

SHARED HOPE INTERNATIONAL
AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2015 and 2014

KUENZI & COMPANY LLC
CPAS • BUSINESS CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Shared Hope International (a nonprofit organization) and Affiliates (Shared Hope Foundation, a nonprofit organization and Trafficking Markets, LLC, a limited liability corporation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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


(Continued)

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 Affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 26 - 29 are presented for 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.

A handwritten signature in cursive script that reads "Kevin J. Company, LLC". The signature is written in black ink and is positioned above the typed name and date.

Salem, Oregon
December 15, 2015

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 677,960	\$ 801,167
Investments	50,718	53,315
Grants receivable	149,400	224,500
Pledges receivable, net	130,207	121,777
Prepaid expenses	20,575	59,708
Inventory	97,290	87,085
Total Current Assets	<u>1,126,150</u>	<u>1,347,552</u>
Deposits and Other Assets	2,838	2,838
Property and Equipment, net	447,663	440,941
Website	31,183	31,183
Foundation Investments	71,419	71,419
Total Assets	<u>\$ 1,679,253</u>	<u>\$ 1,893,933</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 54,248	\$ 43,726
Accrued payroll taxes and benefits	39,795	35,634
Accrued paid time off	42,894	38,133
Total Current Liabilities	<u>136,937</u>	<u>117,493</u>
Net Assets		
Unrestricted		
Operations	367,396	386,791
Property and Equipment	447,663	440,941
Total Unrestricted	<u>815,059</u>	<u>827,732</u>
Temporarily restricted	655,838	877,289
Permanently restricted	71,419	71,419
Total Net Assets	<u>1,542,316</u>	<u>1,776,440</u>
Total Liabilities and Net Assets	<u>\$ 1,679,253</u>	<u>\$ 1,893,933</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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions and grants	\$ 1,665,156	\$ 783,893	\$ -	\$ 2,449,049
Program and service revenue	139,298	108,429	-	247,727
Gifts-in-kind	344,869	-	-	344,869
Miscellaneous income	524	-	-	524
Interest/dividend income	1,205	7,156	-	8,361
Investment gain (loss)	(1,695)	(5,185)	-	(6,880)
Loss on equipment disposition	(792)	-	-	(792)
Net assets released from restrictions	1,115,744	(1,115,744)	-	-
Total Support and Revenue	3,264,309	(221,451)	-	3,042,858
Expenses				
Program Activities				
International partners	419,484	-	-	419,484
International public education	26,041	-	-	26,041
Domestic public education	1,722,132	-	-	1,722,132
Domestic partners	398,308	-	-	398,308
Domestic WIN program	39,326	-	-	39,326
Defenders/Predator project	34,270	-	-	34,270
Total Program Activities	2,639,561	-	-	2,639,561
Supporting Activities				
Administration	364,920	-	-	364,920
Fundraising	272,501	-	-	272,501
Total Supporting Activities	637,421	-	-	637,421
Total Expenses	3,276,982	-	-	3,276,982
Change in Net Assets	(12,673)	(221,451)	-	(234,124)
Net Assets, Beginning of Year	827,732	877,289	71,419	1,776,440
Net Assets, End of Year	<u>\$ 815,059</u>	<u>\$ 655,838</u>	<u>\$ 71,419</u>	<u>\$ 1,542,316</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 1,300,450	\$ 1,321,655	\$ -	\$ 2,622,105
Program and service revenue	122,115	90,075	-	212,190
Gifts-in-kind	509,297	-	-	509,297
Miscellaneous income	1,821	-	-	1,821
Interest income	1,413	4,081	-	5,494
Investment gain (loss)	(536)	11,201	-	10,665
Net assets released from restrictions	<u>1,629,160</u>	<u>(1,629,160)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	3,563,720	(202,148)	-	3,361,572
Expenses				
Program Activities				
International partners	287,203	-	-	287,203
International public education	17,613	-	-	17,613
Domestic public education	1,686,623	-	-	1,686,623
Domestic partners	326,667	-	-	326,667
Domestic WIN program	63,991	-	-	63,991
Defenders/Predator project	<u>66,207</u>	<u>-</u>	<u>-</u>	<u>66,207</u>
Total Program Activities	2,448,304	-	-	2,448,304
Supporting Activities				
Administration	354,245	-	-	354,245
Fundraising	<u>264,124</u>	<u>-</u>	<u>-</u>	<u>264,124</u>
Total Supporting Activities	618,369	-	-	618,369
Total Expenses	3,066,673	-	-	3,066,673
Change in Net Assets	497,047	(202,148)	-	294,899
Net Assets, Beginning of Year	330,685	1,079,437	71,419	1,481,541
Net Assets, End of Year	<u>\$ 827,732</u>	<u>\$ 877,289</u>	<u>\$ 71,419</u>	<u>\$ 1,776,440</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, 2015

