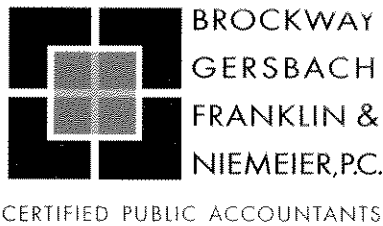


HOPE FOR THE HUNGRY, INC.
FINANCIAL STATEMENTS AS OF
December 31, 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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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, 2008 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, 2008, 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 17, 2009

FINANCIAL STATEMENTS

HOPE FOR THE HUNGRY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 536,180
Accounts receivable	120
Donated assets held for sale	42,460
Total Current Assets	578,760

Fixed Assets

Land	40,500
Buildings	117,205
Furniture and equipment	70,076
Transportation equipment	48,208
Construction in process	31,463
	307,452
Less accumulated depreciation	(170,865)
Total Fixed Assets, net	136,587

Other Assets

Postage deposits	750
Total Assets	\$ 716,097

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 308,227
Total Current Liabilities	308,227

Net Assets

Unrestricted:	
Operating	164,686
Fixed assets	136,587
Total Unrestricted	301,273
Temporarily restricted	106,597
Permanently restricted	-
Total Net Assets	407,870
Total Liabilities and Net Assets	\$ 716,097

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, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Other Income				
Contributions:				
General	\$ 140,144	\$ -	\$ -	\$ 140,144
Cooperative ministries	-	529,518	-	529,518
Haiti school	-	286,653	-	286,653
Staff missionaries	-	147,188	-	147,188
Alfa orphanage	-	53,076	-	53,076
Light of Hope	-	41,525	-	41,525
Equipping group travel	-	43,039	-	43,039
Equipping ministry	-	34,449	-	34,449
Guibert orphanage	-	33,133	-	33,133
Ferrier orphanage	-	17,143	-	17,143
Tierra verde	-	26,690	-	26,690
Contributions less than \$10,000	-	55,661	-	55,661
Total Contributions	140,144	1,268,075	-	1,408,219
Fundraising:				
Events	36,730	-	-	36,730
Other income (loss):				
Interest income	701	-	-	701
Dividend income	2,571	-	-	2,571
Unrealized loss on investments	-	-	-	-
Total other income (loss)	3,272	-	-	3,272
Net assets released from restrictions	1,196,552	(1,196,552)	-	-
Total Support and Other Income	1,376,698	71,523	-	1,448,221
Expenses				
Orphanages	527,089	-	-	527,089
Cooperative ministries	525,629	-	-	525,629
Staff missionaries	161,141	-	-	161,141
Benevolence	15,582	-	-	15,582
Management and general	143,957	-	-	143,957
Fundraising	40,808	-	-	40,808
Total Expenses	1,414,206	-	-	1,414,206
Change in Net Assets	(37,508)	71,523	-	34,015
Net Assets as of Beginning of Year	338,781	35,074	-	373,855
Net Assets as of End of Year	\$ 301,273	\$ 106,597	\$ -	\$ 407,870

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, 2008

	Program Services			
	Orphanages	Cooperative Ministries	Staff Missionaries	Benevolence
Salaries	\$ -	\$ 415,865	\$ 57,768	\$ -
Alfa orphanage	55,979	-	-	-
Housing allowance	-	-	27,128	-
Children's ministries	65,584	-	-	-
Light of Hope	41,470	-	-	-
Equipping ministry	16,854	-	-	-
Grants & allocations	-	-	-	8,950
Guibert orphanage	33,293	-	-	-
International travel	18,538	-	-	-
Development travel	13,859	-	-	-
Transportation expense	6,000	-	-	-
Ferrier orphanage	17,874	-	-	-
Special projects	-	-	-	-
Ministry organizations	-	31,681	-	-
Haiti schools	7,335	42,901	-	-
ALPHA Bible School	-	(400)	-	-
Living Hope Radio	-	-	-	-
FICA tax	-	-	4,437	-
Assistance individual	-	-	-	3,258
National travel	-	-	12,597	-
Petionville	2,200	-	-	-
Tabitah Project	-	9,000	-	-
Kunming Deaf project	-	10,119	-	-
Tierra verde	-	9,542	-	-
Mission house	-	-	1,741	-
Upper room expense	-	-	-	-
Romania orphanage	451	-	-	-
Chiapas	477	-	-	-
Hope for Haiti	235,366	-	-	-
Haiti emergency services	-	-	-	-
Operational expenses	11,809	6,921	41,969	3,374
Advertising	-	-	-	-
Total expenses before depreciation	527,089	525,629	145,640	15,582
Depreciation	-	-	15,501	-
Total Expenses	<u>\$ 527,089</u>	<u>\$ 525,629</u>	<u>\$ 161,141</u>	<u>\$ 15,582</u>

