

**SHARED HOPE INTERNATIONAL
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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**SHARED HOPE INTERNATIONAL AND AFFILIATES
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shared Hope International and Affiliates
Vancouver, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Shared Hope International and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audit 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 auditors' 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 evaluating 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.

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, 2021 and 2020, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities and changes in net assets 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.



CliftonLarsonAllen LLP

Bellevue, Washington
March 15, 2022

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 660,856	\$ 1,388,486
Certificates of Deposit	2,848,206	-
Investments	184,390	150,672
Pledges Receivable, Net	117,420	112,991
Contributions and Grants Receivable	110,882	575,632
Prepaid Expenses	169,857	183,099
Inventory	88,797	82,351
Total Current Assets	4,180,408	2,493,231
DEPOSITS	6,821	6,821
OTHER ASSETS	75,000	-
PROPERTY AND EQUIPMENT, Net	2,906,354	3,214,245
Total Assets	\$ 7,168,583	\$ 5,714,297
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 101,833	\$ 133,972
Accrued Payroll Taxes and Benefits	42,164	40,226
Accrued Paid Time Off	71,858	59,632
Deferred Revenue	54,078	27,210
Total Current Liabilities	269,933	261,040
LONG-TERM DEBT	264,402	282,304
Total Liabilities	534,335	543,344
NET ASSETS		
Without Donor Restrictions	5,636,745	3,421,323
With Donor Restrictions	997,503	1,749,630
Total Net Assets	6,634,248	5,170,953
Total Liabilities and Net Assets	\$ 7,168,583	\$ 5,714,297

See accompanying Notes to Consolidated Financial Statements.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 2,903,382	\$ 1,014,598	\$ 3,917,980
Program and Service Revenue	38,678	-	38,678
Gifts-In-Kind	218,876	-	218,876
Miscellaneous Income	335,092	-	335,092
Investment Return, Net	(1,104)	36,232	35,128
Gain on Sale of Property	253,853	-	253,853
Loss of Uncollectible Pledges	(55,576)	-	(55,576)
Net Assets Released from Restrictions	1,802,957	(1,802,957)	-
Total Support and Revenue	<u>5,496,158</u>	<u>(752,127)</u>	<u>4,744,031</u>
EXPENSES			
Program Activities:			
International Partners	297,211	-	297,211
International Public Education	1,663	-	1,663
Domestic Public Education	1,995,060	-	1,995,060
Domestic Partners	317,704	-	317,704
Domestic WIN Program	62,209	-	62,209
Total Program Activities	<u>2,673,847</u>	<u>-</u>	<u>2,673,847</u>
Supporting Activities:			
Administration	344,611	-	344,611
Fundraising	262,278	-	262,278
Total Supporting Activities	<u>606,889</u>	<u>-</u>	<u>606,889</u>
Total Expenses	<u>3,280,736</u>	<u>-</u>	<u>3,280,736</u>
CHANGE IN NET ASSETS	2,215,422	(752,127)	1,463,295
Net Assets - Beginning of Year	<u>3,421,323</u>	<u>1,749,630</u>	<u>5,170,953</u>
NET ASSETS - END OF YEAR	<u>\$ 5,636,745</u>	<u>\$ 997,503</u>	<u>\$ 6,634,248</u>

See accompanying Notes to Consolidated Financial Statements.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	\$ 2,857,865	\$ 634,827	\$ 3,492,692
Program and Service Revenue	414,421	-	414,421
Gifts-In-Kind	203,250	-	203,250
Miscellaneous Income	12,603	-	12,603
Investment Return, Net	7,572	2,646	10,218
Loss on Disposal of Equipment	(1,817)	-	(1,817)
Loss of Uncollectible Pledges	(37,462)	-	(37,462)
Net Assets Released from Restrictions	777,904	(777,904)	-
Total Support and Revenue	4,234,336	(140,431)	4,093,905
EXPENSES			
Program Activities:			
International Partners	124,476	-	124,476
International Public Education	15,642	-	15,642
Domestic Public Education	2,300,843	-	2,300,843
Domestic Partners	97,881	-	97,881
Domestic WIN Program	67,800	-	67,800
Total Program Activities	2,606,642	-	2,606,642
Supporting Activities:			
Administration	399,598	-	399,598
Fundraising	227,929	-	227,929
Total Supporting Activities	627,527	-	627,527
Total Expenses	3,234,169	-	3,234,169
CHANGE IN NET ASSETS	1,000,167	(140,431)	859,736
Net Assets - Beginning of Year	2,421,156	1,890,061	4,311,217
NET ASSETS - END OF YEAR	\$ 3,421,323	\$ 1,749,630	\$ 5,170,953