	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	\$ 26,583	\$ 6,787	\$ 728,192	\$ 57,629	\$ 27,491	\$ 16,697	\$ 863,379	\$ 140,652	\$ 43,795	\$ 184,447	\$ 1,047,826
Payroll Taxes and Benefits	3,947	1,036	114,666	19,940	4,420	2,900	146,909	22,242	6,782	29,024	175,933
Donated Services	7,404	11,496	146,916	2,533	-	5,456	173,805	13,250	19,095	32,345	206,150
Banking Costs	-	-	-	-	-	-	-	18,944	-	18,944	18,944
Computer Expenses	402	102	13,771	391	399	238	15,303	2,827	1,810	4,637	19,940
Conferences and Meetings	-	-	392	-	-	-	392	17,588	-	17,588	17,980
Contract Labor	405	258	78,736	18,500	-	-	97,899	29,055	6,439	35,494	133,393
Depreciation	1,147	397	39,818	2,171	1,758	1,067	46,358	8,959	5,611	14,570	60,928
Facilities	13,237	2,739	100,938	-	-	-	116,914	-	17,401	17,401	134,315
Gifts and Volunteer Costs	-	-	-	59	-	-	59	2,724	92	2,816	2,875
Grants to Others	309,081	-	-	278,061	-	-	587,142	-	-	-	587,142
Insurance	215	95	10,005	178	420	205	11,118	2,217	1,125	3,342	14,460
Licenses, Fees and Subscriptions	181	92	9,362	155	506	388	10,684	7,538	973	8,511	19,195
Meals and Entertainment	3,529	-	5,387	773	37	-	9,726	2,842	4,759	7,601	17,327
Media and Advertising	-	-	31,641	-	-	-	31,641	1,401	-	1,401	33,042
Miscellaneous	41	-	382	9	35	23	490	599	25	624	1,114
Occupancy	2,994	711	75,224	7,510	3,186	1,854	91,479	15,752	8,692	24,444	115,923
Postage and Shipping	1,634	84	26,177	340	73	496	28,804	1,151	34,446	35,597	64,401
Printing and Publication	12,649	488	46,932	34	41	649	60,793	2,852	58,294	61,146	121,939
Professional Services	-	-	21,590	-	-	-	21,590	63,046	40,535	103,581	125,171
Supplies	6,018	233	32,465	1,185	185	1,352	41,438	2,092	3,481	5,573	47,011
Telephone	508	147	21,271	3,545	775	525	26,771	2,105	2,631	4,736	31,507
Travel	27,479	246	147,997	5,295	-	615	181,632	5,954	13,440	19,394	201,026
Video Production and Distribution	2,030	-	26,988	-	-	-	29,018	-	250	250	29,268
Website	-	1,130	43,282	-	-	1,805	46,217	1,130	2,825	3,955	50,172
Total Expenses	\$ 419,484	\$ 26,041	\$ 1,722,132	\$ 398,308	\$ 39,326	\$ 34,270	\$ 2,639,561	\$ 364,920	\$ 272,501	\$ 637,421	\$ 3,276,982

