

NEW HOPE UGANDA MINISTRIES, INC.

FINANCIAL REPORT

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Hope Uganda Ministries, Inc.

We have audited the accompanying statements of financial position of New Hope Uganda Ministries, Inc. (a nonprofit organization), as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 New Hope Uganda Ministries, Inc, as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DeSmet and Biggs, LLP

June 14, 2011

NEW HOPE UGANDA MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2010	2009
ASSETS		
Current Assets		
Cash in banks	\$ 208,269	\$ 139,840
Cash in Scottrade Inc.	176	567
Certificates of deposit	150,000	100,000
Securities	<u>7,933</u>	<u>53,185</u>
Total current assets	<u>\$ 366,378</u>	<u>\$ 293,592</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Payroll taxes payable	<u>\$ -</u>	<u>\$ 4,644</u>
Total current liabilities	<u>-</u>	<u>4,644</u>
Net Assets (Deficit)		
Unrestricted	12,411	(2,480)
Temporarily restricted	<u>353,967</u>	<u>291,428</u>
Total net assets	<u>366,378</u>	<u>288,948</u>
Total liabilities and net assets	<u>\$ 366,378</u>	<u>\$ 293,592</u>

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

NEW HOPE UGANDA MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

	For Years Ended December 31,	
	2010	2009
Unrestricted Net Assets		
Support		
General undesignated contributions	\$ 90,875	\$ 56,971
Investment income	<u>3,828</u>	<u>7,316</u>
Total unrestricted support	94,703	64,287
Net assets released from restrictions		
Restrictions satisfied by payment	<u>1,527,177</u>	<u>1,342,741</u>
Total unrestricted support and net assets released from restrictions	<u>1,621,880</u>	<u>1,407,028</u>
Expenses		
Program expenses		
Uganda Ministries	1,531,844	1,349,503
General supporting expenses	48,367	45,473
Fundraising expenses	<u>26,778</u>	<u>28,531</u>
Total expenses	<u>1,606,989</u>	<u>1,423,507</u>
Increase (decrease) in Unrestricted Net Assets	<u>14,891</u>	<u>(16,479)</u>
Temporarily Restricted Net Assets		
Contributions	1,575,384	1,324,390
Gain on sale of securities	13,968	-
Unrealized gain on securities	364	6,906
Net assets released from restrictions	<u>(1,527,177)</u>	<u>(1,342,741)</u>
Increase (decrease) in temporarily restricted net assets	<u>62,539</u>	<u>(11,445)</u>
Increase (Decrease) in Net Assets	77,430	(27,924)
Net Assets, Beginning of Year	<u>288,948</u>	<u>316,872</u>
Net Assets, End of Year	<u>\$ 366,378</u>	<u>\$ 288,948</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES

NEW HOPE UGANDA MINISTRIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

	Program Expenses	General Supporting Expenses	Fund Raising	Total
Grants, projects and assistance	\$ 983,557	\$ -	\$ -	\$ 983,557
Salaries and wages	404,507	23,406	12,574	440,487
Employee benefits	65,824	774	448	67,046
Payroll taxes	25,087	-	-	25,087
Office expense	-	9,924	-	9,924
Travel	52,869	1,011	4,042	57,922
Printing and mailings	-	1,217	4,867	6,084
Other	-	12,035	4,847	16,882
Total	<u>\$1,531,844</u>	<u>\$ 48,367</u>	<u>\$ 26,778</u>	<u>\$1,606,989</u>

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

For the Year Ended December 31, 2009

<u>Program Expenses</u>	<u>General Supporting Expenses</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 871,694	\$ -	\$ -	\$ 871,694
378,975	16,205	10,803	405,983
53,613	-	-	53,613
22,483	-	-	22,483
-	9,301	-	9,301
22,738	886	3,543	27,167
-	2,528	10,113	12,641
-	16,553	4,072	20,625
<u>\$1,349,503</u>	<u>\$ 45,473</u>	<u>\$ 28,531</u>	<u>\$1,423,507</u>

NEW HOPE UGANDA MINISTRIES, INC.