See accompanying Notes to Consolidated Financial Statements.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Activities					Supporting Activities			Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Total	Administration	Fundraising		Total
Salaries and Wages	\$ 1,102	\$ 341	\$ 954,878	\$ 3,657	\$ 42,359	\$ 1,002,337	\$ 146,836	\$ 62,549	\$ 209,385	\$ 1,211,722
Payroll Taxes and Benefits	50	16	45,272	159	2,016	47,513	6,971	2,944	9,915	57,428
Donated Services	354	-	193,237	2,302	354	196,247	5,136	6,729	11,865	208,112
Banking Costs	-	-	-	-	-	-	34,644	-	34,644	34,644
Computer Expenses	19	1	14,486	82	710	15,298	2,466	1,302	3,768	19,066
Conferences, Training, and Meetings	-	43	1,091	-	-	1,134	94	54	148	1,282
Contract Labor	96	6	189,593	312	3,193	193,200	11,876	10,042	21,918	215,118
Depreciation and Amortization	157	-	82,168	277	985	83,587	4,845	4,165	9,010	92,597
Facilities	-	160	1,640	-	-	1,800	-	200	200	2,000
Gifts and Volunteer Costs	-	-	420	-	-	420	5,526	-	5,526	5,946
Grants to Others	295,000	-	-	310,000	-	605,000	-	-	-	605,000
Insurance	48	6	54,401	194	2,550	57,199	8,770	5,322	14,092	71,291
Licenses, Taxes, Fees, and Subscriptions	67	4	99,197	179	3,257	102,704	24,682	14,834	39,516	142,220
Media and Advertising	-	-	11,615	-	-	11,615	17	-	17	11,632
Occupancy	113	11	121,069	438	5,117	126,748	18,380	10,555	28,935	155,683
Postage and Shipping	4	289	31,939	9	138	32,379	1,011	36,402	37,413	69,792
Printing and Publication	1	254	61,087	3	131	61,476	91	67,727	67,818	129,294
Professional Services	-	-	44,352	-	-	44,352	54,997	34,848	89,845	134,197
Recruiting	-	-	-	-	-	-	11,954	-	11,954	11,954
Supplies	3	511	43,949	19	532	45,014	1,976	2,259	4,235	49,249
Telephone	19	2	16,927	71	785	17,804	1,647	1,553	3,200	21,004
Travel and Meals	177	19	25,229	-	-	25,425	2,327	543	2,870	28,295
Website	1	-	2,510	2	82	2,595	365	250	615	3,210
Total Expenses	\$ 297,211	\$ 1,663	\$ 1,995,060	\$ 317,704	\$ 62,209	\$ 2,673,847	\$ 344,611	\$ 262,278	\$ 606,889	\$ 3,280,736

See accompanying Notes to Consolidated Financial Statements.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Activities					Supporting Activities			Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Total	Administration	Fundraising		Total
Salaries and Wages	\$ 2,590	\$ 9,998	\$ 923,077	\$ 3,180	\$ 45,857	\$ 984,702	\$ 186,588	\$ 45,373	\$ 231,961	\$ 1,216,663
Payroll Taxes and Benefits	390	1,522	140,844	471	7,028	150,255	28,415	6,909	35,324	185,579
Donated Services	297	-	178,699	436	-	179,432	6,817	10,461	17,278	196,710
Banking Costs	-	-	-	-	-	-	39,244	-	39,244	39,244
Computer Expenses	37	-	19,018	34	527	19,616	4,425	2,273	6,698	26,314
Conferences, Training, and Meetings	-	-	570	-	-	570	3,933	-	3,933	4,503
Contract Labor	195	50	187,659	218	4,461	192,583	22,303	13,568	35,871	228,454
Depreciation and Amortization	247	-	56,544	1,197	180	58,168	5,194	1,614	6,808	64,976
Facilities	-	2,655	281,722	-	-	284,377	-	637	637	285,014
Gifts and Volunteer Costs	-	-	149	-	-	149	6,072	-	6,072	6,221
Grants to Others	120,000	-	-	90,000	-	210,000	-	-	-	210,000
Insurance	96	-	40,089	117	2,039	42,341	8,674	4,318	12,992	55,333
Licenses, Taxes, Fees, and Subscriptions	132	-	69,558	1,884	2,436	74,010	26,069	10,638	36,707	110,717
Media and Advertising	-	-	15,099	-	-	15,099	5,661	-	5,661	20,760
Occupancy	192	-	83,559	217	3,886	87,854	18,638	9,391	28,029	115,883
Postage and Shipping	3	41	20,215	42	55	20,356	556	29,331	29,887	50,243
Printing and Publication	6	793	75,725	8	80	76,612	-	46,903	46,903	123,515
Professional Services	-	-	42,898	-	-	42,898	28,537	36,542	65,079	107,977
Supplies	27	74	43,860	29	528	44,518	2,869	1,844	4,713	49,231
Telephone	39	-	13,262	45	603	13,949	1,570	1,415	2,985	16,934
Travel and Meals	225	394	102,295	3	120	103,037	3,985	6,375	10,360	113,397
Video Production and Distribution	-	-	4,087	-	-	4,087	-	180	180	4,267
Website	-	115	1,914	-	-	2,029	48	157	205	2,234
Total Expenses	\$ 124,476	\$ 15,642	\$ 2,300,843	\$ 97,881	\$ 67,800	\$ 2,606,642	\$ 399,598	\$ 227,929	\$ 627,527	\$ 3,234,169