Total Expenses as Percentage of Total Support and Revenue

12.0% 9.0% 21.0%

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, 2014

	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	\$ 29,332	\$ 4,780	\$ 573,191	\$ 37,352	\$ 42,815	\$ 27,467	\$ 714,937	\$ 113,664	\$ 58,403	\$ 172,067	\$ 887,004
Payroll Taxes and Benefits	4,697	797	93,727	7,205	7,111	4,475	118,012	18,489	9,482	27,971	145,983
Donated Services	11,688	6,613	127,344	10,150	-	7,382	163,177	11,842	18,147	29,989	193,166
Banking Costs	-	-	-	-	-	-	-	19,629	-	19,629	19,629
Computer Expenses	870	87	12,354	593	1,460	724	16,088	2,890	2,034	4,924	21,012
Conferences and Meetings	-	-	430	-	-	-	430	17,673	-	17,673	18,103
Contract Labor	-	-	145,891	20,779	-	-	166,670	27,969	2,705	30,674	197,344
Depreciation	601	122	13,019	1,171	1,091	702	16,706	2,881	2,388	5,269	21,975
Facilities	-	-	207,380	-	-	-	207,380	-	757	757	208,137
Gifts and Volunteer Costs	6,040	-	530	850	-	488	7,908	3,288	57	3,345	11,253
Grants to Others	217,101	-	-	231,575	-	-	448,676	-	-	-	448,676
Insurance	1,421	33	5,525	420	2,163	564	10,126	5,001	259	5,260	15,386
Licenses, Fees and Subscriptions	402	129	8,700	357	881	521	10,990	8,140	1,283	9,423	20,413
Meals and Entertainment	-	-	7,055	72	-	3,488	10,615	3,745	4,530	8,275	18,890
Media and Advertising	-	-	125,898	-	-	-	125,898	39,458	-	39,458	165,356
Miscellaneous	-	-	112	480	-	-	592	1,206	500	1,706	2,298
Occupancy	2,594	467	56,174	6,817	5,077	3,039	74,168	12,346	9,956	22,302	96,470
Postage and Shipping	521	30	21,727	258	765	635	23,936	1,471	29,494	30,965	54,901
Printing and Publication	141	20	55,752	657	254	1,983	58,807	3,700	68,646	72,346	131,153
Professional Services	-	-	14,985	-	-	-	14,985	50,488	44,954	95,442	110,427
Supplies	341	53	45,950	2,541	550	4,648	54,083	985	1,471	2,456	56,539
Telephone	1,400	223	19,898	2,113	1,824	1,095	26,553	2,202	4,145	6,347	32,900
Travel	10,054	2,765	98,183	3,277	-	4,535	118,814	5,436	1,262	6,698	125,512
Video Production and Distribution	-	-	23,591	-	-	-	23,591	-	-	-	23,591
Website	-	1,494	29,207	-	-	4,461	35,162	1,742	3,651	5,393	40,555
Total Expenses	\$ 287,203	\$ 17,613	\$ 1,686,623	\$ 326,667	\$ 63,991	\$ 66,207	\$ 2,448,304	\$ 354,245	\$ 264,124	\$ 618,369	\$ 3,066,673
Total Expenses as Percentage of Total Support and Revenue								10.5%	7.9%	18.4%	

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,756,821	\$ 2,652,470
Cash paid to grantees, vendors, and employees	(2,932,477)	(2,787,472)
Interest income	8,361	5,494
	<u> </u>	<u> </u>
Net Cash (Used) by Operating Activities	(167,295)	(129,508)
Cash Flows from Investing Activities		
Purchases of investments	(28,929)	(17,739)
Proceeds from sale of investments	135,159	126,984
Acquisition of property and equipment	(62,410)	(162,276)
Proceeds from the disposal of property and equipment	268	-
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	44,088	(53,031)
Net (Decrease) in Cash and Cash Equivalents	(123,207)	(182,539)
Cash and Cash Equivalents, beginning of year	<u>801,167</u>	<u>983,706</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 677,960</u></u>	<u><u>\$ 801,167</u></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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities		
Change in Net Assets	\$ (234,124)	\$ 294,899
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities		
Depreciation	60,928	21,975
Noncash donations	(109,664)	(138,245)
Dividend reinvestments	(7,149)	(4,078)
Loss on disposal of equipment	792	500
Investment (gains) losses	6,880	(10,665)
Change in assets and liabilities:		
Grants receivable	75,100	(182,500)
Pledges receivable, net	(8,430)	2,932
Prepaid expenses	39,133	(13,104)
Inventory	(10,205)	(41,280)
Accounts payable	10,522	(41,871)
Accrued payroll taxes and benefits	4,161	(20,219)
Accrued paid time off	4,761	2,148
Total Adjustments	<u>66,829</u>	<u>(424,407)</u>
Net Cash (Used) by Operating Activities	<u>\$ (167,295)</u>	<u>\$ (129,508)</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, 2015 and 2014

