

**SHARED HOPE INTERNATIONAL  
AND AFFILIATE**

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**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL CONSOLIDATING INFORMATION**

Years Ended June 30, 2012 and 2011

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**KUENZI & COMPANY LLC**  
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

The Board of Directors  
**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
Vancouver, Washington

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of Shared Hope International (a nonprofit organization) and Affiliate (Shared Hope Foundation, a nonprofit organization) as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shared Hope International and Affiliate as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Salem, Oregon  
November 15, 2012



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**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 458,896	\$ 456,112
Investments	14,852	26,627
Grants receivable	40,000	42,000
Pledges receivable, net	83,810	80,055
Other receivables	132	924
Prepaid expenses	18,067	11,115
Inventory	43,705	41,176
Total Current Assets	659,462	658,009
Deposits and other assets	3,338	3,338
Property and Equipment, net	23,043	36,019
Website	31,183	31,183
Foundation Investments	71,419	71,419
Total Assets	\$ 788,445	\$ 799,968
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 32,374	\$ 59,137
Accrued payroll taxes and benefits	26,645	28,629
Accrued paid time off	57,884	52,967
Total Current Liabilities	116,903	140,733
Net Assets		
Unrestricted		
Operations	270,000	198,511
Property and Equipment	23,043	36,019
Total Unrestricted	293,043	234,530
Temporarily restricted	307,080	353,286
Permanently restricted	71,419	71,419
Total Net Assets	671,542	659,235
Total Liabilities and Net Assets	\$ 788,445	\$ 799,968

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions and grants	\$ 1,508,292	\$ 740,289	\$ -	\$ 2,248,581
Registration income	22,545	-	-	22,545
Gifts-in-kind	190,790	-	-	190,790
Interest income	1,319	3,070	-	4,389
Investment loss	(109)	(4,879)	-	(4,988)
Net assets released from restrictions	784,686	(784,686)	-	-
<b>Total Support and Revenue</b>	<b>2,507,523</b>	<b>(46,206)</b>	<b>-</b>	<b>2,461,317</b>
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	344,012	-	-	344,012
International public education	20,672	-	-	20,672
Domestic public education	1,207,535	-	-	1,207,535
Domestic partners	287,022	-	-	287,022
Domestic WIN program	84,614	-	-	84,614
Defenders/Predator project	58,457	-	-	58,457
<b>Total Program Activities</b>	<b>2,002,312</b>	<b>-</b>	<b>-</b>	<b>2,002,312</b>
<b>Supporting Activities</b>				
Administration	265,303	-	-	265,303
Fundraising	181,395	-	-	181,395
<b>Total Supporting Activities</b>	<b>446,698</b>	<b>-</b>	<b>-</b>	<b>446,698</b>
<b>Total Expenses</b>	<b>2,449,010</b>	<b>-</b>	<b>-</b>	<b>2,449,010</b>
<b>Change in Net Assets</b>	<b>58,513</b>	<b>(46,206)</b>	<b>-</b>	<b>12,307</b>
Net Assets, Beginning of Year	234,530	353,286	71,419	659,235
Net Assets, End of Year	<u>\$ 293,043</u>	<u>\$ 307,080</u>	<u>\$ 71,419</u>	<u>\$ 671,542</u>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Contributions and grants	\$ 1,541,287	\$ 416,515	\$ -	\$ 1,957,802
Registration income	4,179	-	-	4,179
Gifts-in-kind	220,061	-	-	220,061
Interest income	3,069	2,690	-	5,759
Investment gain (loss)	676	12,837	-	13,513
Loss on equipment disposition	(818)	-	-	(818)
Net assets released from restrictions	418,791	(418,791)	-	-
Total Support and Revenue	2,187,245	13,251	-	2,200,496
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	401,253	-	-	401,253
International public education	34,369	-	-	34,369
Domestic public education	1,087,728	-	-	1,087,728
Domestic partners	200,194	-	-	200,194
Domestic WIN program	98,316	-	-	98,316
Defenders/Predator project	42,026	-	-	42,026
Total Program Activities	1,863,886	-	-	1,863,886
<b>Supporting Activities</b>				
Administration	252,369	-	-	252,369
Fundraising	192,327	-	-	192,327
Total Supporting Activities	444,696	-	-	444,696
Total Expenses	2,308,582	-	-	2,308,582
Change in Net Assets	(121,337)	13,251	-	(108,086)
Net Assets, Beginning of Year	355,867	340,035	71,419	767,321
Net Assets, End of Year	\$ 234,530	\$ 353,286	\$ 71,419	\$ 659,235

