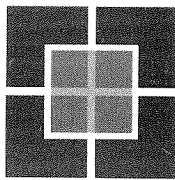


HOPE FOR THE HUNGRY, INC.
FINANCIAL STATEMENTS AS OF
December 31, 2009

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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, 2009 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, 2009, 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.

June 28, 2010

FINANCIAL STATEMENTS

HOPE FOR THE HUNGRY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 296,376
Accounts receivable	120
Donated assets held for sale	42,460
Total Current Assets	<u>338,956</u>

Fixed Assets

Land	40,500
Buildings	117,205
Furniture and equipment	70,076
Transportation equipment	48,208
Construction in process	31,463
	<u>307,452</u>
Less accumulated depreciation	<u>(179,951)</u>
Total Fixed Assets, net	127,501

Other Assets

Postage deposits	750
Total Assets	<u><u>\$ 467,207</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 202,369
Total Current Liabilities	202,369

Net Assets

Unrestricted:	
Operating	45,652
Fixed assets	127,501
Total Unrestricted	<u>173,153</u>
Temporarily restricted	91,685
Permanently restricted	<u>-</u>
Total Net Assets	<u>264,838</u>
Total Liabilities and Net Assets	<u><u>\$ 467,207</u></u>

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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Income				
Contributions:				
General	\$ 120,559	\$ -	\$ -	\$ 120,559
Cooperative ministries	-	383,540	-	383,540
Haiti school	-	71,516	-	71,516
Staff missionaries	-	161,038	-	161,038
Alfa orphanage	-	114,814	-	114,814
Light of Hope	-	60,802	-	60,802
Equipping group travel	-	43,962	-	43,962
Equipping ministry	-	17,336	-	17,336
Guibert orphanage	-	30,763	-	30,763
Ferrier orphanage	-	15,499	-	15,499
Contributions less than \$10,000	-	54,216	-	54,216
Total Contributions	<u>120,559</u>	<u>953,486</u>	<u>-</u>	<u>1,074,045</u>
Fundraising:				
Events	5,583	-	-	5,583
Other income (loss):				
Interest income	463	-	-	463
Dividend income	36	-	-	36
Total other income (loss)	<u>499</u>	<u>-</u>	<u>-</u>	<u>499</u>
Net assets released from restrictions	<u>968,398</u>	<u>(968,398)</u>	<u>-</u>	<u>-</u>
Total Support and Other Income	1,095,039	(14,912)	-	1,080,127
Expenses				
Orphanages	510,368	-	-	510,368
Cooperative ministries	356,487	-	-	356,487
Staff missionaries	167,253	-	-	167,253
Benevolence	8,662	-	-	8,662
Management and general	156,715	-	-	156,715
Fundraising	23,674	-	-	23,674
Total Expenses	<u>1,223,159</u>	<u>-</u>	<u>-</u>	<u>1,223,159</u>
Change in Net Assets	(128,120)	(14,912)	-	(143,032)
Net Assets as of Beginning of Year	<u>301,273</u>	<u>106,597</u>	<u>-</u>	<u>407,870</u>
Net Assets as of End of Year	<u>\$ 173,153</u>	<u>\$ 91,685</u>	<u>\$ -</u>	<u>\$ 264,838</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, 2009