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

	Total Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 473,633	\$ 41,829	\$ 17,927	\$ 533,389
Alfa orphanage	55,979	-	-	55,979
Housing allowance	27,128	8,140	3,489	38,757
Children's ministries	65,584	-	-	65,584
Light of Hope	41,470	-	-	41,470
Equipping ministry	16,854	-	-	16,854
Grants & allocations	8,950	-	-	8,950
Guibert orphanage	33,293	-	-	33,293
International travel	18,538	-	-	18,538
Development travel	13,859	-	-	13,859
Transportation expense	6,000	-	-	6,000
Ferrier orphanage	17,874	-	-	17,874
Special projects	-	9,860	1,274	11,134
Ministry organizations	31,681	-	-	31,681
Haiti schools	50,236	-	16,716	66,952
ALPHA Bible School	(400)	-	-	(400)
Living Hope Radio	-	-	-	-
FICA tax	4,437	3,271	1,402	9,110
Assistance individual	3,258	-	-	3,258
National travel	12,597	-	-	12,597
Petionville	2,200	-	-	2,200
Tabitah Project	9,000	-	-	9,000
Kunming Deaf project	10,119	-	-	10,119
Tierra verde	9,542	-	-	9,542
Mission house	1,741	-	-	1,741
Upper room expense	-	-	-	-
Romania orphanage	451	-	-	451
Chiapas	477	-	-	477
Hope for Haiti	235,366	-	-	235,366
Haiti emergency services	-	15,000	-	15,000
Operational expenses	64,073	58,359	-	122,432
Advertising	-	7,498	-	7,498
Total expenses before depreciation	1,213,940	143,957	40,808	1,398,705
Depreciation	15,501	-	-	15,501
Total Expenses	\$ 1,229,441	\$ 143,957	\$ 40,808	\$ 1,414,206

HOPE FOR THE HUNGRY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

Cash Flows from Operating Activities	
Change in net assets	\$ 34,015
Adjustments to reconcile change in nets assets to net cash provided by operating activities:	
Depreciation	15,501
Gain (loss) on sale of investments	-
Donated materials for future building	(18,905)
Decrease in accounts receivable	(100)
Increase in donated assets held for sale	-
Increase in accounts payable	<u>170,067</u>
Net adjustment	<u>166,563</u>
Net cash provided by operating activities	200,578
Cash Flows from Investing Activities	
Purchase of fixed assets	-
Sale of investments	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	200,578
Cash and cash equivalents - Beginning of year	<u>335,602</u>
Cash and cash equivalents - End of Year	<u><u>\$ 536,180</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.

2. Concentration of Credit Risk

The Organization had deposits in excess of FDIC coverage of approximately \$ 65,000 at December 31, 2008.

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

3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 represent the following:

Hope Cooperative Ministries	\$	71,854
Tierra Verde		17,148
Equipping Ministries		<u>17,595</u>
		<u>\$ 106,597</u>

4. 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 \$ 15,273 for the year ended December 31, 2008. The future minimum lease payments for the years ending December 31 are as follows:

Year Ending December 31	Amount
2009	\$ 8,600
2010	<u>7,167</u>
	<u>\$ 15,767</u>