

**SHARED HOPE INTERNATIONAL
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL CONSOLIDATING INFORMATION**

Years Ended June 30, 2011 and 2010

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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, 2011 and 2010 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 Organizations' 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, 2011 and 2010, 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 22, 2011



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SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 456,112	\$ 395,877
Investments	26,627	7,251
Other receivables	924	213
Grants receivable	42,000	208,000
Pledges receivable, net	80,055	66,061
Prepaid expenses	11,115	10,252
Inventory	41,176	96,473
Deposits and other assets	3,338	3,338
Total Current Assets	661,347	787,465
Property and Equipment, net	36,019	40,658
Website	31,183	-
Foundation Investments	71,419	71,419
Total Assets	<u>\$ 799,968</u>	<u>\$ 899,542</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 59,137	\$ 67,740
Accrued payroll taxes and benefits	28,629	22,881
Accrued paid time off	52,967	39,669
Current maturities of capital lease payable	-	1,931
Total Current Liabilities	140,733	132,221
Net Assets		
Unrestricted		
Operations	198,511	317,140
Property and equipment	36,019	38,727
Total Unrestricted	234,530	355,867
Temporarily restricted	353,286	340,035
Permanently restricted	71,419	71,419
Total Net Assets	<u>659,235</u>	<u>767,321</u>
Total Liabilities and Net Assets	<u>\$ 799,968</u>	<u>\$ 899,542</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
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	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
Expenses				
Program activities				
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
Supporting activities				
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 ACTIVITIES

Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 1,365,060	\$ 482,650	\$ -	\$ 1,847,710
Government grants	-	16,204	-	16,204
Gifts-in-kind	196,133	-	-	196,133
Interest income	4,157	1,853	-	6,010
Investment gain	970	5,370	-	6,340
Loss on equipment disposition	(819)	-	-	(819)
Net assets released from restrictions	292,037	(292,037)	-	-
Total Support and Revenue	1,857,538	214,040	-	2,071,578
Expenses				
Program activities				
International partners	241,045	-	-	241,045
International public education	26,798	-	-	26,798
Domestic public education	901,058	-	-	901,058
Domestic trafficking (grant)	35,552	-	-	35,552
Domestic partners	202,474	-	-	202,474
Domestic WIN program	94,901	-	-	94,901
Defenders/predator project	20,990	-	-	20,990
Total Program Activities	1,522,818	-	-	1,522,818
Supporting activities				
Administration	255,276	-	-	255,276
Fundraising	178,643	-	-	178,643
Total Supporting Activities	433,919	-	-	433,919
Total Expenses	1,956,737	-	-	1,956,737
Change in Net Assets	(99,199)	214,040	-	114,841
Net Assets, Beginning of Year	455,066	125,995	71,419	652,480
Net Assets, End of Year	<u>\$ 355,867</u>	<u>\$ 340,035</u>	<u>\$ 71,419</u>	<u>\$ 767,321</u>

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				
	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	\$ 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
Total Expenses	\$ 401,253	\$ 34,369	\$ 1,087,728	\$ 200,194	\$ 98,316	\$ 42,026	\$ 1,863,886	\$ 252,369	\$ 192,327	\$ 444,696	\$ 2,308,582
Total Expenses as Percentage of Total Support and Revenue								<u>11.5%</u>	<u>8.7%</u>	<u>20.2%</u>	