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2012

	Program Activities						Supporting Activities				
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Defenders / Predator Project	Total	Administration	Fundraising	Total	Total Expenses
Salaries and Wages	\$ 19,144	\$ 10,020	\$ 527,389	\$ 13,018	\$ 59,452	\$ 26,963	\$ 655,986	\$ 103,759	\$ 31,940	\$ 135,699	\$ 791,685
Payroll Taxes and Benefits	3,537	1,816	95,998	2,357	10,857	4,884	119,449	18,911	5,808	24,719	144,168
Donated Services	332	2,660	142,150	499	-	9,808	155,449	11,304	13,133	24,437	179,886
Banking Costs	-	-	-	-	-	-	-	12,607	-	12,607	12,607
Computer Expenses	451	170	13,325	241	1,697	1,010	16,894	2,873	712	3,585	20,479
Conferences and Meetings	-	-	15,157	-	-	425	15,582	8,506	-	8,506	24,088
Contract Labor	-	45	34,747	-	-	352	35,144	13,476	38	13,514	48,658
Depreciation	301	196	10,169	169	1,226	554	12,615	2,114	479	2,593	15,208
Facilities	-	2,532	23,131	-	-	-	25,663	-	3,114	3,114	28,777
Gifts	4,900	32	1,893	-	-	-	6,825	3,517	27	3,544	10,369
Grants to Others	299,568	-	-	268,555	-	-	568,123	-	-	-	568,123
Insurance	230	143	7,481	126	911	425	9,316	1,572	357	1,929	11,245
Licenses, Fees and Subscriptions	202	117	7,983	106	963	33	9,404	5,678	311	5,989	15,393
Meals and Entertainment	-	-	4,514	-	122	1,094	5,730	1,218	205	1,423	7,153
Media and Advertising	-	-	34,951	-	-	-	34,951	1,390	-	1,390	36,341
Miscellaneous	-	-	-	-	-	-	-	1,843	53	1,896	1,896
Occupancy	1,695	1,066	54,068	908	6,587	3,105	67,429	11,451	2,550	14,001	81,430
Postage and Shipping	65	191	14,397	29	209	786	15,677	772	28,502	29,274	44,951
Printing and Publication	63	264	52,195	51	210	1,453	54,236	2,567	47,007	49,574	103,810
Professional Services	-	-	20,440	-	-	-	20,440	46,311	35,102	81,413	101,853
Supplies	124	45	27,054	187	563	1,534	29,507	946	2,569	3,515	33,022
Telephone	450	251	14,703	250	1,817	842	18,313	3,091	722	3,813	22,126
Travel	12,950	12	83,982	526	-	1,788	99,258	10,285	5,430	15,715	114,973
Video Production and Distribution	-	-	4,502	-	-	3,176	7,678	-	-	-	7,678
Website	-	1,112	17,306	-	-	225	18,643	1,112	3,336	4,448	23,091
<b>Total Expenses</b>	<b>\$ 344,012</b>	<b>\$ 20,672</b>	<b>\$ 1,207,535</b>	<b>\$ 287,022</b>	<b>\$ 84,614</b>	<b>\$ 58,457</b>	<b>\$ 2,002,312</b>	<b>\$ 265,303</b>	<b>\$ 181,395</b>	<b>\$ 446,698</b>	<b>\$ 2,449,010</b>

Total Expenses as Percentage of Total Support and Revenue

10.8%      7.4%      18.2%

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2011

	Program Activities						Supporting Activities			Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Defenders / Predator Project	Total	Administration	Fundraising		Total
Salaries and Wages	\$ 12,246	\$ 20,349	\$ 449,737	\$ 19,663	\$ 68,362	\$ 9,213	\$ 579,570	\$ 93,981	\$ 39,944	\$ 133,925	\$ 713,495
Payroll Taxes and Benefits	2,153	3,584	79,353	3,455	12,142	1,579	102,266	16,667	7,142	23,809	126,075
Donated Services	1,270	5,644	143,529	1,552	564	8,042	160,601	13,263	9,171	22,434	183,035
Banking Costs	-	-	-	-	-	-	-	14,560	-	14,560	14,560
Computer Expenses	282	450	9,312	445	1,579	298	12,366	2,147	857	3,004	15,370
Conferences and Meetings	-	-	3,336	-	-	250	3,586	1,012	-	1,012	4,598
Contract Labor	-	-	27,453	2,485	-	14,674	44,612	22,622	204	22,826	67,438
Depreciation	400	697	13,728	617	2,345	314	18,101	3,218	1,258	4,476	22,577
Facilities	-	-	8,520	-	-	-	8,520	-	780	780	9,300
Gifts	460	-	110	-	80	-	650	2,927	249	3,176	3,826
Grants to Others	373,306	-	-	162,899	-	-	536,205	-	-	-	536,205
Insurance	209	217	7,176	293	1,272	133	9,300	1,597	639	2,236	11,536
Licenses, Fees and Subscriptions	186	265	6,940	293	1,196	105	8,985	3,406	668	4,074	13,059
Meals and Entertainment	-	-	9,810	-	-	383	10,193	1,107	321	1,428	11,621
Media and Advertising	-	-	10,140	-	-	-	10,140	3,725	-	3,725	13,865
Miscellaneous	-	-	646	401	10	-	1,057	3,070	23	3,093	4,150
Occupancy	1,256	2,160	42,497	1,974	7,266	988	56,141	10,044	3,958	14,002	70,143
Postage and Shipping	81	94	13,702	86	320	182	14,465	799	26,885	27,684	42,149
Printing and Publication	71	102	39,810	110	372	130	40,595	5,174	60,478	65,652	106,247
Professional Services	-	-	18,695	-	-	-	18,695	41,878	35,406	77,284	95,979
Property taxes	20	3	388	30	80	58	579	126	23	149	728
Supplies	7,986	226	91,759	1,049	790	3,514	105,324	1,030	487	1,517	106,841
Telephone	339	578	11,337	531	1,938	291	15,014	2,723	1,034	3,757	18,771
Travel	988	-	85,327	4,311	-	743	91,369	7,293	2,800	10,093	101,462
Video Production and Distribution	-	-	14,423	-	-	150	14,573	-	-	-	14,573
Website	-	-	-	-	-	979	979	-	-	-	979
<b>Total Expenses</b>	<b>\$ 401,253</b>	<b>\$ 34,369</b>	<b>\$ 1,087,728</b>	<b>\$ 200,194</b>	<b>\$ 98,316</b>	<b>\$ 42,026</b>	<b>\$ 1,863,886</b>	<b>\$ 252,369</b>	<b>\$ 192,327</b>	<b>\$ 444,696</b>	<b>\$ 2,308,582</b>

