

NORTHWEST HAITI CHRISTIAN MISSION, INC.

Financial Statements

Years Ended December 31, 2013 and 2012

NORTHWEST HAITI CHRISTIAN MISSION, INC.

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Humphrey CPA Group, L.L.C.

www.HumphreyCPAGroup.com

445 N. Pennsylvania Street, Suite 941
Indianapolis, IN 46204

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Northwest Haiti Christian Mission, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Northwest Haiti Christian Mission, Inc. (the Ministry) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Ministry'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 Ministry's internal control. Accordingly, we express no such 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 the Ministry as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have previously audited the Ministry's 2012 financial statements, and our report dated November 8, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Humphrey CPA Group, L.L.C.

Indianapolis, Indiana

October 3, 2014

NORTHWEST HAITI CHRISTIAN MISSION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 182,917	\$ 247,986
Receivables	41,921	22,869
Inventory	0	8,787
Investments	6,146	6,146
TOTAL CURRENT ASSETS	230,984	285,788
NON-CURRENT ASSETS		
Fixed assets, net of depreciation	2,401,990	2,622,491
TOTAL NON-CURRENT ASSETS	2,401,990	2,622,491
TOTAL ASSETS	\$ 2,632,974	\$ 2,908,279
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 159,310	\$ 169,612
Accrued expenses	12,610	51,629
Short term borrowing	108,766	102,463
Current portion of long term debt	46,140	58,695
TOTAL CURRENT LIABILITIES	326,826	382,399
LONG TERM LIABILITIES		
Mortgage payable, net of current portion	368,625	414,382
TOTAL LONG TERM LIABILITIES	368,625	414,382
TOTAL LIABILITIES	695,451	796,781
<u>NET ASSETS</u>		
Unrestricted	1,840,056	938,966
Temporarily restricted	97,467	1,172,532
TOTAL NET ASSETS	1,937,523	2,111,498
TOTAL LIABILITIES AND NET ASSETS	\$ 2,632,974	\$ 2,908,279

See accompanying notes and independent auditor's report.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	2013			2012 Total Only
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 448,153	\$ 2,779,703	\$ 3,227,856	\$ 4,363,072
In-kind gifts	-	867,000	867,000	725,804
Fees	14,000	-	14,000	29,139
Interest income	350	-	350	5,294
Other income	74,849	-	74,849	56,940
Gain (loss) on disposal of assets	9,000	0	9,000	0
	546,352	3,646,703	4,193,055	5,180,249
Other revenue				
Net assets released from restrictions	4,721,768	(4,721,768)	0	0
	5,268,120	(1,075,065)	4,193,055	5,180,249
EXPENSES				
Program Services	3,930,813	0	3,930,813	4,597,183
Management and general	327,924	0	327,924	653,330
Fundraising	108,293	0	108,293	45,093
	4,367,030	0	4,367,030	5,295,606
CHANGE IN NET ASSETS	901,090	(1,075,065)	(173,975)	(115,357)
NET ASSETS, BEGINNING	938,966	1,172,532	2,111,498	2,226,855
NET ASSETS, ENDING	\$ 1,840,056	\$ 97,467	\$ 1,937,523	\$ 2,111,498

See accompanying notes and independent auditor's report.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2013 and 2012

	<u>2013</u>			<u>2012</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>	<u>Total Only Expenses</u>
Salaries	\$ 683,505	\$ 50,497	\$ 45,835	\$ 779,837	\$ 953,364
Nonpersonnel expenses	1,730,012	74,296	10,007	1,814,315	1,807,839
Travel and meetings	1,038,195	28,533	13,383	1,080,111	1,533,170
Occupancy	117,313	19,793	0	137,106	200,481
Employee benefits	49,893	47,907	36,900	134,700	152,954
Depreciation	137,002	22,500	0	159,502	149,502
Grants made	46,753	-	0	46,753	139,886
Contract services	16,540	42,480	0	59,020	111,047
Payroll taxes	74,262	4,470	2,168	80,900	52,066
Insurance expense	24,753	5,494	0	30,247	42,672
Interest expense	527	27,312	0	27,839	11,530
Miscellaneous	12,058	4,642	0	16,700	140,555
Total expenses	<u>\$ 3,930,813</u>	<u>\$ 327,924</u>	<u>\$ 108,293</u>	<u>\$ 4,367,030</u>	<u>\$ 5,295,066</u>