See accompanying Notes to Consolidated Financial Statements.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors	\$ 4,222,057	\$ 3,210,927
Cash Paid to Grantees	(605,000)	(210,000)
Cash Paid to Vendors	(1,181,292)	(1,420,656)
Cash Paid to Employees	(1,269,150)	(1,382,599)
Interest Income	7,196	10,218
Net Cash Provided by Operating Activities	<u>1,173,811</u>	<u>207,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificates of Deposit	(2,848,206)	-
Purchases of Investments	(41,517)	(17,210)
Proceeds from Sale of Investments	254,733	9,334
Acquisition of Property and Equipment	-	(2,905,811)
Proceeds from Sale of Property and Equipment	469,147	-
Net Cash Used by Investing Activities	<u>(2,165,843)</u>	<u>(2,913,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Debt Issuance	<u>264,402</u>	<u>282,304</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(727,630)	(2,423,493)
Cash and Cash Equivalents - Beginning of Year	<u>1,388,486</u>	<u>3,811,979</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 660,856</u>	<u>\$ 1,388,486</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Donated Stock Investments	<u>\$ 218,370</u>	<u>\$ 722</u>
Income Taxes Paid (Refunded)	<u>\$ -</u>	<u>\$ (376)</u>

See accompanying Notes to Consolidated Financial Statements.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,463,295	\$ 859,736
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	92,597	64,976
Stock Donations	(218,370)	-
Investment (Gain) Loss	(28,564)	4,801
(Gain) Loss on Disposal of Property and Equipment	(253,853)	1,817
Gain on Extinguishment of Debt	(282,304)	-
Change in Assets and Liabilities:		
Pledges Receivable, Net	(4,429)	35,116
Contributions and Grants Receivable	464,750	(575,632)
Other Receivable	(75,000)	-
Prepaid Expenses	13,242	(135,816)
Inventory	(6,446)	11,372
Deposits	-	(6,435)
Accounts Payable	(32,139)	63,924
Accrued Payroll Taxes and Benefits	1,938	4,681
Accrued Paid Time Off	12,226	14,962
Deferred Revenue	26,868	(135,612)
Total Adjustments	(289,484)	(651,846)
Net Cash Provided by Operating Activities	\$ 1,173,811	\$ 207,890

See accompanying Notes to Consolidated Financial Statements.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION

Shared Hope International (Shared Hope), Shared Hope Foundation (the Foundation), Trafficking Markets LLC, and SHI Institute, hereafter collectively referred to as the Organization, are entities formed in the state of Washington. Shared Hope, the Foundation and SHI Institute are nonprofit corporations while Trafficking Markets is a limited liability company. The Organization's activities are consolidated in the accompanying consolidated financial statements.

Formed in November of 1998, Shared Hope strives to prevent the conditions that foster sex trafficking, restore victims of sex slavery, and bring justice to vulnerable women and children. Shared Hope envisions a world passionately opposed to sex trafficking and a community committed to restoring survivors to lives of purpose, value, and choice – one life at a time.

The purpose of the Foundation, formed in March 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 managed Terry's House, an independent living home for survivors of sex trafficking, which was operated by Coffee Oasis (a nonprofit organization). During the year ended June 30, 2021, the Terry's House property was sold, and all remaining assets of Trafficking Markets were transferred to Shared Hope. Trafficking Markets LLC was formally dissolved subsequent to year-end on November 12, 2021.

SHI Institute was formed in July 2019 for the purpose of holding title to Shared Hope's Washington D.C. office property. An application for exemption from federal income taxes under Section 501(c)(2) of the Internal Revenue Code (IRC) was filed in July 2020. As of the date of these financial statements, this application has not been processed.

The Organization's programs are designed 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.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 Organization, as a nonprofit organization, follows the accounting guidance prescribed by the Financial Accounting Standards Board (FASB) for nonprofit organizations.

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

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.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Investments are comprised of 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 asset classes based upon donor restrictions or the absence thereof. Investment return is presented net of investment fees.