Total Expenses as Percentage of Total Support and Revenue

11.5%      8.7%      20.2%

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



**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,263,440	\$ 2,083,561
Cash paid to grantees, vendors, and employees	(2,276,323)	(2,001,067)
Interest income	4,389	5,759
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by Operating Activities	(8,494)	88,253
Cash Flows from Investing Activities		
Purchases of investments	(35,666)	(35,022)
Proceeds from sale of investments	49,176	58,874
Acquisition of property and equipment	(2,232)	(18,777)
Proceeds from the disposal of property and equipment	-	21
Website development	-	(31,183)
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by Investing Activities	11,278	(26,087)
Cash Flows from Financing Activities		
Payments on capital lease payable	-	(1,931)
	<u>                    </u>	<u>                    </u>
Net Cash Used by Financing Activities	-	(1,931)
Net Increase in Cash and Cash Equivalents	2,784	60,235
Cash and Cash Equivalents, Beginning of Year	456,112	395,877
	<u>                    </u>	<u>                    </u>
Cash and Cash Equivalents, End of Year	<u>\$ 458,896</u>	<u>\$ 456,112</u>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities		
Change in Net Assets	\$ 12,307	\$ (108,086)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	15,208	22,577
Noncash donations	(3,745)	(27,470)
Dividend reinvestments	(2,978)	(2,244)
Investment (gains) losses	4,988	(13,514)
Loss on disposal of equipment	-	818
Change in assets and liabilities:		
Grants receivable	2,000	166,000
Pledges receivable, net	(3,755)	(13,994)
Other receivables	792	(711)
Prepaid expenses	(6,952)	(863)
Inventory	(2,529)	55,297
Accounts payable	(26,763)	(8,603)
Accrued payroll taxes and benefits	(1,984)	5,748
Accrued paid time off	4,917	13,298
Total Adjustments	(20,801)	196,339
Net Cash Provided (Used) by Operating Activities	\$ (8,494)	\$ 88,253

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

## **SHARED HOPE INTERNATIONAL AND AFFILIATE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended June 30, 2012 and 2011

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### **NOTE 1. THE ORGANIZATION**

Shared Hope International (Shared Hope) and Shared Hope Foundation (Foundation), hereafter collectively referred to as the “Organization,” are corporate entities formed in the state of Washington. The Organization’s activities are consolidated in the accompanying consolidated financial statements.

Shared Hope’s mission is to rescue and restore women and children in crisis. Since its formation in November of 1998, the Organization has become a leader in the worldwide effort to prevent and eradicate sex trafficking and slavery through education and public awareness. The purpose of the Shared Hope Foundation, formed in March of 2001, is to provide a long-term endowment for Shared Hope to help ensure that its projects will have a source of future financing. In addition, the Foundation will provide for long-term projects that extend the mission of Shared Hope.

The Organization operates programs to educate the public and to motivate and provide opportunities for taking action concerning the global problem of the trafficking of women and children for sexual exploitation and slavery. Its domestic and international programs are committed to prevention, intervention and restoration of the victims of sex trafficking. Shared Hope aims to bring justice by serving as advisors for enacting strong legislation that provides for the prosecution of both the buyers and sellers while protecting the victims. The Organization partners with groups worldwide to prevent sex trafficking; to rescue victims of trafficking; and to supply shelter, healthcare, education, and vocational training opportunities to victims of sex trafficking.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies of the Organization.