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, 2010

	Program Activities							Supporting Activities			Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Trafficking (DOJ Grant)	Domestic Partners	Domestic WIN Program	Defenders / Predator Project	Total	Administration	Fundraising		Total
Salaries and Wages	\$ 21,343	\$ 10,067	\$ 341,957	\$ 9,307	\$ 27,161	\$ 61,477	\$ 5,604	\$ 476,916	\$ 92,409	\$ 28,200	\$ 120,609	\$ 597,525
Payroll Taxes and Benefits	3,865	1,742	59,521	1,361	4,521	10,617	994	82,621	15,778	4,758	20,536	103,157
Donated Services	5,611	8,837	111,094	-	16,973	2,244	1,823	146,582	14,448	7,294	21,742	168,324
Banking Costs	-	-	-	-	-	-	-	-	11,850	-	11,850	11,850
Computer Expenses	724	457	11,614	213	980	2,441	180	16,609	3,635	831	4,466	21,075
Conferences and Meetings	-	200	1,110	-	-	-	-	1,310	1,513	-	1,513	2,823
Contract Labor	-	-	41,396	13,622	7,455	-	9,858	72,331	14,342	30	14,372	86,703
Depreciation	946	446	14,745	-	1,167	2,724	248	20,276	4,094	1,654	5,748	26,024
Facilities	-	-	5,401	-	-	-	-	5,401	-	1,350	1,350	6,751
Gifts	6,444	-	92	-	900	143	-	7,579	2,819	-	2,819	10,398
Grants to Others	176,805	-	-	-	133,300	-	-	310,105	-	-	-	310,105
Insurance	342	235	5,468	38	239	1,012	122	7,456	1,519	586	2,105	9,561
Licenses, Fees and Subscriptions	354	274	7,959	376	729	1,663	90	11,445	2,715	644	3,359	14,804
Meals and Entertainment	69	-	4,869	-	-	-	-	4,938	2,450	282	2,732	7,670
Media and Advertising	-	-	22,715	-	-	-	-	22,715	1,130	-	1,130	23,845
Miscellaneous	-	128	355	-	35	-	-	518	723	7	730	1,248
Occupancy	2,179	1,292	40,477	1,313	3,692	8,300	738	57,991	12,520	3,275	15,795	73,786
Postage and Shipping	142	191	17,927	227	442	539	88	19,556	1,248	30,161	31,409	50,965
Printing and Publication	-	-	24,316	-	-	-	138	24,454	2,793	50,388	53,181	77,635
Professional Services	-	-	15,138	1,025	-	-	-	16,163	55,161	41,488	96,649	112,812
Property Taxes	17	16	504	50	45	115	2	749	207	48	255	1,004
Supplies	1,639	156	73,589	115	455	968	383	77,305	1,487	610	2,097	79,402
Telephone	1,164	551	10,485	377	956	1,988	168	15,689	3,042	1,114	4,156	19,845
Travel	19,401	475	75,773	6,682	3,424	670	-	106,425	8,858	5,027	13,885	120,310
Training	-	-	-	-	-	-	-	-	364	-	364	364
Video Production and Distribution	-	878	12,206	846	-	-	-	13,930	-	-	-	13,930
Website	-	853	2,347	-	-	-	554	3,754	171	896	1,067	4,821
Total Expenses	\$ 241,045	\$ 26,798	\$ 901,058	\$ 35,552	\$ 202,474	\$ 94,901	\$ 20,990	\$ 1,522,818	\$ 255,276	\$ 178,643	\$ 433,919	\$ 1,956,737
Total Expenses as Percentage of Total Support and Revenue									<u>12.3%</u>	<u>8.6%</u>	<u>20.9%</u>	

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,083,561	\$ 1,711,726
Cash paid to grantees, vendors, and employees	(2,001,067)	(1,692,546)
Interest income	5,759	6,010
	<u>88,253</u>	<u>25,190</u>
Net Cash Provided by Operating Activities	88,253	25,190
Cash Flows from Investing Activities		
Purchases of investments	(35,022)	(25,646)
Proceeds from sale of investments	58,874	51,182
Acquisition of property and equipment	(18,777)	(2,185)
Proceeds from the disposal of property and equipment	21	390
Website development	(31,183)	-
	<u>(26,087)</u>	<u>23,741</u>
Net Cash Provided (Used) by Investing Activities	(26,087)	23,741
Cash Flows from Financing Activities		
Payments on capital lease payable	(1,931)	(3,033)
	<u>(1,931)</u>	<u>(3,033)</u>
Net Cash Used by Financing Activities	(1,931)	(3,033)
Net Increase in Cash and Cash Equivalents	60,235	45,898
Cash and Cash Equivalents, Beginning of Year	<u>395,877</u>	<u>349,979</u>
Cash and Cash Equivalents, End of Year	<u>\$ 456,112</u>	<u>\$ 395,877</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	\$ (108,086)	\$ 114,841
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	22,577	26,024
Noncash donations	(27,470)	(13,857)
Dividend reinvestments	(2,244)	-
Investment gains	(13,514)	(6,340)
Loss on disposal of property and equipment	818	819
Change in assets and liabilities:		
Other receivables	(711)	(213)
Grants receivable	166,000	(127,459)
Pledges receivable	(13,994)	(10,659)
Prepaid expenses	(863)	(523)
Inventory	55,297	49,347
Deposits and other assets	-	2,835
Accounts payable	(8,603)	(27,392)
Accrued payroll taxes and benefits	5,748	9,447
Accrued paid time off	13,298	8,320
Total Adjustments	<u>196,339</u>	<u>(89,651)</u>
Net Cash Provided by Operating Activities	<u>\$ 88,253</u>	<u>\$ 25,190</u>

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, 2011 and 2010

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, 2011 and 2010

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 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 away to donors as a thank you for their gift.