NOTE 1. THE ORGANIZATION

Shared Hope International (Shared Hope), Shared Hope Foundation (Foundation), and Trafficking Markets, LLC, hereafter collectively referred to as the “Organization”, are entities formed in the state of Washington. Shared Hope and the Foundation are corporations and Trafficking Markets is a limited liability company. 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 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 is to provide for long-term projects that extend the mission of Shared Hope. Trafficking Markets was formed in April 2005 as a single member limited liability company, with Shared Hope being the sole member. The limited liability company operates Terry’s House, an independent living home for survivors of sex trafficking.

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 and to rescue and supply shelter, healthcare, education, and vocational training opportunities for the 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, Shared Hope Foundation and Trafficking Markets, LLC. Intercompany transactions between the entities 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, 2015 and 2014

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 promptly upon receipt of the donation.

Investments are comprised of common and preferred stock, real estate investment trusts (REITs) and mutual funds. The 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 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. The 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 in 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, DVDs, t-shirts, printed materials, and office supplies. In recent years, Shared Hope has added awareness and training resources to its inventory. The Organization’s inventory is recorded at the lower of cost or market on a first-in, first-out basis. Many of the inventory items are given to donors as a “thank you” for their donation.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment – Property and equipment are recorded at cost, if purchased. It is the Organization’s policy to capitalize expenditures for items in excess of \$250. 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. The recorded value of equipment and other capital assets used in the Organization’s International and Domestic Partners’ programs are expensed as incurred when the Organization does not retain title.

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 the term of the lease, whichever is shorter.

Donations of property and equipment are recorded as contributions at fair value as of the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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.

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, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts-in-kind – In-kind contributions, materials and supplies 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.

Advertising Expenses – Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$33,042 and \$165,356, 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, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed. No penalties and/or interest were assessed on tax filings for the years ended June 30, 2015 and 2014.

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 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 December 15, 2015, which is the date the financial statements were available to be issued.

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

Years Ended June 30, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification – Certain amounts in the 2014 financial statements have been reclassified to conform to the presentation of the 2015 financial statements. Such reclassifications have no effect on the change in net assets or total net assets.

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 \$87,238 as of June 30, 2015. The cash balance reported in the accompanying consolidated 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.

NOTE 4. FAIR VALUE AND 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 recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2015 and 2014.

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

Years Ended June 30, 2015 and 2014

NOTE 4. FAIR VALUE AND INVESTMENTS (CONTINUED)

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

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Fixed Income	\$ 37,899	\$ -	\$ -	\$ 37,899
Equities - US Growth	27,593	-	-	27,593
Equities - US Value	24,014	-	-	24,014
Equities - US Other	2,628	-	-	2,628
Equities - International	18,449	-	-	18,449
Real Estate Investment Trust	6,729	4,825	-	11,554
	<u>\$ 117,312</u>	<u>\$ 4,825</u>	<u>\$ -</u>	<u>\$ 122,137</u>
	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Fixed Income	\$ 28,170	\$ -	\$ -	\$ 28,170
Equities - US Growth	30,278	-	-	30,278
Equities - US Value	19,989	-	-	19,989
Equities - US Other	2,708	-	-	2,708
Equities - International	19,215	-	-	19,215
Real Estate Investment Trust Alternatives	3,971	7,574	-	11,545
	12,829	-	-	12,829
	<u>\$ 117,160</u>	<u>\$ 7,574</u>	<u>\$ -</u>	<u>\$ 124,734</u>

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2015 and 2014

NOTE 4. FAIR VALUE AND INVESTMENTS (CONTINUED)

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

	2015	2014
Interest and dividends	\$ 8,361	\$ 5,494
Realized gain (loss) on investments	(1,842)	(410)
Unrealized gain (loss) on investments	(5,038)	11,075
	<u>\$ 1,481</u>	<u>\$ 16,159</u>

