
Transportation equipment	48,208
Construction in process	31,463
	317,583
Less accumulated depreciation	(188,578)
<b>Total Fixed Assets, net</b>	<b>129,005</b>

**Other Assets**

Postage deposits	750
<b>Total Assets</b>	<b>\$ 800,249</b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 217,801
<b>Total Current Liabilities</b>	<b>217,801</b>

**Net Assets**

Unrestricted:	
Operating	101,546
Fixed assets	129,005
<b>Total Unrestricted</b>	<b>230,551</b>
Temporarily restricted	351,897
Permanently restricted	-
<b>Total Net Assets</b>	<b>582,448</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 800,249</b>

The accompanying notes are an integral part of the financial statements.

**HOPE FOR THE HUNGRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Other Income</b>				
Contributions:				
General	\$ 123,500	\$ -	\$ -	\$ 123,500
Cooperative ministries	-	1,064,809	-	1,064,809
Haiti school	-	38,521	-	38,521
Staff missionaries	-	128,936	-	128,936
Alfa orphanage	-	162,469	-	162,469
Light of Hope	-	70,112	-	70,112
Haiti block fund	-	66,878	-	66,878
Guibert orphanage	-	40,259	-	40,259
Ferrier orphanage	-	20,403	-	20,403
ARK foundation	-	24,639	-	24,639
Petionville	-	18,111	-	18,111
Construction	-	10,800	-	10,800
Contributions less than \$10,000	-	95,190	-	95,190
Total Contributions	<u>123,500</u>	<u>1,741,127</u>	<u>-</u>	<u>1,864,627</u>
Fundraising:				
Events	(357)	-	-	(357)
Other income (loss):				
Interest income	616	-	-	616
Dividend income	1	-	-	1
Total other income (loss)	<u>617</u>	<u>-</u>	<u>-</u>	<u>617</u>
Net assets released from restrictions	<u>1,480,915</u>	<u>(1,480,915)</u>	<u>-</u>	<u>-</u>
Total Support and Other Income	1,604,675	260,212	-	1,864,887
<b>Expenses</b>				
Orphanages	804,957	-	-	804,957
Cooperative ministries	207,751	-	-	207,751
Staff missionaries	194,843	-	-	194,843
Benevolence	201,395	-	-	201,395
Management and general	120,080	-	-	120,080
Fundraising	18,251	-	-	18,251
Total Expenses	<u>1,547,277</u>	<u>-</u>	<u>-</u>	<u>1,547,277</u>
Change in Net Assets	57,398	260,212	-	317,610
Net Assets as of Beginning of Year	<u>173,153</u>	<u>91,685</u>	<u>-</u>	<u>264,838</u>
Net Assets as of End of Year	<u>\$ 230,551</u>	<u>\$ 351,897</u>	<u>\$ -</u>	<u>\$ 582,448</u>

The accompanying notes are an integral part of the financial statements.

**HOPE FOR THE HUNGRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2010**

	Program Services			
	Orphanages	Cooperative Ministries	Staff Missionaries	Benevolence
Salaries	\$ -	\$ 139,083	\$ 75,547	\$ -
Alfa orphanage	162,557	-	-	-
Africa project	-	13,450	-	-
Housing allowance	-	-	19,598	-
Children's ministries	66,658	-	-	-
CFC payments	-	3,321	-	-
Light of Hope	136,326	-	-	-
Equipping ministry	640	-	-	-
Grants & allocations	-	-	-	6,350
Guibert orphanage	36,634	-	-	-
International travel	4,741	5,131	-	-
Development travel	19,225	-	-	-
Ferrier orphanage	19,715	-	-	-
Ministry organizations	-	4,183	-	-
Haiti schools	44,798	11,498	13,313	-
ALPHA Bible School	-	1,353	-	-
FICA tax	-	-	5,408	-
Assistance individual	-	-	-	1,775
National travel	-	-	10,028	-
Petionville	10,000	-	-	-
Tabitha Project	-	13,545	-	-
Kunming Deaf project	-	9,050	-	-
Mission house	-	-	1,419	-
Hope for Haiti	289,641	-	-	-
Haiti emergency services	-	-	-	189,568
Operational expenses	14,022	7,137	60,904	3,702
Special projects	-	-	-	-
Advertising	-	-	-	-
<b>Total expenses before depreciation</b>	<b>804,957</b>	<b>207,751</b>	<b>186,217</b>	<b>201,395</b>
Depreciation	-	-	8,626	-
<b>Total Expenses</b>	<b>\$ 804,957</b>	<b>\$ 207,751</b>	<b>\$ 194,843</b>	<b>\$ 201,395</b>

The accompanying notes are an integral part of the financial statements.