The Organization has an endowment fund. 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 net assets with donor restrictions (a purpose restriction) in the consolidated financial statements 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 and contributions receivable in the consolidated financial statements, are unsecured. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2021 and 2020, one donor accounted for 33% and 84% of total pledges and contributions receivable, respectively.

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, printed materials, supplies, and awareness and training resources. The Organization's inventory is recorded at the lower of cost or net realizable value 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 AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment includes land, buildings, leasehold improvements, furniture, and equipment and are recorded at cost, if purchased. It is the Organization's policy to capitalize expenditures for items in excess of \$2,500. Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are charged against expensed 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 the fair value as of the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Contributions restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restriction upon acquisition of assets and the assets are placed in service.

Contributions and Donor-Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in unrestricted support that increases net assets without donor restrictions. During the year ended June 30, 2021, the Organization received 13% of its revenue from one donor. During the year ended June 30 2020, the Organization received 28% of its revenue from two donors.

Registration fees received prior to the period in which the program or activity takes place are reported as deferred revenue on the consolidated statement of financial position.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Nonoperating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement 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. The expenses that are allocated include licenses and fees, contract labor, depreciation, insurance, office and occupancy costs as well as salaries, payroll taxes, and benefits which are all allocated on the basis of estimates of time and effort.

Gifts-in-Kind

In-kind contributions of 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, 2021 and 2020 was \$11,632 and \$20,760, respectively.

Income Taxes

Shared Hope and the Foundation are exempt from federal and state income tax under Section 501(c)(3) of the IRC. In addition, these two organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as organizations that are not private foundations under Section 509(a)(2). Accordingly, no provision for income taxes has been included in the consolidated financial statements.

Shared Hope Institute will be exempt from federal and state income tax under Section 501(c)(2) of the IRC pending approval from the Internal Revenue Service.

As a single-member limited liability company owned by Share Hope, Trafficking Markets, LLC is treated as a disregarded entity for income tax purposes.

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 50% likelihood of being realized upon ultimate settlement.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

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 consolidated 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 consolidated financial statements. Subsequent events that provide evidence about conditions that arose after the consolidated statement of financial position date are not recognized in the consolidated financial statements. Management has evaluated subsequent events through March 15, 2022, which is the date the consolidated financial statements were available to be issued.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) in May 2014. The Organization adopted ASU 2014-09 beginning July 1, 2020, using a full retrospective approach. ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. As such, the standard requires an organization to recognize revenue when the organization transfers control of promised goods and services to the customer. An organization is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of the new standard did not materially impact the financial position, results of operations, or cash flows of the Organization, and there was no cumulative-effect of a change in accounting principle recorded as a result of adoption.

Upcoming Accounting Pronouncement

FASB issued ASU 2016-02 *Leases (Topic 842)* in requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The standard will not be effective for the Organization until the year ending June 30, 2023. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Organization.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 AVAILABLE RESOURCES AND LIQUIDITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 660,856	\$ 1,388,486
Certificates of Deposit	2,848,206	-
Investments	184,390	150,672
Pledges and Contributions Receivable	<u>228,302</u>	<u>688,623</u>
Total Financial Assets	3,921,754	2,227,781
Donor-Imposed Restrictions:		
Funds Subject to Use Restrictions	(926,084)	(1,678,211)
Endowments	<u>(71,419)</u>	<u>(71,419)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,924,251</u>	<u>\$ 478,151</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. Financial assets in excess of daily cash requirements are invested in certificates of deposit or money market funds as determined appropriate.

NOTE 4 CASH AND CERTIFICATES OF DEPOSIT

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 for up to \$250,000 per institution. 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 consolidated statement of financial position date.

The Organization from time to time deposits cash into interest bearing accounts and invests a portion of its cash in certificates of deposit. As of June 30, 2021, the Organization held of certificates of deposit in the amount of \$2,848,206. The Organization did not hold any certificates of deposit as of June 30, 2020.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 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 years ended June 30, 2021 and 2020.

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

	2021			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed Income	\$ 47,590	\$ -	\$ -	\$ 47,590
Equities - US Growth	49,495	-	-	49,495
Equities - US Value	36,393	-	-	36,393
Equities - US Other	12,062	-	-	12,062
Equities - International	26,225	-	-	26,225
Real Estate	6,970	-	-	6,970
Real Estate Investment Trusts*	4,770	885	-	5,655
Total	<u>\$ 183,505</u>	<u>\$ 885</u>	<u>\$ -</u>	<u>\$ 184,390</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 FAIR VALUE AND INVESTMENTS (CONTINUED)

	2020			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed Income	\$ 64,579	\$ -	\$ -	\$ 64,579
Equities - US Growth	30,777	-	-	30,777
Equities - US Value	24,881	-	-	24,881
Equities - US Other	5,366	-	-	5,366
Equities - International	12,723	-	-	12,723
Real Estate	5,173	-	-	5,173
Real Estate Investment Trusts*	5,036	2,137	-	7,173
Total	\$ 148,535	\$ 2,137	\$ -	\$ 150,672

