

MINISTRY OF HOPE, INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

Spencer Robinson, Jr. CPA, P.C.
Certified Public Accountant
Black Mountain, North Carolina

MINISTRY OF HOPE, INC.

BLACK MOUNTAIN, NORTH CAROLINA

DIRECTORS OF THE ORGANIZATION

Carmel A. Courtright

William L. Grayson

James W. Hamilton

Rex V. Hoffman

Patricia A. Johnson, PhD, MFT

William C. Kaneft

Sydney Kornegay

Marilyn Manning, DMin

Van Kornegay

Scott M. Rodehaver, PE

Kenneth E. Root, Jr. DO

James M. Skidmore, Jr. CPA

Janet S. Wells

Helen L. Zimba

OFFICERS OF THE ORGANIZATION

Board Chair and President - Rex V. Hoffman

Board Vice Chair and Secretary - Janet S. Wells

Treasurer - William L. Grayson

Assistant Treasurer - James M. Skidmore, Jr. CPA

MINISTRY OF HOPE, INC.

BLACK MOUNTAIN, NORTH CAROLINA

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**SPENCER ROBINSON, JR. CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ministry of Hope, Inc.

We have audited the accompanying financial statements of Ministry of Hope, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 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 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.

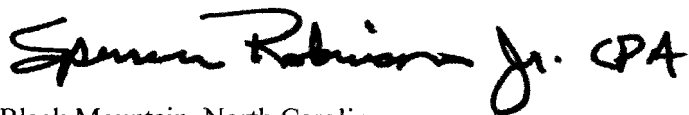
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ministry of Hope, Inc. as of December 31, 2015 and 2014, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of contributions, program expenses (Malawi), and supporting services are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Spencer Robinson Jr. CPA". The signature is written in a cursive, flowing style.

Black Mountain, North Carolina

June 30, 2016

MINISTRY OF HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 213,341	\$ 188,928
Accounts Receivable - NC Sales Tax	<u>444</u>	<u>496</u>
TOTAL ASSETS	<u>\$ 213,785</u>	<u>\$ 189,424</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	<u>\$ 3,374</u>	<u>\$ 4,182</u>
NET ASSETS:		
Unrestricted	89,402	84,295
Temporarily Restricted	<u>121,009</u>	<u>100,947</u>
Total Net Assets	<u>210,411</u>	<u>185,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 213,785</u>	<u>\$ 189,424</u>

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

MINISTRY OF HOPE, INC.						
STATEMENTS OF ACTIVITIES						
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014						
	2015			2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
CONTRIBUTIONS AND OTHER REVENUES:						
Contributions	\$ 187,236	\$ 237,036	\$ 424,272	\$ 186,739	\$ 200,505	\$ 387,244
Contributed Accounting Services	13,080	-	13,080	45,630	-	45,630
Interest	91	-	91	136	-	136
Other	269	-	269	(56)	-	(56)
Net Assets Released from Restriction	216,974	(216,974)	-	222,268	(222,268)	-
TOTAL CONTRIBUTIONS AND OTHER REVENUES	417,650	20,062	437,712	454,717	(21,763)	432,954
EXPENSES:						
Program Expenses (Malawi)	361,207	-	361,207	313,324	-	313,324
Supporting Services	44,517	-	44,517	76,551	-	76,551
Lesotho Charitable Trust	6,819	-	6,819	71,650	-	71,650
TOTAL EXPENSES	412,543	-	412,543	461,525	-	461,525
INCREASE (DECREASE) IN NET ASSETS	5,107	20,062	25,169	(6,808)	(21,763)	(28,571)
NET ASSETS, Beginning of Year	84,295	100,947	185,242	91,103	122,710	213,813
NET ASSETS, End of Year	\$ 89,402	\$ 121,009	\$ 210,411	\$ 84,295	\$ 100,947	\$ 185,242

MINISTRY OF HOPE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 25,169	\$ (28,571)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used for) Operating Activities:		
Decrease (Increase) in Accounts Receivable	52	(236)
Increase (Decrease) in Accounts Payable	(808)	132
Total Adjustments	<u>(756)</u>	<u>(104)</u>
Net Cash Provided by (Used for) Operating Activities	24,413	(28,675)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>188,928</u>	<u>217,603</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 213,341</u>	<u>\$ 188,928</u>

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

MINISTRY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: Nature of Activities and Summary of Significant Accounting Policies

ORGANIZATION

Ministry of Hope, Inc. (the Organization) is a nonprofit corporation organized on June 18, 2002 in Oregon. On December 18, 2003, the Organization was transferred to North Carolina and reorganized as a registered corporation in North Carolina.

PURPOSE

The Organization's stated mission is to glorify God by reaching out to the orphans, widows, disabled, and destitute with the gospel of Jesus Christ and by providing hope as it ministers to the basic needs of the children of Malawi. The Board of Directors consists of members drawn from across the United States of America who are dedicated to supporting the Organization's mission.

In furtherance of the Organization's mission, Ministry of Hope Trust (Malawi) (the Trust) was established in 1999 by Malawians as a local, community-based response for meeting the physical and spiritual needs of the growing number of children orphaned by the Aids epidemic. The Trust's operations are overseen by a Board of Directors. The Trust sponsors community centers, discipleship and education programs, crisis nurseries, and international volunteer efforts through a Christ-centered, community-based approach in Malawi. The Organization provides a significant portion of the Trust's funding for its programs, administrative activities, and capital projects.