See accompanying notes and independent auditor's report.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ (173,975)	\$ (115,357)
Non-cash items		
Depreciation	159,502	149,502
(Gain) loss on sale of assets	(9,000)	0
Unrealized gain on value of investments	0	(825)
Decrease (increase) in assets		
Accounts receivable	(19,052)	(22,869)
Inventory	8,787	144,281
Prepaid expenses	0	5,012
Increase (decrease) in liabilities		
Accounts payable	(10,303)	45,615
Accrued expenses	(39,019)	44,493
	(83,060)	249,851
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	0	(15,202)
Proceeds from disposal of equipment	70,000	0
	70,000	(15,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short term borrowing	6,303	(263,252)
Payments on long term debt	(58,312)	(30,048)
Proceeds on long term debt	0	174,041
	(52,009)	(119,259)
NET INCREASE (DECREASE) IN CASH	(65,069)	115,390
CASH, BEGINNING OF YEAR	247,986	132,596
CASH, END OF YEAR	\$ 182,917	\$ 247,986
Interest paid during the year	\$ 27,839	\$ 11,530

See accompanying notes and independent auditor's report.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(1) Nature of operations

Northwest Haiti Christian Mission (the Ministry) was incorporated in Kentucky in 1982 as a Not-For-Profit Organization. Northwest Haiti Christian Mission is an Independent Christian Church organization dedicated to establishing and partnering with indigenous churches to help bring people in Northwest Haiti out of spiritual, physical and social poverty to demonstrate God's love for all.

(2) Summary of significant accounting policies

The significant accounting policies followed by the Ministry are summarized below.

Method of accounting

The Ministry uses the accrual method of accounting. Revenue is recorded in the period earned and support is recorded in the period the contribution is made (when cash is received or ownership of assets is transferred). Expenses are reported in the period incurred. All transactions are valued using United States currency; therefore, no gains or losses from foreign translation are recorded.

Tax Status

The Ministry has been determined to be exempt from state and federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Ministry is classified as a publicly supported organization rather than a private foundation. The tax years for the years ended December 31, 2010, 2011, 2012 and 2013 are open for purposes of audit. There were no payments for penalties and interest related to taxes during the year ended December 31, 2013.

Net assets

Unrestricted net assets include all assets over which the Ministry has full discretion as to use. Temporarily restricted net assets include net assets whose use by the Ministry is limited by donor-imposed restrictions that either expire by the passage of time or as they are fulfilled by the Ministry. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Permanently restricted net assets, if any, include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the action of the Ministry.

Statement of Cash Flows,

For purposes of the Statement of Cash Flows, the Ministry considers all liquid investments with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of supplies used in program activities. It is valued at cost or at the fair value of the materials, if they are donated to the Ministry.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(2) Summary of significant accounting policies (continued)

Contributed services

The Ministry's mission could not be fully achieved without the dedicated efforts of many volunteers. These contributed services are not reported as they do not meet the requirements under the current accounting standards.

Fixed Assets

Buildings are recorded at cost and are depreciated using the straight line method over estimated useful lives of 40 years. Equipment and vehicles are recorded at cost and depreciated using the straight-line method over estimated useful lives of five years. Donated items are reported at their fair market value on the date of the gift. The Ministry's policy is to capitalize equipment purchases over \$5,000 for vehicle and other assets, \$50,000 for land and buildings, with useful lives of more than one year. Depreciation is allocated to the various program services and supporting activities.

Use of estimates

The presentation 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 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.

Allocation of expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on the best estimate of the Ministry's management.

Advertising costs

Advertising costs are reported when incurred. Advertising expenses totaled \$4,905 and \$11,285 for the years ended December 31, 2013 and 2012, respectively. Advertising expense is included as part of nonpersonnel expenses in the statement of functional expenses.

