

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.

POMPANO BEACH, FLORIDA

INDEPENDENT AUDITORS'

REPORT ON AUDIT OF FINANCIAL STATEMENTS

REPORT ON COMPLIANCE

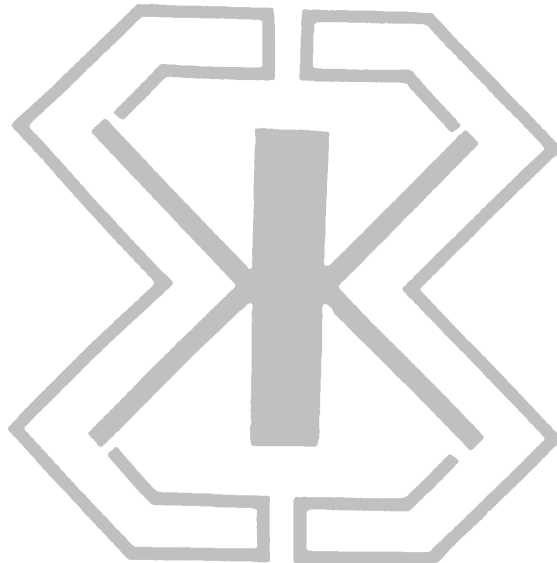
And

ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Required by Government Auditing Standards

For The Year Ended December 31, 2008

(With summarized financial Information For 2007)



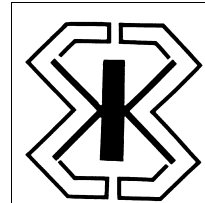
W.B. Koon & Co.
Certified Public Accountants

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Educational Foundation International, Inc.
Pompano Beach, Florida

We have audited the accompanying statement of financial position of Hope Educational Foundation International, Inc. as of December 31, 2008 and 2007 and the related statements of activities and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Hope Educational Foundation International, Inc.'s 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 and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. 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 Educational Foundation International, Inc. at December 31, 2008 and 2007, and changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2010, on our consideration of Hope Educational Foundation International, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grants.

W. B. Koon & Co.

North Miami Beach, Florida
February 26, 2010

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31,

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$115,828	\$67,299
Grants receivable	110,784	36,883
Prepaid expenses	<u>50</u>	<u>5,542</u>
Total Current Assets	226,662	109,724
Website	9,194	9,194
Computer	1,599	-
Less accumulated depreciation	(4,650)	(3,651)
TOTAL ASSETS	<u>\$232,805</u>	<u>\$115,267</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ <u>91,326</u>	\$ <u>17,840</u>
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TOTAL LIABILITIES	<u>91,326</u>	<u>17,840</u>
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NET ASSETS

Unrestricted	141,479	97,427
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Temporarily Restricted	<u>-</u>	<u>-</u>
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	<u>141,479</u>	<u>97,427</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$232,805</u>	<u>\$115,267</u>
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READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES
For The Year Ended December 31, 2008

	<u>Unre-</u> <u>stricted</u>	<u>Tempo-</u> <u>rarily</u>	<u>Total</u>
SUPPORT AND REVENUE:			
U.S. Department of Health and Human Services	\$447,539	\$	\$447,539
Reach The Children Foundation	150,000		150,000
Miscellaneous Grants	5,000		5,000
Interest	82		82
Donations	<u>3,654</u>	_____	<u>3,654</u>
Total Support and Revenue	<u>606,275</u>	_____	<u>606,275</u>
FUNCTIONAL EXPENSES:			
Aid to Africa:			
Salaries	69,703		69,703
Production expense	81,312		81,312
Professional fees	33,703		33,703
Sub-grantee	280,949		280,949
Operating expenses	10,031		10,031
Travel	15,373		15,373
Office expenses	9,108		9,108
Transportation & distribution	61,045		61,045
Amortization and depreciation	<u>999</u>	_____	<u>999</u>
Total functional expenses	<u>562,223</u>	_____	<u>562,223</u>
Increase in net assets	44,052		44,052
NET ASSETS, BEGINNING OF YEAR	<u>97,427</u>	_____	<u>97,427</u>
NET ASSETS, END OF YEAR	<u>\$141,479</u>	<u>\$ -</u>	<u>\$141,479</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES
For The Year Ended December 31, 2007

	<u>Unre-</u> <u>stricted</u>	<u>Tempo-</u> <u>rarily</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Reach The Children Foundation	\$267,408	\$	\$ 267,408
USAID			
In kind - Food	173,100		173,100
Grant	85,758		85,758
Grants			
PC Patella Fund	14,400		14,400
People for People	15,000		15,000
Interest	60		60
Donations	13,750		13,750
Released from restrictions	<u>31,201</u>	<u>(31,201)</u>	<u> </u>
Total Support and Revenue	<u>600,677</u>	<u>(31,201)</u>	<u>569,476</u>
FUNCTIONAL EXPENSES:			
Aid to Africa:			
Salaries	78,825		78,825
Production expense	24,710		24,710
Professional fees	83,854		83,854
Humanitarian Aid	173,100		173,100
Operating expenses	7,074		7,074
Travel	33,533		33,533
Office expenses	6,345		6,345
Team expenses	13,300		13,300
Transportation & distribution	92,319		92,319
Amortization	<u>893</u>	<u> </u>	<u>893</u>
Total functional expenses	<u>513,953</u>	<u> </u>	<u>513,953</u>
Increase (decrease) in net assets	86,724	(31,201)	55,523
NET ASSETS, BEGINNING OF YEAR	<u>10,703</u>	<u>31,201</u>	<u>41,904</u>
NET ASSETS, END OF YEAR	<u>\$97,427</u>	<u>\$ -</u>	<u>\$97,427</u>