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

Years Ended June 30, 2011 and 2010

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 where 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.

Advertising Expenses – Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2011 and 2010 was \$13,865 and \$23,845, respectively.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2011 and 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 an 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 files income tax returns in the U.S. federal jurisdiction and various state jurisdictions where the Organization is registered. The State of Washington does not require income tax filings. Generally, income tax filings are subject to federal examination for three years after the returns are filed. Tax returns filed for the periods ended June 30, 2007 and prior are considered closed. No penalties and interest were assessed on tax filings for the years ended June 30, 2011 and 2010.

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 recognizes in the financial statements the effects of all subsequent events that provide additional 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. Those subsequent events that provide evidence about conditions that arose after the statement of financial position date are not recognized in the financial statements. The Organization has evaluated subsequent events through November 22, 2011, which is the date the financial statements were 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. The Organization had cash in excess of FDIC insured limits of \$95,431 and \$0 as of June 30, 2011 and 2010, respectively. 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, 2011 and 2010

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 priorities 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 equity security investments with a fair value of \$98,046 and \$78,670 at June 30, 2011 and 2010, respectively.

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

	2011	2010
Bond	\$ 28,999	\$ 23,694
Growth	21,775	17,310
Value	17,664	17,368
Blend	12,431	12,618
Emerging markets	6,223	2,697
Precious metals	3,002	1,095
Bank loan	2,993	963
Market neutral	2,944	-
Real estate investment trust	2,015	1,641
Domestic equities - financial	-	1,284
	<u>\$ 98,046</u>	<u>\$ 78,670</u>

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 Years Ended June 30, 2011 and 2010

NOTE 4. FAIR VALUE INVESTMENTS (CONTINUED)

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

	<u>2011</u>	<u>2010</u>
Interest and Dividends	\$ 5,759	\$ 6,010
Realized Gain on Investments	6,532	2,621
Unrealized Gain on Investments	6,981	3,719
	<u>\$ 19,272</u>	<u>\$ 12,350</u>

NOTE 5. GRANTS RECEIVABLE

Grants receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
M.J. Murdock Charitable Trust	\$ 42,000	\$ 166,000
Life Outreach International	-	42,000
	<u>\$ 42,000</u>	<u>\$ 208,000</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 includes \$42,000 and \$166,000 awarded without conditions which is included in grants receivable in the accompanying consolidated financial position at June 30, 2011 and 2010, respectively (Note 5). Receipt of the remaining \$82,000 is contingent upon the Organization raising matching funds. Since the \$82,000 represents a conditional promise to give, the amount will not be recognized as revenue until the conditions are met. As of June 30, 2011, matching funds have not been raised.

During the year ended June 30, 2011, the Organization received a letter of intent for a donation of \$60,000 to be paid in monthly installments of \$5,000 beginning February 2011. The donation is subject to the continued desire of the donor to provide support and to the donor receiving sufficient public funds. Subsequent to year end, the Organization received notice that the monthly donation amount is to be decreased to \$3,750 beginning July 2011. 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, 2011 and 2010

NOTE 7. PLEDGES RECEIVABLE

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

	<u>2011</u>	<u>2010</u>
Receivable in Less Than One Year	\$ 100,069	\$ 82,576
Allowance for Uncollectible Pledges	<u>(20,014)</u>	<u>(16,515)</u>
	<u>\$ 80,055</u>	<u>\$ 66,061</u>

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Office Equipment and Furniture	\$ 103,198	\$ 85,449
Leasehold Improvements	45,682	45,682
Program Equipment	<u>8,435</u>	<u>8,435</u>
	157,315	139,566
Accumulated Depreciation	<u>(121,296)</u>	<u>(98,908)</u>
	<u>\$ 36,019</u>	<u>\$ 40,658</u>

Depreciation expense was \$22,577 and \$26,024 in 2011 and 2010, respectively, and includes amortization of property and equipment under capital lease arrangements. Office equipment and furniture under capital leases totaled \$0 and \$9,149 as of June 30, 2011 and 2010, respectively. Accumulated amortization of property and equipment under capital lease arrangements for the year ended June 30, 2011 and 2010 was \$0 and \$4,727, 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, 2011 and 2010