**Consolidation Policy** – The consolidated financial statements include the accounts of Shared Hope International and Shared Hope Foundation. Intercompany transactions between the entities, which included expense reimbursements, are eliminated in the consolidation.

**Basis of Accounting and Presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2012 and 2011

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents** – The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents for reporting purposes.

**Investments** – Investments acquired by gift are recorded at their fair market value at the date of the gift. The Organization's policy is to sell the donated investments within one year of their donation.

Investments are comprised of common and preferred stock, money market funds and mutual funds. These investments with readily determinable fair values are reported at their fair values based upon quoted market values. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net assets classes based upon donor restrictions or the absence thereof. The Organization has an Endowment Fund which contains both temporarily and permanently restricted assets. Investment earnings of the Endowment Fund are available to support the Organization's rescue/restoration programs, as well as pay for administrative costs of the Foundation. Investment earnings are reported as temporarily restricted in the consolidated statements of activities until disbursed.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

**Promises to Give** – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give, which are reported as pledges receivable on the consolidated financial statements, are unsecured. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is calculated based on prior years' experience and management's analysis of specific promises made.

**Inventory** – Inventory in the accompanying consolidated statements of financial position consists primarily of books, t-shirts, printed materials, and office supplies. The Organization's inventory is recorded at the lower of cost or market on a first-in, first-out basis. Inventory, other than office supplies, is primarily given to donors as a "thank you" for their donation to the Organization.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2012 and 2011

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment** – Property and equipment are recorded at cost, if purchased, or at fair market value at date of gift, if donated. It is the Organization’s policy to capitalize expenditures for items in excess of \$250. Depreciation on property and equipment is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the life of the property or lease, whichever is shorter. The recorded value of equipment and other capital assets used in the Organization’s International and Domestic Partners program is expensed as incurred, as the Organization does not retain title.

Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are charged against revenue as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations.

**Foundation Investments** – Foundation investments reported in the consolidated statements of financial position consist of endowment funds received by the Shared Hope Foundation, with donor-imposed restrictions limiting their use for long-term purposes.

**Restricted and Unrestricted Revenue and Support** – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. When projects are completed and restricted funds remain, every effort is made to use the excess funds in like or similar projects.

All donor-restricted support is reported as an increase 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 consolidated statements of activities as net assets released from restrictions.

**Gifts-in-kind** – In-kind contributions of equipment and other materials are recorded when there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization’s activities. The Organization receives the benefit of donated services, which are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Functional Allocation of Expenses** – The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Certain costs have been allocated between the program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management.

**SHARED HOPE INTERNATIONAL AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Expenses** – Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2012 and 2011 was \$36,341 and \$13,865, respectively.

**Income Taxes** – The Organization is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been included in the consolidated financial statements.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Effective with the year ended June 30, 2011, the Organization elected the expenditure test under section 501(h) as an alternative method for measuring lobbying activity. The election provides a specific dollar amount the Organization can spend on lobbying during the year without the burden of proving the amount is not substantial. Management believes the Organization's lobbying activities are within limits allowed by relevant tax law.

The Organization's Federal Form 990 (Return of Organization Exempt from Income Tax) for the years ended June 30, 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed. No penalties and interest were assessed on tax filings for the years ended June 30, 2012 and 2011.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The Organization's financial statements recognize the effects of all subsequent events that provide evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Subsequent events that provide evidence about conditions that arose after the statement of financial position date are not recognized in the financial statements. Management has evaluated subsequent events through November 15, 2012, which is the date the financial statements were available to be issued.

**NOTE 3. CASH AND CASH EQUIVALENTS**

At certain times during the year the level of cash held may exceed federally insured limits. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per institution and unlimited coverage for non-interest bearing accounts through December 31, 2012. The cash balance reported in the accompanying financial statements may differ from the amount held on deposit due to deposits in transit or outstanding checks that have not cleared the bank as of the statement of financial position date.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

**NOTE 4. FAIR VALUE INVESTMENTS**

The Organization uses fair value measurements to record fair value adjustments to its endowment investments and certain other assets. The *Fair Value Measurements* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of trading and available for sale securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used to in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The Organization maintains only Level 1 inputs that are classified as investments with a fair value of \$86,271 and \$98,046 at June 30, 2012 and 2011, respectively.