READ ACCOMPANYING NOTES

HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31,

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Changes in net assets	<u>\$44,052</u>	<u>\$55,523</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization and depreciation	999	893
Increase in Grants receivable	(73,901)	(36,883)
Decrease (increase) in prepaid expenses	5,492	(2,281)
Increase in accounts payable	<u>73,486</u>	<u>3,190</u>
Total adjustments	<u>6,076</u>	<u>(35,081)</u>
Net Cash Provided by Operating Activities	<u>50,128</u>	<u>20,442</u>
Cash Flows Used In Investing Activities		
Assets acquisition	<u>(1,599)</u>	<u>-</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash	48,529	20,442
Cash, Beginning of Year	<u>67,299</u>	<u>46,857</u>
Cash, End of Year	<u>\$115,828</u>	<u>\$67,299</u>

READ ACCOMPANYING NOTES

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Hope Educational Foundation International, Inc. (HEF), a Florida corporation not for profit, was incorporated January 15, 2004. The general purpose for which HEF was organized are exclusively charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986. HEF exists to prevent the most devastating systemic threats to children and youth around the world, through research, education, and resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Statements of Financial Accounting Standards SFAS 116, **Accounting for Contribution Received and Contribution Made;** and, SFAS 117, **Financial Statements of Not-For-Profit Organization,** financial statements must report grant and donor restricted contribution as unrestricted, temporarily restricted or permanently restricted support in accordance with the wishes of the donor. Financial statement must report amounts by classes of net assets.

Unrestricted Net Assets are those currently available for use of HEF.'s board, and the resources invested in fixed assets. These assets are accounted for internally in the general operating fund.

Temporarily Restricted Net Assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Support and Expenses

Hope Educational Foundation International, Inc.'s, grants and donor restricted contribution are reported as unrestricted support if the grant objectives or donor restrictions are met in the same reporting period.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Hope Educational Foundation International, Inc., reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Expenses are recorded when incurred in accordance with accrued basis of accounting.

Accrual Basis

The financial statements of Hope Educational Foundation International, Inc., have been prepared on the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balance was deposited in one bank. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

Grant Revenue

Grant revenue relates to grants received that are specifically for program service costs and are reported as unrestricted support when the grant objectives have been met.

Website

Represents HEF's investment in developing a website. Amortization is provided over the estimated useful life of the assets, five (5) years.

Income Taxes

HEF is exempt from Federal Income taxes under Section 501(c)(3) of the Internal Revenue Code.

3. HEF PROGRAM

In September 2008 HEF was awarded a grant from the Department of Health and Human Services (HHS) titled: **LONG TERM CAPACITY FOR HIV PREVENTION EDUCATION TO YOUTH**, to provide HIV education in five provinces of South Africa.

The award document stated that the grant is renewable for five (5), one (1) year term. The grant is to be funded at one million dollars (\$1,000,000) per year for each of the five years.

To achieve the objectives of the program HEF entered into a sub-award agreement, authorized under USAID South African APS 674-08-003, with Reaching a Generation (RaG), a South African Section 21 not-for-profit corporation.

Program Objectives:

- * Increase the capacity of 6,631 Life Orientation teachers to promote HIV prevention through abstinence and faithfulness.
- * Reach 1,000,000 total learners with a message that promotes HIV prevention through abstinence and being faithful.
- * Develop the capacity of the Department of Education at the provincial and district level.
- * Develop the administrative, logistic and academic capacity of RaG and HEF to sustain quality HIV prevention education.

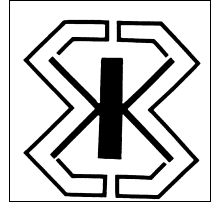
NOTES TO FINANCIAL STATEMENTS

Prior to September 2008, the major thrust of HEF had been to give humanitarian assistance to the people of Swaziland, through education, providing medical and food supplies and, administrative and financial support; through two (2) grants received from the U.S. Agency for International Development (USAID) Office of Food for Peace, for the receipt, rapid transportation, delivery, and distribution, of a total of 150 metric tons of a shelf-stable prepackages food commodity.

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INDEPENDENT AUDITORS' REPORT REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Hope Educational Foundation International, Inc.
Pompano Beach, Florida

We have audited the financial statements of Hope Educational Foundation International, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated February 26, 2010. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hope Educational Foundation International, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain laws, regulations, contracts, and grants, non compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hope Educational Foundation International, Inc., internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS **Page 2**

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses

This report is intended for the information of Hope Educational Foundation International, Inc., and its Funding Agencies. However, this report is a matter of public records and its distribution is not limited.

W. B. Koon & Co.

Miami, Florida
February 26, 2010