Subsequent events

Subsequent events have been evaluated as of October 3, 2014, the date the financial statements were available for release.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(2) Summary of significant accounting policies (continued)

Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are no level 3 investments

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2013				
Investment in DTE Stock	\$ <u>6,146</u>	\$ <u>6,146</u>	\$ <u>0</u>	\$ <u>0</u>
2012				
Investment in DTE Stock	\$ <u>6,146</u>	\$ <u>6,146</u>	\$ <u>0</u>	\$ <u>0</u>

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(3) Concentrations

The Ministry relies on funding from various sources to run its program. No individual donor has given more than 10% of the total revenue for the year.

The Ministry periodically had cash in institutions that exceeded the FDIC guarantee of \$250,000. As of December 31, 2013 and 2012, the Ministry did not have any bank accounts that exceeded the FDIC guarantee.

(4) Fixed Assets

Fixed assets consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 211,000	\$ 251,000
Buildings	2,595,000	2,595,000
Vehicles	98,511	128,511
Equipment	<u>131,497</u>	<u>161,497</u>
Total cost	3,036,008	3,136,008
Accumulated depreciation	<u>634,018</u>	<u>513,517</u>
FIXED ASSETS, NET	<u><u>\$ 2,401,990</u></u>	<u><u>\$ 2,622,491</u></u>

Depreciation expense totaled \$97,500 and \$97,500 for buildings and \$52,002 and \$52,002 for equipment for the year ended December 31, 2013 and 2012, respectively. The net book value of assets located in Haiti total approximately \$2,200,000.

(5) Debt

The Ministry has a mortgage payable on the administrative offices. The original mortgage was for \$350,000 and requires 180 monthly payments, including interest, of \$2,995. In August 2012, the mortgage and another loan were restructured. The new mortgage amount was \$424,125. The new loan is scheduled to mature in August 2017. The current rate is 5.75% and is fixed through the term of the new loan. The balance as of December 31, 2013 and 2012 is \$393,489 and \$416,632, respectively.

The Ministry has a promissory note in the amount of \$230,000 which matured in August 2012. A portion of this balance was combined with the mortgage as stated above. The new loan was \$70,733. Monthly payments total \$3,130 including interest rate at 5.75%. The new note expires in August 2014. The note is secured by real estate and all equipment. The balance of the note at December 31, 2013 and 2012 is \$21,275 and \$56,445, respectively.

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(5) Debt (continued)

The schedule of future principal payments over the next five years is as follows:

Year ended December 31, 2014	\$	46,140
2015		26,333
2016		27,888
2017		29,534
2018		31,278
thereafter		253,592
	\$	414,765

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(6) Net Assets

Net assets consist of the following as of December 31, 2013 and 2012:

		<u>2013</u>		<u>2012</u>
Unrestricted	\$	1,840,056	\$	938,966
Temporarily Restricted				
Programs	\$	6,568		1,084,314
Travel		0		53,655
General		0		14,512
Missionaries		81,469		20,051
Projects		9,430		0
		97,467		1,172,532
Total net assets	\$	1,937,523	\$	2,111,498

NORTHWEST HAITI CHRISTIAN MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

(7) Functional expenses

The breakdown of program revenue and expense for the year ended December 31, 2013 is as follows:

<u>Program</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net change</u>
Programs	\$ 1,724,906	\$ 2,210,256	\$ (485,350)
Travel	1,521,905	1,292,167	229,738
Missionaries	344,126	367,868	(23,741)
Projects	55,766	60,521	(4,755)
	<u>\$ 3,646,703</u>	<u>\$ 3,930,813</u>	<u>\$ (284,107)</u>

The breakdown of program revenue and expense for the year ended December 31, 2012 is as follows:

<u>Program</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net change</u>
Programs	\$ 1,834,312	\$ 2,568,046	\$ (733,734)
Travel	2,151,186	1,677,831	473,355
Missionaries	351,771	231,764	120,007
Projects	125,489	119,542	5,947
	<u>\$ 4,462,758</u>	<u>\$ 4,597,183</u>	<u>\$ (134,425)</u>

(8) Transfers to unrestricted net assets of deficits in restricted programs

The Ministry treats expenses in excess of contributions at the program level as a transfer from unrestricted resources. The net expense is reset to zero for any program with a deficit at year end. At December 31, 2013 and 2012, \$1,587,768 and \$1,759,473, respectively of unrestricted net assets was transferred back to temporarily restricted net assets.