The fair value of investments in equity securities (primarily mutual funds and common stocks) by class consists of the following at June 30:

	2012	2011
Bond	\$ 33,432	\$ 28,999
US Growth	14,559	21,775
US Value	12,234	17,664
International Developed Equities	9,714	-
US Blend	5,912	12,431
Emerging Markets	4,875	6,223
Real Estate Investment Trust	3,215	2,015
Precious Metals	2,330	3,002
Bank Loan	-	2,993
Market Neutral	-	2,944
	<u>\$ 86,271</u>	<u>\$ 98,046</u>

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2012 and 2011

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**NOTE 4. FAIR VALUE INVESTMENTS (CONTINUED)**

Investment income is summarized as follows for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 4,389	\$ 5,759
Realized gain (loss) on investments	4,333	6,532
Unrealized gain (loss) on investments	<u>(9,321)</u>	<u>6,981</u>
	<u>\$ (599)</u>	<u>\$ 19,272</u>

**NOTE 5. GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
M.J. Murdock Charitable Trust	<u>\$ 40,000</u>	<u>\$ 42,000</u>

**NOTE 6. CONDITIONAL PROMISES TO GIVE**

During the year ended June 30, 2010, the Organization received a three-year \$248,000 grant for program expansion. The grant terms indicate that the funds are to be used toward compensation for a national training bureau coordinator and a community awareness coordinator, as well as travel costs and computer equipment for these positions. The grant included \$166,000 awarded without conditions. \$42,000 of this amount was an open grant receivable at June 30, 2011 (Note 5). Receipt of the remaining \$82,000 was contingent upon the Organization raising matching funds according to grant agreement stipulations. As of June 30, 2012 the Organization had raised matching funds and submitted a request for \$40,000 (Note 5). Subsequent to June 30, 2012, the Organization raised additional funds and submitted their request for the final \$42,000 amount receivable under the grant. The final \$42,000 request was treated as a conditional promise to give not recognized in revenues for the year ended June 30, 2012, as the Organization had not yet met applicable grant stipulations.

During the year ended June 30, 2012, the Organization received a letter of intent for a donation of \$24,000 to be paid in monthly installments of \$2,000 beginning February 2012. The donation is subject to the continued desire of the donor to provide support and to the donor receiving sufficient public funds. Since these donations are contingent upon the donor receiving sufficient funds, the donation represents a conditional promise to give and is therefore not recognized as revenue until the conditions are met.



**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

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**NOTE 7. PLEDGES RECEIVABLE**

Pledges receivable representing unconditional promises to give consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 104,763	\$ 100,069
Allowance for uncollectible pledges	<u>(20,953)</u>	<u>(20,014)</u>
	<u>\$ 83,810</u>	<u>\$ 80,055</u>

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Office equipment and furniture	\$ 103,891	\$ 103,198
Leasehold improvements	47,220	45,682
Program equipment	<u>8,435</u>	<u>8,435</u>
	159,546	157,315
Accumulated depreciation	<u>(136,503)</u>	<u>(121,296)</u>
	<u>\$ 23,043</u>	<u>\$ 36,019</u>

Depreciation expense was \$15,208 and \$22,577 in 2012 and 2011, respectively.

**NOTE 9. ENDOWMENT FUNDS**

The Organization's endowment currently consists of funds given to the Mannisha Life Endowment Fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**SHARED HOPE INTERNATIONAL AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

**NOTE 9. ENDOWMENT FUNDS (CONTINUED)**

**Interpretation of Relevant Law** – The management of the Organization has interpreted the State of Washington’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation or depreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment fund net asset composition by type at June 30, 2012 and 2011 is as follows:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted				
Endowment, June 30, 2012	\$ -	\$ 24,394	\$ 71,419	\$ 95,813
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted				
Endowment, June 30, 2011	\$ -	\$ 28,290	\$ 71,419	\$ 99,709

As of June 30, 2012 and 2011, the Organization had no board-restricted endowment funds.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

**NOTE 9. ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets are as follows for the years ended June 30:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2011	\$ -	\$ 28,290	\$ 71,419	\$ 99,709
Investment income:				
Interest and dividends	-	3,070	-	3,070
Realized gains	-	4,451	-	4,451
Unrealized losses	-	(9,330)	-	(9,330)
Total investment income	-	(1,809)	-	(1,809)
Appropriation of endowment assets for expenditures	-	(2,087)	-	(2,087)
Endowment net assets, June 30, 2012	<u>\$ -</u>	<u>\$ 24,394</u>	<u>\$ 71,419</u>	<u>\$ 95,813</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2010	\$ -	\$ 14,650	\$ 71,419	\$ 86,069
Investment income:				
Interest and dividends	-	2,690	-	2,690
Realized gains	-	5,856	-	5,856
Unrealized gains	-	6,981	-	6,981
Total investment income	-	15,527	-	15,527
Appropriation of endowment assets for expenditures	-	(1,887)	-	(1,887)
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 28,290</u>	<u>\$ 71,419</u>	<u>\$ 99,709</u>

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2012 and 2011

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**NOTE 9. ENDOWMENT FUNDS (CONTINUED)**

**Funds with Deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, no deficiencies of this nature were required to be reported in unrestricted net assets as of June 30, 2012 and 2011. If these deficiencies were to exist, they would most likely result from unfavorable market fluctuations.