* Donated securities

Investments consisted of the following at June 30:

	2021	2020
Mutual Funds	\$ 178,735	\$ 143,499
Real Estate Investment Trusts	5,655	7,173
Total	\$ 184,390	\$ 150,672

NOTE 6 PROMISES TO GIVE

Promises to give, which are reported as pledges receivable in the consolidated financial statements, are stated at the value expected to be received and consist of the following at June 30:

	2021	2020
Receivable in Less than One Year	\$ 151,340	\$ 138,987
Allowance for Uncollectible Pledges	(33,920)	(25,996)
Total	\$ 117,420	\$ 112,991

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER ASSETS

During the year ended June 30, 2021, the Organization began the Incarcerated Trafficking Victims' Legal Fund for the purpose of assisting survivors of sex trafficking with bail and other legal defense costs. On February 26, 2021, the Organization paid \$75,000 for bail on behalf of an incarcerated survivor. Management believes the entire balance will be collected once the trial is over and the individual has made all required court appearances. However, given the uncertainty surrounding the timing of these events, management cannot reasonably estimate when these funds will be received.

NOTE 8 PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment, and improvements consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and Buildings	\$ 2,599,779	2,871,456
Office Equipment and Furniture	138,743	138,016
Leasehold Improvements	426,261	421,811
Program Equipment	-	12,171
Subtotal	<u>3,164,783</u>	<u>3,443,454</u>
Less: Accumulated Depreciation and Amortization	<u>(258,429)</u>	<u>(229,209)</u>
Total	<u><u>\$ 2,906,354</u></u>	<u><u>\$ 3,214,245</u></u>

Depreciation and amortization expense was \$92,598 and \$64,976 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 ENDOWMENT FUNDS

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

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 net assets with donor restrictions (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 net assets with donor restrictions 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.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment, June 30, 2021	<u>\$ -</u>	<u>\$ 167,611</u>	<u>\$ 167,611</u>
Donor-Restricted Endowment, June 30, 2020	<u>\$ -</u>	<u>\$ 131,376</u>	<u>\$ 131,376</u>

As of June 30, 2021 and 2020, the Organization had no board-restricted endowment funds.

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

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2020	\$ -	\$ 131,376	\$ 131,376
Contributions Received	-	749	749
Investment Return, Net	-	35,496	35,496
Appropriation of Endowment Assets for Expenditures	-	(10)	(10)
Endowment Net Assets, July 1, 2021	<u>\$ -</u>	<u>\$ 167,611</u>	<u>\$ 167,611</u>
	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2019	\$ -	\$ 129,155	\$ 129,155
Contributions Received	-	58	58
Investment Return, Net	-	2,646	2,646
Appropriation of Endowment Assets for Expenditures	-	(483)	(483)
Endowment Net Assets, July 1, 2020	<u>\$ -</u>	<u>\$ 131,376</u>	<u>\$ 131,376</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 GAAP, no deficiencies of this nature were required to be reported in net assets with donor restriction as of June 30, 2021 and 2020. 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% 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 AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Donor-restricted net assets are available for the following purposes as of June 30:

	2021	2020
Restoration	\$ 348,360	\$ 594,694
Justice	246,516	873,300
Pledges Receivable at Year-End	117,420	112,991
Endowment Fund Principal	71,419	71,419
Earnings from Endowment Fund Yet to be Disbursed	96,191	59,959
Incarcerated Trafficking Victims' Legal Fund	72,500	-
Grant to Cover Legal Staff Costs	42,034	36,267
Restoration: Indianapolis	1,000	1,000
Others	2,063	-
Total Net Assets With Donor Restrictions	\$ 997,503	\$ 1,749,630

NOTE 11 REVENUE RECOGNITION

Program and Service Revenue

The Organization generates revenue from contracts with customers through its annual conference and workshops as well as through the sale of educational and promotional goods. Fees for the annual conference, workshops, and any other events are collected in advance and recorded as deferred revenue until the date of the event, at which point performance obligations are considered satisfied and the amount is recognized as revenue. Revenue from the sale of educational and promotional goods is recognized when the related goods are transferred to the customer.

Practical Expedients

As the Organization's performance obligations have an original expected duration of one year or less, management has applied the practical expedient to not disclose the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and when the entity expects to recognize this amount as revenue. All consideration from contracts with customers is included in the transaction price.