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, 2011 and 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted				
Endowment, June 30, 2011	\$ -	\$ 28,290	\$ 71,419	\$ 99,709
Donor-Restricted				
Endowment, June 30, 2010	\$ -	\$ 14,650	\$ 71,419	\$ 86,069

As of June 30, 2011 and 2010, the Organization had no board-restricted endowment funds.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2011 and 2010

NOTE 9. ENDOWMENT FUNDS (CONTINUED)

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

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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>
	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2009	\$ -	\$ 9,275	\$ 71,419	\$ 80,694
Investment Income:				
Interest and dividends	-	1,853	-	1,853
Realized gains	-	2,873	-	2,873
Unrealized gains	-	2,497	-	2,497
Total Investment Income	-	7,223	-	7,223
Appropriation of Endowment Assets for Expenditures	-	(1,848)	-	(1,848)
Endowment Net Assets, June 30, 2010	<u>\$ -</u>	<u>\$ 14,650</u>	<u>\$ 71,419</u>	<u>\$ 86,069</u>

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2011 and 2010

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 were as of June 30, 2011 and 2010. 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, 2011 and 2010

NOTE 10. NET ASSETS

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

	<u>2011</u>	<u>2010</u>
International Partners: South Africa Village of Hope	\$ 1,696	\$ 1,696
Domestic Public Education:		
Protected Innocence Initiative (PII) report cards	141,489	-
Florida PII report card	8,029	-
Minnesota PII report card	10,932	-
North Carolina PII report card	17,083	-
Tennessee PII report card	356	-
Arizona project	-	49,628
Murdock Grant - Program Expansion	23,357	-
Grants Receivable at June 30, 2011 and 2010	42,000	208,000
Pledges Receivable at June 30, 2011 and 2010	80,055	66,061
Earnings from Endowment Fund Yet to be Disbursed	<u>28,290</u>	<u>14,650</u>
	<u>\$ 353,287</u>	<u>\$ 340,035</u>

Permanently restricted net assets include amounts donated to the Mannisha Life Endowment Fund totaling \$71,419 as of June 30, 2011 and 2010.

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 consolidated financial statements consist of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Managerial and Professional Services	\$ 183,036	\$ 182,276
Investments	27,470	13,857
Contract Services	9,000	-
Printing and Supplies	405	-
Equipment	<u>150</u>	<u>-</u>
	<u>\$ 220,061</u>	<u>\$ 196,133</u>

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

Years Ended June 30, 2011 and 2010

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 \$35,202 and \$41,145 for the years ended June 30, 2011 and 2010, respectively. As required by generally accepted accounting principles, the value of these services is not reflected in the consolidated 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 \$536,205 and \$310,105 for the years ended June 30, 2011 and 2010, respectively.

NOTE 13. OPERATING LEASES

The Organization's lease for office space in Vancouver, Washington expired on October 30, 2010. A new non-cancelable lease commenced on November 1, 2010 at a rate of \$2,550 per month plus shared utilities. The lease expires on October 30, 2011 and 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 additional three-year term with an initial monthly lease payment of \$2,467.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 Years Ended June 30, 2011 and 2010

NOTE 13. OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows for the years ending June 30:

2012	\$ 67,469
2013	<u>41,744</u>
	<u>\$ 109,213</u>

Rent expense reported in the accompanying consolidated statements of activities was \$65,695 and \$69,670 for the years ended June 30, 2011 and 2010, respectively.

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>2011</u>	<u>2010</u>
Domestic Public Education	\$ 72,541	\$ 57,048
International Public Education	-	853
Fundraising	140,728	135,226
Administration	<u>-</u>	<u>171</u>
	<u>\$ 213,269</u>	<u>\$ 193,298</u>

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

Years Ended June 30, 2011 and 2010

NOTE 15. PROFIT SHARING PLAN

On April 1, 2009, the Organization adopted 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 \$12,161 and \$11,718 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010.

NOTE 16. STATEMENT OF CASH FLOWS – SUPPLEMENTAL DISCLOSURES

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

	<u>2011</u>	<u>2010</u>
Donated stock investments	<u>\$ 27,470</u>	<u>\$ 13,857</u>

Cash paid for interest in the year ended June 30, 2011 and 2010 totaled \$70 and \$495, 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.