NOTE 5. GRANTS RECEIVABLE

Grants receivable consist of the following at June 30:

	2015	2014
M.J. Murdock Charitable Trust	<u>\$ 149,400</u>	<u>\$ 224,500</u>

NOTE 6. PLEDGES RECEIVABLE

Unconditional pledges receivable due in more than one year are required to be reflected at the present value of estimated future cash flows using a discount rate. However, the discounts on amounts due in more than one year are considered immaterial. The pledges are stated at the value expected to be received and consist of the following at June 30:

	2015	2014
Receivable in less than one year	\$ 105,605	\$ 104,867
Receivable in one to five years	25,854	30,716
Receivable in more than five years	16,500	2,800
Allowance for uncollectible pledges	(17,752)	(16,606)
	<u>\$ 130,207</u>	<u>\$ 121,777</u>

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2015 and 2014

NOTE 7. CONDITIONAL PROMISES TO GIVE

In May 2014, the Organization was awarded a three-year grant for \$331,500 to expand its development program. The grant terms indicate that the funds are to be used towards compensation for a senior director and manager of growth strategies, as well as travel costs and computer equipment for these positions. The grant included \$224,500 awarded without conditions which was recorded as a grant receivable as of June 30, 2014. Receipt of the remaining \$107,000 is contingent upon the Organization raising matching funds according to the grant stipulations. Since the \$107,000 represents a conditional promise to give, the amount is not recognized as revenue until the conditions are met.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land and buildings	\$ 266,897	\$ 266,897
Office equipment and furniture	191,076	174,727
Leasehold improvements	126,970	154,260
Program equipment	<u>12,771</u>	<u>15,963</u>
	597,714	611,847
Accumulated depreciation	<u>(150,051)</u>	<u>(170,906)</u>
	<u>\$ 447,663</u>	<u>\$ 440,941</u>

Depreciation expense was \$60,928 and \$21,975 in 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted				
Endowment, June 30, 2015	\$ -	\$ 44,199	\$ 71,419	\$ 115,618
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted				
Endowment, June 30, 2014	\$ -	\$ 44,862	\$ 71,419	\$ 116,281

As of June 30, 2015 and 2014, the Organization had no board-restricted endowment funds.

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

Years Ended June 30, 2015 and 2014

NOTE 9. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ -	\$ 44,862	\$ 71,419	\$ 116,281
Investment income:				
Interest and dividends	-	7,156	-	7,156
Realized gains	-	(147)	-	(147)
Unrealized losses	-	(5,038)	-	(5,038)
Total investment income	-	1,971	-	1,971
Appropriation of endowment assets for expenditures	-	(2,634)	-	(2,634)
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 44,199</u>	<u>\$ 71,419</u>	<u>\$ 115,618</u>

Changes in endowment net assets for the year ended June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ -	\$ 32,013	\$ 71,419	\$ 103,432
Investment income:				
Interest and dividends	-	4,081	-	4,081
Realized gains	-	126	-	126
Unrealized gains	-	11,075	-	11,075
Total investment income	-	15,282	-	15,282
Appropriation of endowment assets for expenditures	-	(2,433)	-	(2,433)
Endowment net assets, June 30, 2014	<u>\$ -</u>	<u>\$ 44,862</u>	<u>\$ 71,419</u>	<u>\$ 116,281</u>

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, 2015 and 2014. If these deficiencies were to exist, they would most likely result from unfavorable market fluctuations.

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

Years Ended June 30, 2015 and 2014

NOTE 9. ENDOWMENT FUNDS (CONTINUED)

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.

NOTE 10. NET ASSETS

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

	2015	2014
	<u> </u>	<u> </u>
Terry's House shelter property and operations	\$ 268,500	\$ 436,964
Pledges receivable at June 30, 2015 and 2014	130,207	121,777
Earnings from endowment fund yet to be disbursed	44,199	44,862
International Partners: South Africa Village of Hope	1,696	1,696
Arizona billboard campaign	-	2,500
Path to Freedom	41,750	41,250
Events to be held after year-end	32,475	3,740
M.J. Murdock Charitable Trust grant	137,011	224,500
	<u> </u>	<u> </u>
Total Temporarily Restricted Net Assets	<u>\$ 655,838</u>	<u>\$ 877,289</u>

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

Years Ended June 30, 2015 and 2014

NOTE 10. NET ASSETS (CONTINUED)

Permanently restricted net assets include amounts donated to the Mannisha Life Endowment Fund totaling \$71,419 as of June 30, 2015 and 2014.