Of the Organization's revenue that is subject to revenue recognition, approximately \$38,000 and \$57,000 is recognized as revenue at a point in time for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, no revenue was recognized over time, and approximately \$358,000 of revenue was recognized over time during the year ended June 30, 2020.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 GIFTS-IN-KIND

If it were not for gifts-in-kind, contributions of vital supplies and services performed by volunteers, the Organization's activities 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:

	2021	2020
Managerial Services	\$ 178,662	\$ 174,355
Professional Services	39,434	22,650
Printing	780	6,245
Total	<u>\$ 218,876</u>	<u>\$ 203,250</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 \$19,056 and \$59,721 for the years ended June 30, 2021 and 2020. As required by GAAP, the value of these services is not reflected in the consolidated financial statements.

NOTE 13 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 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 monitors 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 \$605,000 and \$210,000 for the years ended June 30, 2021 and 2020, respectively.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 OPERATING LEASES

Beginning May 1, 2020, the Organization entered into a noncancelable lease for office space in Vancouver, Washington for a term of 62 months at a rate of \$5,884 per month with a 3% increase in rent each year. The lease contains two options of five years to renew.

Rent expense reported in the accompanying consolidated statements of activities was \$79,052 and \$48,793 for the years ended June 30, 2021 and 2020, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 73,089
2023	75,281
2024	77,551
2025	79,861
Total	<u>\$ 305,782</u>

NOTE 15 PAYCHECK PROTECTION PROGRAM SBA LOANS

The Paycheck Protection Program was created through the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the United States Congress and signed into law on March 27, 2020, to provide forgivable loans to small businesses and other organizations impacted by the COVID-19 outbreak. On April 21, 2020, the Organization received a loan in the amount of \$282,304 from the United States Small Business Administration (SBA) with a term of two years and an annual interest rate of 1.00%, which was forgiven in full in July 2021. On January 25, 2021, the Organization received a Second Draw PPP loan in the amount of \$264,402 with a term of five years and an annual interest rate of 1.00%. This loan was forgiven in full in September 2021; however, the Organization will continue to recognize the amount as a liability as of June 30, 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty. Management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 16 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.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 16 JOINT COSTS (CONTINUED)

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, events, and its website.

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

	2021	2020
Domestic Public Education	\$ 164,717	\$ 158,482
International Public Education	1,069	15,642
Fundraising	102,233	85,631
Administration	-	48
Total	<u>\$ 268,019</u>	<u>\$ 259,803</u>

NOTE 17 EMPLOYEE BENEFIT PLAN

The Organization maintains a 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 \$19,394 and \$18,890 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

NOTE 18 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 July 2020, the Organization entered into an agreement for facilities and catering services for its JuST (Juvenile Sex Trafficking) Conference to be held in November 2020 at the Omni Shoreham Hotel in Washington DC. The agreement provides for a nonrefundable deposit of 25% of all estimated master account charges, \$114,466, which was paid during the year ended June 30, 2020.

The agreement contains a provision that the Organization will incur a minimum of \$100,000 in food and beverage charges. In the event that the food and beverage minimum is not met, the Organization is responsible for the difference between the actual catered food and beverage spent and the food and beverage minimum. If the Organization were to cancel this event, the Organization would pay the hotel at the time of cancellation, as liquidation damages a percentage (depending on date of cancellation) of anticipated revenue from sleeping rooms and food and beverage.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTE TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 18 UNCONDITIONAL PURCHASE OBLIGATION (CONTINUED)

Due to the COVID-19 pandemic, the 2020 JuST Conference was rescheduled to November 2021 at the same location and under the same terms of the July 2020 agreement. The original \$114,466 deposit was applied to the final conference bill of \$395,904, and the remaining balance was paid in two installments.

NOTE 19 BEQUEST

In March of 2014, the founder and president of Shared Hope was appointed as executor of an individual's will in which significant assets were bequeathed to Shared Hope International. In February of 2020, the individual passed away leaving a residential condominium and various other financial and nonfinancial assets to the Organization. The condominium was sold during the fiscal year for total proceeds of \$500,000, and management has estimated that an additional \$75,000 will be received once the remaining assets in the estate are liquidated. Accordingly, these amounts were recognized as revenue during the year ended June 30, 2020, and the Organization has recorded a receivable for the remaining estimated amount to be collected as of year-end.

NOTE 20 RISKS AND UNCERTAINTIES

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.

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in early 2020. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2021 and issuance of this report.