SUPPLEMENTAL INFORMATION



KUENZI & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL 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, 2011 and 2010, and have issued our report thereon dated November 22, 2011, 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 22, 2011



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SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Year Ended June 30, 2011

	Shared Hope International	Shared Hope Foundation	Consolidation Adjustments	Total
ASSETS				
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
Prepaid expenses	11,115	-	-	11,115
Other receivables	924	-	-	924
Intercompany receivable	900	-	(900)	-
Inventory	41,176	-	-	41,176
Deposits and other assets	3,338	-	-	3,338
Total Current Assets	633,057	29,190	(900)	661,347
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>
LIABILITIES AND NET ASSETS				
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	140,733	900	(900)	140,733
Net Assets				
Unrestricted				
Operations	198,511	-	-	198,511
Property and equipment	36,019	-	-	36,019
Total Unrestricted	234,530	-	-	234,530
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 FINANCIAL POSITION

Year Ended June 30, 2010

	Shared Hope International	Shared Hope Foundation	Consolidation Adjustments	Total
ASSETS				
Current Assets				
Cash	\$ 386,443	\$ 9,434	\$ -	\$ 395,877
Investments	-	7,251	-	7,251
Other receivables	213	-	-	213
Intercompany receivable	2,035	-	(2,035)	-
Grants receivable	208,000	-	-	208,000
Pledges receivable, net	66,061	-	-	66,061
Prepaid expenses	10,252	-	-	10,252
Inventory	96,473	-	-	96,473
Deposits and other assets	3,338	-	-	3,338
Total Current Assets	772,815	16,685	(2,035)	787,465
Property and Equipment, net	40,658	-	-	40,658
Foundation Investments	-	71,419	-	71,419
Total Assets	<u>\$ 813,473</u>	<u>\$ 88,104</u>	<u>\$ (2,035)</u>	<u>\$ 899,542</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 67,740	\$ -	\$ -	\$ 67,740
Intercompany payable	-	2,035	(2,035)	-
Accrued payroll taxes and benefits	22,881	-	-	22,881
Accrued paid time off	39,669	-	-	39,669
Current maturities of capital lease payable	1,931	-	-	1,931
Total Current Liabilities	132,221	2,035	(2,035)	132,221
Net Assets				
Unrestricted				
Operations	317,140	-	-	317,140
Property and equipment	38,727	-	-	38,727
Total Unrestricted	355,867	-	-	355,867
Temporarily restricted	325,385	14,650	-	340,035
Permanently restricted	-	71,419	-	71,419
Total Net Assets	681,252	86,069	-	767,321
Total Liabilities and Net Assets	<u>\$ 813,473</u>	<u>\$ 88,104</u>	<u>\$ (2,035)</u>	<u>\$ 899,542</u>

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>
Support and Revenue				
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)
Total Support and Revenue	2,184,969	15,527	-	2,200,496
Expenses				
Program activities				
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
Supporting activities				
Administration	250,482	1,887	-	252,369
Fundraising	192,327	-	-	192,327
Total Supporting Activities	442,809	1,887	-	444,696
Total Expenses	2,306,695	1,887	-	2,308,582
Change in Net Assets	(121,726)	13,640	-	(108,086)
Net Assets, Beginning of Year	681,252	86,069	-	767,321
Net Assets, End of Year	\$ 559,526	\$ 99,709	\$ -	\$ 659,235

See independent auditor's report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Shared Hope International	Shared Hope Foundation	Consolidation Adjustments	Total
Support and Revenue				
Contributions and grants	\$ 1,847,710	\$ -	\$ -	\$ 1,847,710
Government grants	16,204	-	-	16,204
Gifts-in-kind	196,133	-	-	196,133
Interest income	4,157	1,853	-	6,010
Investment gain	970	5,370	-	6,340
Loss on equipment disposition	(819)	-	-	(819)
Total Support and Revenue	2,064,355	7,223	-	2,071,578
Expenses				
Program activities				
International partners	241,045	-	-	241,045
International public education	26,798	-	-	26,798
Domestic public education	901,058	-	-	901,058
Domestic trafficking (grant)	35,552	-	-	35,552
Domestic partners	202,474	-	-	202,474
Domestic WIN program	94,901	-	-	94,901
Defenders/predator project	20,990	-	-	20,990
Total Program Activities	1,522,818	-	-	1,522,818
Supporting activities				
Administration	253,428	1,848	-	255,276
Fundraising	178,643	-	-	178,643
Total Supporting Activities	432,071	1,848	-	433,919
Total Expenses	1,954,889	1,848	-	1,956,737
Change in Net Assets	109,466	5,375	-	114,841
Net Assets, Beginning of Year	571,786	80,694	-	652,480
Net Assets, End of Year	\$ 681,252	\$ 86,069	\$ -	\$ 767,321

See independent auditor's report.