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>2015</u>	<u>2014</u>
Managerial and professional services	\$ 221,874	\$ 226,953
Advertising services	19,018	153,946
Investments	103,364	114,658
Printing and supplies	82	2,000
Equipment	531	11,740
	<u>\$ 344,869</u>	<u>\$ 509,297</u>

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 \$57,139 and \$48,768 for the years ended June 30, 2015 and 2014, 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 oversee these projects to ensure monies are utilized in compliance with the grant agreements in place.

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

Years Ended June 30, 2015 and 2014

NOTE 12. GRANTS TO OTHERS (CONTINUED)

The Organization also partners with organizations across the United States providing services to domestic trafficking victims across the country. Guided by principals garnered through over a decade of research and partnerships with international and local partners, the Organization provides small grants to support emerging trends in service delivery, building upon the goal of the Organization's National Restoration Initiative to build an array of service options to provide tailored, trauma-informed services to survivors. As with the international grants, the Organization's staff monitor these projects to ensure monies are utilized in compliance with the grant agreements in place.

Funds granted to nonprofit organizations are recorded as grants to others in the accompanying consolidated statements of functional expenses and totaled \$587,142 and \$448,676 for the years ended June 30, 2015 and 2014, respectively.

NOTE 13. OPERATING LEASES

Beginning January 1, 2014, the Organization entered into a three-year non-cancelable lease for office space in Vancouver, WA at a rate of \$3,960 per month plus shared utilities. Effective January 1, 2015, the monthly lease payment increased to \$4,150. The lease expires December 31, 2016 and contains an option to negotiate a three-year lease.

In addition, the Organization leased office space in Arlington, VA under a non-cancelable lease which commenced on April 1, 2007. The third lease amendment was initiated effective Nov 1, 2014 and expired October 31, 2015. The monthly lease payment increased 3% annually and included an annual prorated charge for operating expenses.

Subsequent to year end, the Organization moved into temporary office space in Arlington, VA under a License to Occupy at no cost to the Organization. The Organization entered into a new three-year three-month lease for permanent office space to commence the later of February 1, 2016 or the date of "substantial completion" of the improvements to the office space. The initial monthly lease payment under this lease is \$4,406. Provided the Organization is not in default of any of the lease terms or conditions of the lease, the landlord will waive the first four month's rent totaling \$17,622.

Rent expense reported in the accompanying consolidated statements of activities was \$97,781 and \$85,179 for the years ended June 30, 2015 and 2014, respectively.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2015 and 2014

NOTE 13. OPERATING LEASES (CONTINUED)

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

2016	\$	68,243
2017		78,323
2018		54,758
2019		46,638
		<u>46,638</u>
	\$	<u>247,962</u>

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>2015</u>	<u>2014</u>
Domestic Public Education	\$ 305,877	\$ 356,976
International Partners	68,360	-
International Public Education	5,723	1,494
Defenders/Predator Project	1,412	1,825
Fundraising	194,813	189,380
Administration	1,130	1,742
	<u>\$ 577,315</u>	<u>\$ 551,417</u>

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

Years Ended June 30, 2015 and 2014

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 \$17,697 and \$16,728 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014.

NOTE 16. STATEMENT OF CASH FLOWS – SUPPLEMENTAL DISCLOSURES

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

	<u>2015</u>	<u>2014</u>
Donated stock investments	\$ 103,364	\$ 114,658
Donated services reported as leasehold improvements	<u>6,300</u>	<u>23,587</u>
	<u>\$ 109,664</u>	<u>\$ 138,245</u>

Cash paid for interest in the year ended June 30, 2015 and 2014 totaled \$0 and \$345, 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. In addition, the Organization is committed to bringing justice to victims of sex trafficking by supporting the development of global, federal and state policies and legislation.

NOTE 18. SUBSEQUENT EVENT

In July 2015, the Organization received a grant of \$354,610 to fund projects of the Domestic Public Education program.