	Total Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 214,630	\$ 20,210	\$ 8,662	\$ 243,502
Alfa orphanage	162,557	-	-	162,557
Africa project	13,450	-	-	13,450
Housing allowance	19,598	13,719	5,880	39,197
Children's ministries	66,658	-	-	66,658
CFC payments	3,321	-	-	3,321
Light of Hope	136,326	-	-	136,326
Equipping ministry	640	-	-	640
Grants & allocations	6,350	-	-	6,350
Guibert orphanage	36,634	-	-	36,634
International travel	9,872	-	-	9,872
Development travel	19,225	-	-	19,225
Ferrier orphanage	19,715	-	-	19,715
Ministry organizations	4,183	-	-	4,183
Haiti schools	69,609	-	3,004	72,613
ALPHA Bible School	1,353	-	-	1,353
FICA tax	5,408	1,645	705	7,758
Assistance individual	1,775	-	-	1,775
National travel	10,028	-	-	10,028
Petionville	10,000	-	-	10,000
Tabitha Project	13,545	-	-	13,545
Kunming Deaf project	9,050	-	-	9,050
Mission house	1,419	-	-	1,419
Hope for Haiti	289,641	-	-	289,641
Haiti emergency services	189,568	-	-	189,568
Operational expenses	85,765	76,720	-	162,485
Special projects	-	6,035	-	6,035
Advertising	-	1,751	-	1,751
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,400,320	120,080	18,251	1,538,651
Depreciation	8,626	-	-	8,626
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,408,946</u>	<u>\$ 120,080</u>	<u>\$ 18,251</u>	<u>\$ 1,547,277</u>

**HOPE FOR THE HUNGRY, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2010**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 317,610
Adjustments to reconcile change in nets assets to net cash provided by operating activities:	
Depreciation	8,627
Decrease in accounts payable	<u>15,432</u>
Net adjustment	<u>24,059</u>
Net cash used by operating activities	341,669
<b>Cash Flows from Investing Activities</b>	
Purchase of fixed assets	<u>(10,131)</u>
Net cash provided by investing activities	<u>(10,131)</u>
Net increase in cash and cash equivalents	331,538
<b>Cash and cash equivalents - Beginning of year</b>	<u>296,376</u>
<b>Cash and cash equivalents - End of Year</b>	<u><u>\$ 627,914</u></u>

The accompanying notes are an integral part of the financial statements.

**HOPE FOR THE HUNGRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

*Nature of Activities*

Hope for the Hungry, Inc. (the Organization) is a Texas non-profit corporation chartered on December 13, 1982. The Organization is dedicated to sharing the "Bread of Life" with a starving world, that is fulfilling the mandate of Jesus Christ to minister to the needy through physical and spiritual assistance. Meeting both the physical and spiritual needs in countries where its missionaries serve, the ministry emphasizes ministry to children through resident care facilities, personal evangelism and discipleship, and development projects. Cooperative Ministries, the missionary arm of the ministry, provides administrative, practical and spiritual support for its independent and staff missionaries.

*Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the Organization as a whole in accordance with the provisions of Statements of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations."

*Cash and Cash Equivalents*

For the purpose of the statement of cash flows, cash equivalents are defined as cash deposits and certificates of deposit with original maturities of less than 90 days.

*Fixed Assets*

Fixed assets are stated at cost, if purchased, or estimated fair market value at the date of gift, if donated. Additions, renewals, and betterments are capitalized whereas expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in income, except for gain or loss on assets traded where it is reflected in the basis of the newly acquired asset.

It is the policy of the Organization to provide depreciation based on I.R.S. methods and useful lives of the individual units of fixed assets. Depreciation of buildings is provided over periods of 15 to 39 ½ years using the straight-line and accelerated methods of depreciation. Depreciation of furniture and equipment and transportation equipment is provided over periods of five to seven years using the straight-line and accelerated methods of depreciation.

**HOPE FOR THE HUNGRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. Summary of Significant Accounting Policies (continued)**

***Tax Exempt Status***

The Organization is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. The Organization has been classified as a publicly supported organization which is not a private foundation under section 509 (a) of the code.

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash or other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Donated Property and Equipment***

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations 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 property and equipment are reported as restricted support. 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at the time.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

***Employees***

Salaries of the employees of the Organization are accumulated in a special fund that has been so designated by the donor and do not burden the operating fund of the organization.

***Children's Homes***

All contributions for children's homes fund and sponsorship programs are 100% designated to these respective programs. Administrative costs are not deducted from the contributions to these programs.

**HOPE FOR THE HUNGRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**1. Summary of Significant Accounting Policies (continued)**

*Missionaries*

Personal ministry accounts (i.e., Kramka Ministry) reflect funds expended in the ministry activities of the individuals names and do not reflect wages paid.

The Organization withholds estimated income taxes for their missionaries and pays the IRS on Form 1040ES as directed by the missionaries. This is done as a service for the missionaries.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

*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 and disclosures. Accordingly, actual results could differ from those estimates.

**2. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 represent the following:

Hope for Haiti	\$	118,846
Haiti Emergency		68,082
Hope Cooperative Organizations		43,273
Hope Cooperative Ministries		33,132
Haiti Block Fund		22,252
ARK Foundation		16,639
Other		49,673
		<hr/>
	\$	<u>351,897</u>

**HOPE FOR THE HUNGRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Lease Obligations**

On November 18, 2009, the Organization entered into a new contract to lease a copier for five years expiring November 2014 with minimum payments of \$ 576 per month. Rental expense amounted to \$ 9,473 for the year ended December 31, 2010. The future minimum lease payments for the years ending December 31 are as follows:

Year Ending December 31	Amount
2011	\$ 6,916
2012	6,916
2013	6,916
2014	6,339
	<u>\$ 27,087</u>