STATEMENT OF CASH FLOWS

	For Years Ended December 31,	
	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ 77,430	\$ (27,924)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Increase (decrease) in payroll taxes payable	(4,644)	4,644
Gain on sale of securities	(13,968)	-
Unrealized (gain) - marketable securities	<u>(364)</u>	<u>(6,906)</u>
Net Cash Provided (Used) by Operating Activities	58,454	(30,186)
Cash Flows from Investing Activities		
Proceeds from sale of securities	59,584	-
Redemption of certificates of deposit	100,000	-
Purchase of certificates of deposit	<u>(150,000)</u>	<u>(100,000)</u>
Net Cash Used by Investing Activities	<u>9,584</u>	<u>(100,000)</u>
Increase (Decrease) in Cash and Cash Equivalents	68,038	(130,186)
Cash and Cash Equivalents at Beginning of Year	<u>140,407</u>	<u>270,593</u>
Cash and Cash Equivalents at End of Year	<u>\$ 208,445</u>	<u>\$ 140,407</u>

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

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

Nature of Activities

New Hope Uganda Ministries, Inc. (Organization) was organized on September 6, 1995, and is a constituent of the New Hope Uganda (NGO) in Uganda, East Africa. The Organization is a nonprofit organization and is dedicated to spreading the Gospel through education, care and training to orphans in Uganda, East Africa. The Organization is supported primarily through contributions from individuals, churches, and the general public. The Organization has an office in the United States (South Dakota) in which contributions are raised and both monies and missionaries are sent to Uganda, East Africa.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. As of December 31, 2010 the Organization does not own any of these types of assets.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code.

Effective January 1, 2009, the Organization implemented the accounting guidance for uncertainty in income taxes using the provisions of FAS ASC 740, Income Taxes. Using that guidance, tax positions will initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the taxing authorities.

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

As of December, 31, 2010, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal income tax examinations by taxing authorities for years before 2007. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization believes their estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 activities as net assets released from restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by its members in carrying out the Organization's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

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 those estimates.

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Related Party

The Organization's purpose is to support Missionaries and send funds to New Hope Uganda (NGO) in Uganda, East Africa which is in the heart of Uganda, Africa to support various projects. This Organization's contribution to this cause represents a major portion of the funds received by New Hope Uganda. If New Hope Uganda was without the support of this Organization, there would be a going concern for New Hope Uganda.

The Organization pays travel expenses for the missionaries. The majority of this travel expense is paid to a travel agency that employs a relative of the Organization's director. Total paid to this travel agency was \$49,336 and \$17,175 for the years ended December 31, 2010 and 2009, respectively.

Note 3. Fair Value Measurements

The Organization uses a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level I include listed equities and listed derivatives. To the extent that it holds such investments, the Organization does not adjust the quoted price of these investments.

Level II - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The fair value of each financial instrument listed below was measured using FAS ASC Topic 820 input guidance and valuation techniques. The following are all Level I financial instruments:

	<u>2010</u>	<u>2009</u>
Money Market Funds	\$ 176	\$ 567
Equities		
AT&T	7,933	7,568
BRE Property Inc. Class A	-	45,617
	<u>\$ 8,109</u>	<u>\$ 53,752</u>

The following schedule summarizes the investment return in the Statement of Activities for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 2,182	\$ 3,031
Net gains (losses)	14,332	6,906
Investment expenses	-	-
	<u>\$ 16,514</u>	<u>\$ 9,937</u>

The above investment is classified in the Statement of Financial Position as follows:

	December 31,	
	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 176	\$ 567
Temporarily restricted	7,933	53,185
	<u>\$ 8,109</u>	<u>\$ 53,752</u>

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Restrictions on Net Assets

The Missionaries and staff are required to raise their own funds. Five percent of the monies received from these funds are set aside and used for general supporting expenses. The remaining ninety-five percent are considered temporarily restricted until the funds are requested by the Missionary.

Temporarily restricted funds at December 31, 2010 consist of the following:

Missionaries	
Aitken	\$ 17,348
Anderson	6,398
Biedler	4,870
Bouffard	2,843
Britton	7,895
Dangers, Jay	4,054
Dangers, Jennie	3,085
Danison	853
Dobbs	4,164
Jackson	14,959
Kirsch	15,872
Kusler	7,355
La Bianca	1,686
McFarland	16,256
Mitchell	3,511
Peterson	10,606
Sparks	28,577
Vogt	21,912
Weber	11,051
Williams	6,727
Wood	(200)
Zimmerman	4,893
Staff Housing Repairs	1,246
Dakota Project	10,328
Internet Funding	7,221
Musana	16,783
Musana	83,500
Standard of Living	33,167
Technology Support	7,007
	<u>\$ 353,967</u>

NEW HOPE UGANDA MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Functional Expenses

The cost of the missionaries and projects has been directly allocated to the program and general supporting costs and fund raising have been allocated to those functions. There has been no indirect allocation of costs.

Note 6. Concentrations

At times throughout the year, the Organization may maintain certain bank accounts in excess of FDIC insured limits. As of December 31, 2010 and 2009, the bank balances were \$265,273 and \$165,156. The Organization does not believe it is exposed to any significant credit risk on checking accounts and other interest bearing deposits.

Note 7. Subsequent Events

Subsequent events were evaluated through June 14, 2011, which is the date the financial statements were available to be issued.