In 2009, the Ministry of Hope Charitable Trust in Lesotho (Lesotho Charitable Trust) was created in order to meet the needs of vulnerable children in Lesotho. The Organization received contributions designated for the Lesotho Charitable Trust in the amount of \$3,489 and \$42,783, respectively, for the years ended December 31, 2015 and 2014. Such contributions are periodically transferred to the Lesotho Charitable Trust.

TAX STATUS

The Organization has been classified as a publically-supported charitable organization under the Internal Revenue Code Section 501(c)(3).

RECOGNITION OF DONOR RESTRICTIONS

Contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution was received. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

DONATED SERVICES AND MATERIALS

A number of volunteers have donated and continue to donate a significant amount of time to the Organization's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills are recorded in the financial statements at their estimated fair value.

Donated materials and equipment are reflected as contributions in the financial statements at their estimated fair value at the date of receipt.

FINANCIAL STATEMENT PRESENTATION

The Organization reports, in compliance with FASB Accounting Standards Codification No. 958, information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

Unrestricted Net Assets: Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

MINISTRY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Permanently Restricted Net Assets: Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, only the donor may impose permanent restrictions. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all demand deposits in banks and highly liquid investments with maturity dates of less than three months.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions 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 contributions. 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 that time.

USE OF 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. Accordingly, actual results could differ from these estimates.

Note 2: Restrictions on Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Construction Projects:		
Mzuzu Project	\$ 13,767	\$ 13,767
Mchinji Road Campus	17,206	33,871
Maize Mill & Grain Bank	-	3,921
Total Construction Projects	<u>30,973</u>	<u>51,559</u>
Selengo Community Center	6,481	5,716
Other Feeding Centers	3,000	3,000
Hezekiah Crisis Nursery ICU	2,415	2,415
Lilongwe Crisis Nursery	5,252	6,135
Mzuzu Crisis Nursery	-	300
Lesotho Charitable Trust	-	3,330
Other Projects:		
S/T Mission Travel & Projects	33,590	-
Education & Scholarship Programs	16,956	13,213
Mobile Medical Clinic	20,082	14,079
Miscellaneous	2,260	1,200
Total Other Projects	<u>72,888</u>	<u>28,492</u>
Total Temporarily Restricted Net Assets	<u>\$ 121,009</u>	<u>\$ 100,947</u>

MINISTRY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: Fundraising and Development Expense

Fundraising and development expenses for the year ended December 31, 2015 and 2014 amounted to \$14,163 and \$15,955, respectively.

Note 4: Concentration of Credit Risk

The Organization maintains its cash and cash equivalents balances at institutions that are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 for each account. From time-to-time the Organization's cash and cash equivalents balances exceed the insured limit.

Note 5: Subsequent Events

In connection with the issuance of its financial statements for the year ended December 31, 2015, the Organization evaluated subsequent events through June 30, 2016.

**SUPPLEMENTARY
INFORMATION**

MINISTRY OF HOPE, INC.
SCHEDULES OF CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CONTRIBUTIONS - UNRESTRICTED:		
Churches	\$ 75,625	\$ 72,012
Individuals	80,370	85,170
Foundations	27,391	27,687
Businesses	3,850	1,870
TOTAL CONTRIBUTIONS - UNRESTRICTED	<u>187,236</u>	<u>186,739</u>
CONTRIBUTIONS - TEMPORARILY RESTRICTED:		
Crisis Nurseries:		
Lilongwe	22,386	26,320
Mzuzu	3,020	1,200
Total Crisis Nurseries	<u>25,406</u>	<u>27,520</u>
Education & Scholarships	65,093	59,449
Mobile Medical Clinic	20,587	22,355
Lesotho Charitable Trust	3,489	42,783
Community Centers:		
Feeding Centers	10,000	10,000
Selengo	5,565	5,760
Total Community Centers	<u>15,565</u>	<u>15,760</u>
Short-term Missions and Special Projects	122,855	32,638
Internships	600	-
Capital Projects	(16,559)	-
TOTAL CONTRIBUTIONS - TEMPORARILY RESTRICTED	<u>237,036</u>	<u>200,505</u>
TOTAL CONTRIBUTIONS	<u>\$ 424,272</u>	<u>\$ 387,244</u>

See Independent Auditor's Report.

MINISTRY OF HOPE, INC.
SCHEDULES OF PROGRAM EXPENSES (MALAWI)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
COMMUNITY CENTER & CRISIS NURSERY OPERATIONS	\$ 281,603	\$ 234,878
EDUCATION & SCHOLARSHIP PROGRAMS	61,100	65,000
MOBILE MEDICAL CLINIC	14,583	13,446
CAPITAL PROJECTS	<u>3,921</u>	<u>-</u>
TOTAL PROGRAM EXPENSES (MALAWI)	<u>\$ 361,207</u>	<u>\$ 313,324</u>

See Independent Auditor's Report.

MINISTRY OF HOPE, INC.
SCHEDULES OF SUPPORTING SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
SUPPORTING SERVICES (USA):		
Contributed Accounting Services Expense	\$ 13,080	\$ 45,630
Fundraising and Development Expenses	14,163	15,955
Administrative Expenses	<u>17,274</u>	<u>14,966</u>
TOTAL SUPPORTING SERVICES (USA)	<u>\$ 44,517</u>	<u>\$ 76,551</u>

See Independent Auditor's Report.