SHARED HOPE INTERNATIONAL AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2015 and 2014

NOTE 19. UNCONDITIONAL PURCHASE OBLIGATION

Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at a fixed or minimum price. In December 2014, the Organization entered into an agreement for facilities and catering services for its JuST Conference to be held in November 2015 in Washington, D.C. The agreement contains a provision that the Organization will incur a minimum of \$50,000 in food and beverage charges and generate a minimum of \$105,696 in sleeping room revenue. The food and beverage guaranteed amount is required to be paid, regardless of whether the Organization actually charges that amount. In addition, if less than the minimum sleeping room revenue is generated by attendees, than the Organization will be required to pay the difference between actual revenue and the minimum guaranteed. If the Organization were to cancel this event, the Organization would pay the hotel, within thirty (30) days after any cancellation, as liquidation damages a total of \$108,940 plus applicable taxes.

In February 2015, the Organization entered into a catering agreement for an event to be held December 2015. The agreement has a minimum guarantee of \$4,000 in food revenue.

SUPPLEMENTARY INFORMATION

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2015

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
ASSETS					
Current Assets					
Cash	\$ 430,870	\$ 2,195	\$ 244,895	\$ -	\$ 677,960
Investments	7,574	43,144	-	-	50,718
Grants receivable	149,400	-	-	-	149,400
Pledges receivable, net	130,207	-	-	-	130,207
Intercompany receivable	87,472	-	-	(87,472)	-
Prepaid expenses	19,128	-	1,447	-	20,575
Inventory	97,290	-	-	-	97,290
Total Current Assets	921,941	45,339	246,342	(87,472)	1,126,150
Deposits and other assets	2,838	-	-	-	2,838
Property and Equipment, net	441,736	-	5,927	-	447,663
Website	31,183	-	-	-	31,183
Foundation Investments	-	71,419	-	-	71,419
Total Assets	<u>\$ 1,397,698</u>	<u>\$ 116,758</u>	<u>\$ 252,269</u>	<u>\$ (87,472)</u>	<u>\$ 1,679,253</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 53,960	\$ -	\$ 288	\$ -	\$ 54,248
Intercompany payable	-	1,140	86,332	(87,472)	-
Accrued payroll taxes and benefits	39,795	-	-	-	39,795
Accrued paid time off	41,579	-	1,315	-	42,894
Total Current Liabilities	135,334	1,140	87,935	(87,472)	136,937
Net Assets					
Unrestricted					
Operations	208,989	-	158,407	-	367,396
Property and equipment	441,736	-	5,927	-	447,663
Total Unrestricted	650,725	-	164,334	-	815,059
Temporarily restricted	611,639	44,199	-	-	655,838
Permanently restricted	-	71,419	-	-	71,419
Total Net Assets	1,262,364	115,618	164,334	-	1,542,316
Total Liabilities and Net Assets	<u>\$ 1,397,698</u>	<u>\$ 116,758</u>	<u>\$ 252,269</u>	<u>\$ (87,472)</u>	<u>\$ 1,679,253</u>

See independent auditor's report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2014

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
ASSETS					
Current Assets					
Cash	\$ 678,318	\$ 3,046	\$ 119,803	\$ -	\$ 801,167
Investments	7,574	45,741	-	-	53,315
Grants receivable	224,500	-	-	-	224,500
Pledges receivable, net	121,777	-	-	-	121,777
Intercompany receivable	51,779	-	-	(51,779)	-
Prepaid expenses	58,494	-	1,214	-	59,708
Inventory	87,085	-	-	-	87,085
Total Current Assets	1,229,527	48,787	121,017	(51,779)	1,347,552
Deposits and other assets	2,838	-	-	-	2,838
Property and Equipment, net	434,003	-	6,938	-	440,941
Website	31,183	-	-	-	31,183
Foundation Investments	-	71,419	-	-	71,419
Total Assets	<u>\$ 1,697,551</u>	<u>\$ 120,206</u>	<u>\$ 127,955</u>	<u>\$ (51,779)</u>	<u>\$ 1,893,933</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 43,693	\$ -	\$ 47,887	\$ (47,854)	\$ 43,726
Intercompany payable	-	3,925	-	(3,925)	-
Accrued payroll taxes and benefits	35,634	-	-	-	35,634
Accrued paid time off	38,133	-	-	-	38,133
Total Current Liabilities	117,460	3,925	47,887	(51,779)	117,493
Net Assets					
Unrestricted					
Operations	313,661	-	73,130	-	386,791
Property and equipment	434,003	-	6,938	-	440,941
Total Unrestricted	747,664	-	80,068	-	827,732
Temporarily restricted	832,427	44,862	-	-	877,289
Permanently restricted	-	71,419	-	-	71,419
Total Net Assets	1,580,091	116,281	80,068	-	1,776,440
Total Liabilities and Net Assets	<u>\$ 1,697,551</u>	<u>\$ 120,206</u>	<u>\$ 127,955</u>	<u>\$ (51,779)</u>	<u>\$ 1,893,933</u>