**Return Objectives and Risk Parameters** – The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding for the payment of obligations and mission-related expenses, administrative expenses and the growth of financial surplus, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Finance and Audit Committee, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5.5 percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** – The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to remain consistent. This is consistent with Organization's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

**NOTE 10. NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods as of June 30:

	<u>2012</u>	<u>2011</u>
Puget Sound shelter development	\$ 183,000	\$ -
Pledges receivable at June 30, 2012 and 2011	83,810	80,055
Earnings from endowment fund yet to be disbursed	24,394	28,290
M.J. Murdock Charitable Trust grant	2,888	23,357
International Partners: South Africa Village of Hope	1,696	1,696
Domestic Public Education:		
North Carolina PII report card	7,312	17,083
Arizona billboard campaign	2,500	-
Minnesota PII report card	1,161	10,932
Massachusetts PII report card	319	-
Protected Innocence Initiative (PII) report cards	-	141,489
Florida PII report card	-	8,029
Tennessee PII report card	-	356
Grants receivable at June 30, 2012 and 2011	-	42,000
Total Temporarily Restricted Net Assets	<u>\$ 307,080</u>	<u>\$ 353,287</u>

Permanently restricted net assets include amounts donated to the Mannisha Life Endowment Fund totaling \$71,419 as of June 30, 2012 and 2011.

**NOTE 11. GIFTS-IN-KIND**

Shared Hope receives contributions in the form of donated services, supplies, and other assets. If it were not for gifts-in-kind, the purchase of these vital components and the services of these volunteers for its programs would be restricted to the availability of cash funds. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In-kind donations reported in the accompanying financial statements consist of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Managerial and professional services	\$ 186,003	\$ 183,036
Investments	3,737	27,470
Equipment	1,050	150
Contract services	-	9,000
Printing and supplies	-	405
	<u>\$ 190,790</u>	<u>\$ 220,061</u>

**SHARED HOPE INTERNATIONAL AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

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**NOTE 11. GIFTS-IN-KIND (CONTINUED)**

The Organization receives donated services, primarily for administrative and fundraising support, which do not require specific expertise, but are nonetheless central to the Organization's activities. The estimated value of these services, based on the minimum hourly wage, amounts to \$53,302 and \$35,202 for the years ended June 30, 2012 and 2011, respectively. As required by generally accepted accounting principles, the value of these services is not reflected in the financial statements.

**NOTE 12. GRANTS TO OTHERS**

The Organization partners with several foreign nonprofit organizations in order to help rescue and restore victims of sex trafficking by providing them with shelter, healthcare, education and vocational training opportunities. The Organization has found that supporting established, local nonprofit organizations in foreign countries is the most effective way to meet these goals due to legal and cultural differences. The Organization's staff oversees these projects to ensure monies are utilized in compliance with the grant agreements in place.

The Organization also partners with organizations across the United States to fund street outreach for at-risk and trafficked women and children. These programs literally meet the girls where they are and provide resource hotlines, clothing, food, shelter placement and medical care. Partners work to support girls in order for them to escape a life of brutality, control and sexual violence.

Funds granted to nonprofit organizations are recorded as grants to others in the accompanying consolidated statements of functional expenses and totaled \$568,123 and \$536,205 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 13. OPERATING LEASES**

The Organization leased office space in Vancouver, Washington under a one-year non-cancelable lease commencing on November 1, 2010 at a rate of \$2,550 per month plus shared utilities. Effective November 1, 2011 the Organization renewed its lease at a rate of \$2,560 per month plus shared utilities. This lease expires October 31, 2012, but contains an option to negotiate a two-year lease.

In addition, the Organization entered into a non-cancelable lease of office space in Arlington, VA on April 1, 2007 with a monthly lease payment of \$2,836 that increases 3% annually. The lease also includes an annual prorated charge for operating expenses. The lease expired on May 1, 2010, at which time the Organization exercised its renewal option for an additional three-year term with an initial monthly lease payment of \$2,467.

Future minimum lease payments are \$41,744 for the year ending June 30, 2013. Rent expense reported in the accompanying consolidated statements of activities was \$74,263 and \$65,695 for the years ended June 30, 2012 and 2011, respectively.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2012 and 2011

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**NOTE 14. JOINT COSTS**

Certain direct and indirect joint costs are incurred by the Organization's programs to educate the American public. When public education program activities are combined with a fundraising appeal, accounting principles generally accepted in the United States of America prescribe conditions under which costs may be split between fundraising and program activities. If these conditions are not met, then the entire amount must be treated as a fundraising cost.

The conditions to be met include three criteria tests: purpose, audience and content. When these criteria are met, the expenditures of the Organization's joint activities are allocated between fundraising and the Organization's related programs. In educating the public about human trafficking activities, Shared Hope incurred certain joint costs for informational materials, websites, and events.