SUPPLEMENTARY INFORMATION

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Shared Hope Institute	Consolidation Adjustments	Total
CURRENT ASSETS						
Cash	\$ 659,109	\$ 1,747	\$ -	\$ -	\$ -	\$ 660,856
Certificates of Deposit	2,848,206	-	-	-	-	2,848,206
Investments	5,655	178,735	-	-	-	184,390
Pledges Receivable, Net	117,420	-	-	-	-	117,420
Contributions and Grants Receivable	110,882	-	-	-	-	110,882
Intercompany Receivable	2,607,981	-	-	-	(2,607,981)	-
Prepaid Expenses	169,857	-	-	-	-	169,857
Inventory	88,797	-	-	-	-	88,797
Total Current Assets	<u>6,607,907</u>	<u>180,482</u>	<u>-</u>	<u>-</u>	<u>(2,607,981)</u>	<u>4,180,408</u>
DEPOSITS	6,821	-	-	-	-	6,821
OTHER ASSETS	75,000	-	-	-	-	75,000
PROPERTY AND EQUIPMENT, Net	<u>435,726</u>	<u>-</u>	<u>-</u>	<u>2,470,628</u>	<u>-</u>	<u>2,906,354</u>
Total Assets	<u>\$ 7,125,454</u>	<u>\$ 180,482</u>	<u>\$ -</u>	<u>\$ 2,470,628</u>	<u>\$ (2,607,981)</u>	<u>\$ 7,168,583</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 101,833	\$ -	\$ -	\$ -	\$ -	\$ 101,833
Intercompany Payable	-	12,871	-	2,595,110	(2,607,981)	-
Accrued Payroll Taxes and Benefits	42,164	-	-	-	-	42,164
Accrued Paid Time Off	71,858	-	-	-	-	71,858
Deferred Revenue	54,078	-	-	-	-	54,078
Total Current Liabilities	<u>269,933</u>	<u>12,871</u>	<u>-</u>	<u>2,595,110</u>	<u>(2,607,981)</u>	<u>269,933</u>
LONG-TERM DEBT	<u>264,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,402</u>
Total Liabilities	534,335	12,871	-	2,595,110	(2,607,981)	534,335
NET ASSETS						
Without Donor Restrictions	5,761,227	-	-	(124,482)	-	5,636,745
With Donor Restrictions	829,892	167,611	-	-	-	997,503
Total Net Assets	<u>6,591,119</u>	<u>167,611</u>	<u>-</u>	<u>(124,482)</u>	<u>-</u>	<u>6,634,248</u>
Total Liabilities and Net Assets	<u>\$ 7,125,454</u>	<u>\$ 180,482</u>	<u>\$ -</u>	<u>\$ 2,470,628</u>	<u>\$ (2,607,981)</u>	<u>\$ 7,168,583</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Shared Hope Institute	Consolidation Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,348,769	\$ 1,487	\$ 38,230	\$ -	\$ -	\$ 1,388,486
Investments	7,173	143,499	-	-	-	150,672
Pledges Receivable, Net	112,991	-	-	-	-	112,991
Contributions and Grants Receivable	575,632	-	-	-	-	575,632
Intercompany Receivable	2,608,800	-	-	-	(2,608,800)	-
Prepaid Expenses	181,111	-	1,988	-	-	183,099
Inventory	82,351	-	-	-	-	82,351
Total Current Assets	<u>4,916,827</u>	<u>144,986</u>	<u>40,218</u>	<u>-</u>	<u>(2,608,800)</u>	<u>2,493,231</u>
DEPOSITS AND OTHER ASSETS	6,821	-	-	-	-	6,821
PROPERTY AND EQUIPMENT, Net	<u>677,679</u>	<u>-</u>	<u>1,064</u>	<u>2,535,502</u>	<u>-</u>	<u>3,214,245</u>
Total Assets	<u>\$ 5,601,327</u>	<u>\$ 144,986</u>	<u>\$ 41,282</u>	<u>\$ 2,535,502</u>	<u>\$ (2,608,800)</u>	<u>\$ 5,714,297</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 133,972	\$ -	\$ -	\$ -	\$ -	\$ 133,972
Intercompany Payable	-	13,610	220	2,594,970	(2,608,800)	-
Accrued Payroll Taxes and Benefits	40,226	-	-	-	-	40,226
Accrued Paid Time Off	59,632	-	-	-	-	59,632
Deferred Revenue	27,210	-	-	-	-	27,210
Total Current Liabilities	<u>261,040</u>	<u>13,610</u>	<u>220</u>	<u>2,594,970</u>	<u>(2,608,800)</u>	<u>261,040</u>
LONG-TERM DEBT	<u>282,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,304</u>
Total Liabilities	543,344	13,610	220	2,594,970	(2,608,800)	543,344
NET ASSETS						
Without Donor Restrictions	3,439,729	-	41,062	(59,468)	-	3,421,323
With Donor Restrictions	1,618,254	131,376	-	-	-	1,749,630
Total Net Assets	<u>5,057,983</u>	<u>131,376</u>	<u>41,062</u>	<u>(59,468)</u>	<u>-</u>	<u>5,170,953</u>