See independent auditor's report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Support and Revenue					
Contributions and grants	\$ 2,449,049	\$ -	\$ 175,000	\$ (175,000)	\$ 2,449,049
Program and service revenue	247,727	-	-	-	247,727
Gifts-in-kind	344,869	-	-	-	344,869
Miscellaneous income	524	-	-	-	524
Interest/dividend income	1,205	7,156	-	-	8,361
Investment gain (loss)	(1,695)	(5,185)	-	-	(6,880)
Loss on equipment disposition	(792)	-	-	-	(792)
Total Support and Revenue	3,040,887	1,971	175,000	(175,000)	3,042,858
Expenses					
Program Activities					
International partners	419,484	-	-	-	419,484
International public education	26,041	-	-	-	26,041
Domestic public education	1,722,132	-	-	-	1,722,132
Domestic partners	484,596	-	88,712	(175,000)	398,308
Domestic WIN program	39,326	-	-	-	39,326
Defenders/Predator project	34,270	-	-	-	34,270
Total Program Activities	2,725,849	-	88,712	(175,000)	2,639,561
Supporting Activities					
Administration	360,264	2,634	2,022	-	364,920
Fundraising	272,501	-	-	-	272,501
Total Supporting Activities	632,765	2,634	2,022	-	637,421
Total Expenses	3,358,614	2,634	90,734	(175,000)	3,276,982
Change in Net Assets	(317,727)	(663)	84,266	-	(234,124)
Net Assets, Beginning of Year	1,580,091	116,281	80,068	-	1,776,440
Net Assets, End of Year	\$ 1,262,364	\$ 115,618	\$ 164,334	\$ -	\$ 1,542,316

See independent auditor's report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Support and Revenue					
Contributions and grants	\$ 2,622,105	\$ -	\$ 130,000	\$ (130,000)	\$ 2,622,105
Program and service revenue	212,190	-	-	-	212,190
Gifts-in-kind	509,297	-	-	-	509,297
Miscellaneous income	1,821	-	-	-	1,821
Interest/dividend income	1,413	4,081	-	-	5,494
Investment gain (loss)	(536)	11,201	-	-	10,665
Total Support and Revenue	3,346,290	15,282	130,000	(130,000)	3,361,572
Expenses					
Program Activities					
International partners	287,203	-	-	-	287,203
International public education	17,613	-	-	-	17,613
Domestic public education	1,686,623	-	-	-	1,686,623
Domestic partners	409,144	-	47,523	(130,000)	326,667
Domestic WIN program	63,991	-	-	-	63,991
Defenders/Predator project	66,207	-	-	-	66,207
Total Program Activities	2,530,781	-	47,523	(130,000)	2,448,304
Supporting Activities					
Administration	347,283	2,433	4,529	-	354,245
Fundraising	264,124	-	-	-	264,124
Total Supporting Activities	611,407	2,433	4,529	-	618,369
Total Expenses	3,142,188	2,433	52,052	(130,000)	3,066,673
Change in Net Assets	204,102	12,849	77,948	-	294,899
Net Assets, Beginning of Year	1,375,989	103,432	2,120	-	1,481,541
Net Assets, End of Year	<u>\$ 1,580,091</u>	<u>\$ 116,281</u>	<u>\$ 80,068</u>	<u>\$ -</u>	<u>\$ 1,776,440</u>

See independent auditor's report.