The functional allocation of these joint costs for the years ended June 30 is summarized as follows:

	<u>2012</u>	<u>2011</u>
International Public Education	\$ 4,965	\$ -
Domestic Public Education	89,513	72,541
Administration	1,112	-
Fundraising	<u>153,002</u>	<u>140,728</u>
	<u>\$ 248,592</u>	<u>\$ 213,269</u>

**NOTE 15. PROFIT SHARING PLAN**

The Organization maintains a profit-sharing and 401(k) plan (the Plan) for all eligible employees. Employees may contribute a percentage of their salary to the Plan subject to statutory limits. The Organization has made matching contributions in an amount equal to 3% of each eligible participant's compensation totaling \$12,973 and \$12,161 for the years ended June 30, 2012 and 2011, respectively. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. No discretionary contributions were made for the years ended June 30, 2012 and 2011.

**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2012 and 2011

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**NOTE 16. STATEMENT OF CASH FLOWS – SUPPLEMENTAL DISCLOSURES**

Non-cash transactions reported in the accompanying consolidated statements of cash flows are as follows:

	<u>2012</u>	<u>2011</u>
Donated stock investments	<u>\$ 3,737</u>	<u>\$ 27,470</u>

Cash paid for interest in the year ended June 30, 2012 and 2011 totaled \$0 and \$70, respectively.

**NOTE 17. RISKS**

The sex trafficking industry is fraught with dangers that could result in serious consequences to any party that discloses information about the details of sex trafficking operations or that works to prevent such operations from continuing. The Organization is heavily involved with research and related activities which are aimed at revealing information about the details of the sex trafficking industry and with helping sex trafficking victims reach freedom.



**SUPPLEMENTARY INFORMATION**



**KUENZI & COMPANY LLC**  
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The Board of Directors  
**SHARED HOPE INTERNATIONAL AND AFFILIATE**  
Vancouver, Washington

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

We have audited the consolidated financial statements of Shared Hope International (a nonprofit organization) and Affiliate (Shared Hope Foundation, a nonprofit organization) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 15, 2012, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Salem, Oregon  
November 15, 2012



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**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
Year Ended June 30, 2012

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash	\$ 447,454	\$ 11,442	\$ -	\$ 458,896
Investments	-	14,852	-	14,852
Grants receivable	40,000	-	-	40,000
Pledges receivable, net	83,810	-	-	83,810
Other receivables	132	-	-	132
Intercompany receivable	1,900	-	(1,900)	-
Prepaid expenses	18,067	-	-	18,067
Inventory	43,705	-	-	43,705
Total Current Assets	635,068	26,294	(1,900)	659,462
Deposits and other assets	3,338	-	-	3,338
Property and Equipment, net	23,043	-	-	23,043
Website	31,183	-	-	31,183
Foundation Investments	-	71,419	-	71,419
Total Assets	<u>\$ 692,632</u>	<u>\$ 97,713</u>	<u>\$ (1,900)</u>	<u>\$ 788,445</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 32,374	\$ -	\$ -	\$ 32,374
Intercompany payable	-	1,900	(1,900)	-
Accrued payroll taxes and benefits	26,645	-	-	26,645
Accrued paid time off	57,884	-	-	57,884
Total Current Liabilities	116,903	1,900	(1,900)	116,903
Net Assets				
Unrestricted				
Operations	270,000	-	-	270,000
Property and equipment	23,043	-	-	23,043
Total Unrestricted	293,043	-	-	293,043
Temporarily restricted	282,686	24,394	-	307,080
Permanently restricted	-	71,419	-	71,419
Total Net Assets	<u>575,729</u>	<u>95,813</u>	<u>-</u>	<u>671,542</u>
Total Liabilities and Net Assets	<u>\$ 692,632</u>	<u>\$ 97,713</u>	<u>\$ (1,900)</u>	<u>\$ 788,445</u>

See independent auditor's report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
Year Ended June 30, 2011