Total Liabilities and Net Assets	<u>\$ 5,601,327</u>	<u>\$ 144,986</u>	<u>\$ 41,282</u>	<u>\$ 2,535,502</u>	<u>\$ (2,608,800)</u>	<u>\$ 5,714,297</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Shared Hope Institute	Consolidation Adjustments	Total
SUPPORT AND REVENUE						
Contributions and Grants	\$ 3,917,231	\$ 749	\$ -	\$ -	\$ -	\$ 3,917,980
Program and Service Revenue	38,678	-	-	-	-	38,678
Gifts-In-Kind	218,876	-	-	-	-	218,876
Miscellaneous Income	335,092	-	-	-	-	335,092
Investment Return, Net	(370)	35,496	2	-	-	35,128
Gain on Sale of Property	253,853	-	-	-	-	253,853
Loss on Uncollectible Pledges	(55,576)	-	-	-	-	(55,576)
Total Support and Revenue	<u>4,707,784</u>	<u>36,245</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>4,744,031</u>
EXPENSES						
Program Activities:						
International Partners	297,081	-	-	130	-	297,211
International Public Education	1,663	-	-	-	-	1,663
Domestic Public Education	1,921,501	-	12,578	60,981	-	1,995,060
Domestic Partners	317,509	-	-	195	-	317,704
Domestic WIN Program	62,209	-	-	-	-	62,209
Total Program Activities	<u>2,599,963</u>	<u>-</u>	<u>12,578</u>	<u>61,306</u>	<u>-</u>	<u>2,673,847</u>
Supporting Activities:						
Administration	341,421	10	1,613	1,567	-	344,611
Fundraising	260,137	-	-	2,141	-	262,278
Total Supporting Activities	<u>601,558</u>	<u>10</u>	<u>1,613</u>	<u>3,708</u>	<u>-</u>	<u>606,889</u>
Total Expenses	3,201,521	10	14,191	65,014	-	3,280,736
INTERCOMPANY TRANSFERS	<u>26,873</u>	<u>-</u>	<u>(26,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	1,533,136	36,235	(41,062)	(65,014)	-	1,463,295
Net Assets - Beginning of Year	<u>5,057,983</u>	<u>131,376</u>	<u>41,062</u>	<u>(59,468)</u>	<u>-</u>	<u>5,170,953</u>
NET ASSETS - END OF YEAR	<u>\$ 6,591,119</u>	<u>\$ 167,611</u>	<u>\$ -</u>	<u>\$ (124,482)</u>	<u>\$ -</u>	<u>\$ 6,634,248</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Shared Hope Institute	Consolidation Adjustments	Total
SUPPORT AND REVENUE						
Contributions and Grants	\$ 3,492,634	\$ 58	\$ -	\$ -	\$ -	\$ 3,492,692
Program and Service Revenue	414,421	-	-	-	-	414,421
Gifts-In-Kind	203,250	-	-	-	-	203,250
Miscellaneous Income	12,603	-	-	-	-	12,603
Investment Return, Net	7,569	2,646	3	-	-	10,218
Loss on Disposal of Equipment	(1,817)	-	-	-	-	(1,817)
Loss on Uncollectible Pledges	(37,462)	-	-	-	-	(37,462)
Total Support and Revenue	<u>4,091,198</u>	<u>2,704</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>4,093,905</u>
EXPENSES						
Program Activities:						
International Partners	124,238	-	-	238	-	124,476
International Public Education	15,642	-	-	-	-	15,642
Domestic Public Education	2,247,619	-	-	53,224	-	2,300,843
Domestic Partners	94,999	-	2,585	297	-	97,881
Domestic WIN Program	67,800	-	-	-	-	67,800
Total Program Activities	<u>2,550,298</u>	<u>-</u>	<u>2,585</u>	<u>53,759</u>	<u>-</u>	<u>2,606,642</u>
Supporting Activities:						
Administration	394,436	483	219	4,460	-	399,598
Fundraising	226,680	-	-	1,249	-	227,929
Total Supporting Activities	<u>621,116</u>	<u>483</u>	<u>219</u>	<u>5,709</u>	<u>-</u>	<u>627,527</u>
Total Expenses	<u>3,171,414</u>	<u>483</u>	<u>2,804</u>	<u>59,468</u>	<u>-</u>	<u>3,234,169</u>
CHANGE IN NET ASSETS	919,784	2,221	(2,801)	(59,468)	-	859,736
Net Assets - Beginning of Year	<u>4,138,199</u>	<u>129,155</u>	<u>43,863</u>	<u>-</u>	<u>-</u>	<u>4,311,217</u>
NET ASSETS - END OF YEAR	<u>\$ 5,057,983</u>	<u>\$ 131,376</u>	<u>\$ 41,062</u>	<u>\$ (59,468)</u>	<u>\$ -</u>	<u>\$ 5,170,953</u>

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