	Program Services			
	Orphanages	Cooperative Ministries	Staff Missionaries	Benevolence
Salaries	\$ -	\$ 263,405	\$ 67,504	\$ -
Alfa orphanage	114,870	-	-	-
Africa project	-	18,020	-	-
Housing allowance	-	-	25,300	-
Children's ministries	53,611	-	-	-
CFC payments	-	4,433	-	-
Light of Hope	100,060	-	-	-
Equipping ministry	39,087	-	-	-
Grants & allocations	-	-	-	4,180
Guibert orphanage	36,734	-	-	-
International travel	17,318	-	-	-
Development travel	25,856	-	-	-
Ferrier orphanage	17,174	-	-	-
Ministry organizations	-	21,577	-	-
Haiti schools	10,160	21,282	-	-
ALPHA Bible School	-	1,500	-	-
Living Hope Radio	-	-	790	-
FICA tax	-	-	5,915	-
Assistance individual	-	-	-	814
National travel	-	-	15,759	-
Petionville	5,800	-	-	-
Tabitah Project	-	12,000	-	-
Kunming Deaf project	-	6,875	-	-
Mission house	-	-	1,809	-
Upper room expense	-	-	18	-
Romania orphanage	401	-	-	-
Hope for Haiti	74,208	-	-	-
Haiti emergency services	-	-	-	-
Operational expenses	15,089	7,395	41,072	3,668
Advertising	-	-	-	-
	510,368	356,487	158,167	8,662
Total expenses before depreciation			9,086	-
Depreciation	-	-	-	-
Total Expenses	\$ 510,368	\$ 356,487	\$ 167,253	\$ 8,662

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

	Total Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 330,909	\$ 41,817	\$ 17,921	\$ 390,647
Alfa orphanage	114,870	-	-	114,870
Africa project	18,020	-	-	18,020
Housing allowance	25,300	10,150	4,350	39,800
Children's ministries	53,611	-	-	53,611
CFC payments	4,433	-	-	4,433
Light of Hope	100,060	-	-	100,060
Equipping ministry	39,087	-	-	39,087
Grants & allocations	4,180	-	-	4,180
Guibert orphanage	36,734	-	-	36,734
International travel	17,318	-	-	17,318
Development travel	25,856	-	-	25,856
Ferrier orphanage	17,174	-	-	17,174
Ministry organizations	21,577	-	-	21,577
Haiti schools	31,442	-	-	31,442
ALPHA Bible School	1,500	-	-	1,500
Living Hope Radio	790	-	-	790
FICA tax	5,915	3,274	1,403	10,592
Assistance individual	814	-	-	814
National travel	15,759	-	-	15,759
Petionville	5,800	-	-	5,800
Tabitah Project	12,000	-	-	12,000
Kunming Deaf project	6,875	-	-	6,875
Mission house	1,809	-	-	1,809
Upper room expense	18	-	-	18
Romania orphanage	401	-	-	401
Hope for Haiti	74,208	-	-	74,208
Haiti emergency services	-	23,743	-	23,743
Operational expenses	67,224	75,572	-	142,796
Advertising	-	2,159	-	2,159
Total expenses before depreciation	1,033,684	156,715	23,674	1,214,073
Depreciation	9,086	-	-	9,086
Total Expenses	<u>\$ 1,042,770</u>	<u>\$ 156,715</u>	<u>\$ 23,674</u>	<u>\$ 1,223,159</u>

HOPE FOR THE HUNGRY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

Cash Flows from Operating Activities	
Change in net assets	\$ (143,032)
Adjustments to reconcile change in nets assets to net cash provided by operating activities:	
Depreciation	9,086
Decrease in accounts payable	<u>(105,858)</u>
Net adjustment	<u>(96,772)</u>
Net cash used by operating activities	(239,804)
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	(239,804)
Cash and cash equivalents - Beginning of year	<u>536,180</u>
Cash and cash equivalents - End of Year	<u><u>\$ 296,376</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 it's 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.

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

1. Summary of Significant Accounting Policies (continued)

Fixed Assets, continued

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.

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.

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

1. Summary of Significant Accounting Policies (continued)

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.

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.

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

2. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 represent the following:

Hope Cooperative Ministries	\$ <u>91,685</u>
	<u>\$ 91,685</u>

3. Lease Obligations

On October 12, 2005, the Organization entered into a new contract to lease a copier for five years expiring October 2010 with minimum payments of \$ 717 per month. Rental expense amounted to \$ 13,370 for the year ended December 31, 2009. The future minimum lease payments for the years ending December 31 are as follows:

Year Ending December 31	Amount
2010	\$ <u>7,167</u>
	<u>\$ 7,167</u>