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash	\$ 453,549	\$ 2,563	\$ -	\$ 456,112
Investments	-	26,627	-	26,627
Grants receivable	42,000	-	-	42,000
Pledges receivable, net	80,055	-	-	80,055
Other receivables	924	-	-	924
Intercompany receivable	900	-	(900)	-
Prepaid expenses	11,115	-	-	11,115
Inventory	41,176	-	-	41,176
Total Current Assets	<u>633,057</u>	<u>29,190</u>	<u>(900)</u>	<u>661,347</u>
Deposits and other assets	3,338	-	-	3,338
Property and Equipment, net	36,019	-	-	36,019
Website	31,183	-	-	31,183
Foundation investments	-	71,419	-	71,419
Total Assets	<u>\$ 700,259</u>	<u>\$ 100,609</u>	<u>\$ (900)</u>	<u>\$ 799,968</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 59,137	\$ -	\$ -	\$ 59,137
Intercompany payable	-	900	(900)	-
Accrued payroll taxes and benefits	28,629	-	-	28,629
Accrued paid time off	52,967	-	-	52,967
Total Current Liabilities	<u>140,733</u>	<u>900</u>	<u>(900)</u>	<u>140,733</u>
Net Assets				
Unrestricted				
Operations	198,511	-	-	198,511
Property and equipment	36,019	-	-	36,019
Total Unrestricted	<u>234,530</u>	<u>-</u>	<u>-</u>	<u>234,530</u>
Temporarily restricted	324,996	28,290	-	353,286
Permanently restricted	-	71,419	-	71,419
Total Net Assets	<u>559,526</u>	<u>99,709</u>	<u>-</u>	<u>659,235</u>
Total Liabilities and Net Assets	<u>\$ 700,259</u>	<u>\$ 100,609</u>	<u>\$ (900)</u>	<u>\$ 799,968</u>

See independent auditor's report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

Year Ended June 30, 2012

	Shared Hope International	Shared Hope Foundation	Consolidation Adjustments	Total
<b>Support and Revenue</b>				
Contributions and grants	\$ 2,248,581	\$ -	\$ -	\$ 2,248,581
Registration income	22,545	-	-	22,545
Gifts-in-kind	190,790	-	-	190,790
Interest income	1,319	3,070	-	4,389
Investment loss	(109)	(4,879)	-	(4,988)
<b>Total Support and Revenue</b>	<b>2,463,126</b>	<b>(1,809)</b>	<b>-</b>	<b>2,461,317</b>
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	344,012	-	-	344,012
International public education	20,672	-	-	20,672
Domestic public education	1,207,535	-	-	1,207,535
Domestic partners	287,022	-	-	287,022
Domestic WIN program	84,614	-	-	84,614
Defenders/Predator project	58,457	-	-	58,457
<b>Total Program Activities</b>	<b>2,002,312</b>	<b>-</b>	<b>-</b>	<b>2,002,312</b>
<b>Supporting Activities</b>				
Administration	263,216	2,087	-	265,303
Fundraising	181,395	-	-	181,395
<b>Total Supporting Activities</b>	<b>444,611</b>	<b>2,087</b>	<b>-</b>	<b>446,698</b>
<b>Total Expenses</b>	<b>2,446,923</b>	<b>2,087</b>	<b>-</b>	<b>2,449,010</b>
<b>Change in Net Assets</b>	<b>16,203</b>	<b>(3,896)</b>	<b>-</b>	<b>12,307</b>
<b>Net Assets, Beginning of Year</b>	<b>559,526</b>	<b>99,709</b>	<b>-</b>	<b>659,235</b>
<b>Net Assets, End of Year</b>	<b>\$ 575,729</b>	<b>\$ 95,813</b>	<b>\$ -</b>	<b>\$ 671,542</b>

See independent auditor's report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

Year Ended June 30, 2011

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions and grants	\$ 1,957,802	\$ -	\$ -	\$ 1,957,802
Registration income	4,179	-	-	4,179
Gifts-in-kind	220,061	-	-	220,061
Interest income	3,069	2,690	-	5,759
Investment gain	676	12,837	-	13,513
Loss on equipment disposition	(818)	-	-	(818)
<b>Total Support and Revenue</b>	<b>2,184,969</b>	<b>15,527</b>	<b>-</b>	<b>2,200,496</b>
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	401,253	-	-	401,253
International public education	34,369	-	-	34,369
Domestic public education	1,087,728	-	-	1,087,728
Domestic partners	200,194	-	-	200,194
Domestic WIN program	98,316	-	-	98,316
Defenders/Predator project	42,026	-	-	42,026
<b>Total Program Activities</b>	<b>1,863,886</b>	<b>-</b>	<b>-</b>	<b>1,863,886</b>
<b>Supporting Activities</b>				
Administration	250,482	1,887	-	252,369
Fundraising	192,327	-	-	192,327
<b>Total Supporting Activities</b>	<b>442,809</b>	<b>1,887</b>	<b>-</b>	<b>444,696</b>
<b>Total Expenses</b>	<b>2,306,695</b>	<b>1,887</b>	<b>-</b>	<b>2,308,582</b>
<b>Change in Net Assets</b>	<b>(121,726)</b>	<b>13,640</b>	<b>-</b>	<b>(108,086)</b>
<b>Net Assets, Beginning of Year</b>	<b>681,252</b>	<b>86,069</b>	<b>-</b>	<b>767,321</b>
<b>Net Assets, End of Year</b>	<b>\$ 559,526</b>	<b>\$ 99,709</b>	<b>\$ -</b>	<b>\$ 659,235</b>

See independent auditor's report.