

**SHARED HOPE INTERNATIONAL
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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**SHARED HOPE INTERNATIONAL AND AFFILIATES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	27
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	28



INDEPENDENT AUDITORS' REPORT

Board of Directors
Shared Hope International and Affiliates
Vancouver, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Shared Hope International and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2023, and the results of their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statement* section of our report. We are required to be independent of Shared Hope International and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 1 to the consolidated financial statements, in 2022, Shared Hope International and Affiliates adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Correction of Error

As described in Note 16 to the consolidated financial statements, an error was noted related to the recording of pledge receivables (AR). Accordingly, an adjustment has been made to net assets and pledge receivables, as of July 1, 2022, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shared Hope International and Affiliates' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.


In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shared Hope International and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shared Hope International and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audits 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 statement or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Tri-Cities, Washington
December 12, 2023

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,457,997
Certificates of Deposit	598,866
Investments	162,421
Other Receivables	154
Prepaid Expenses	306,715
Inventory	<u>70,826</u>
Total Current Assets	3,596,979

DEPOSITS

6,821

OTHER ASSETS

75,000

PROPERTY AND EQUIPMENT, Net

2,742,481

RIGHT-OF-USE ASSET - OPERATING

150,609

Total Assets

\$ 6,571,890

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 103,691
Accrued Payroll Taxes and Benefits	10,991
Accrued Paid Time Off	58,615
Deferred Revenue	16,275
Current Lease Liability - Operating	<u>74,133</u>
Total Current Liabilities	263,705

LONG-TERM LEASE LIABILITY - OPERATING

78,759

Total Liabilities

342,464

NET ASSETS

Without Donor Restrictions	5,704,866
With Donor Restrictions	<u>524,560</u>
Total Net Assets	<u>6,229,426</u>

Total Liabilities and Net Assets

\$ 6,571,890

See accompanying Notes to Consolidated Financial Statement.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	\$ 2,711,388	\$ 529,679	\$ 3,241,067
Program and Service Revenue	413,114	-	413,114
Gifts-In-Kind	202,877	-	202,877
Investment Return, Net	767	11,622	12,389
Miscellaneous Income	1,813	-	1,813
Net Assets Released from Restrictions	465,055	(465,055)	-
Total Support and Revenue	3,795,014	76,246	3,871,260
EXPENSES			
Program Activities:			
International Partners	227,158	-	227,158
International Public Education	16,709	-	16,709
Domestic Public Education	3,057,194	-	3,057,194
Domestic Partners	104,729	-	104,729
Domestic WIN Program	55,849	-	55,849
Total Program Activities	3,461,639	-	3,461,639
Supporting Activities:			
Administration	521,763	-	521,763
Fundraising	302,272	-	302,272
Total Supporting Activities	824,035	-	824,035
Total Expenses	4,285,674	-	4,285,674
CHANGE IN NET ASSETS	(490,660)	76,246	(414,414)
Net Assets - Beginning of Year	6,195,526	541,620	6,737,146
Restatement - Correction of an Error	-	(93,306)	(93,306)
Net Assets - Beginning of Year, as Restated	6,195,526	448,314	6,643,840
NET ASSETS - END OF YEAR	\$ 5,704,866	\$ 524,560	\$ 6,229,426

See accompanying Notes to Consolidated Financial Statement.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Activities					Supporting Activities		Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Total	Administration		Fundraising
Salaries and Wages	\$ 2,182	\$ 3,476	\$ 1,224,956	\$ 5,145	\$ 32,416	\$ 1,268,175	\$ 208,632	\$ 64,669	\$ 1,541,476
Payroll Taxes and Benefits	344	547	190,612	777	5,052	197,332	32,366	10,034	239,732
Facilities	-	8,904	513,756	-	-	522,660	-	5,149	527,809
Grants to Others	220,000	-	-	95,000	4,492	319,492	-	-	319,492
Contract Labor	1,297	-	205,093	257	1,881	208,528	11,618	20,843	240,989
In-Kind Expenses	-	-	182,278	885	-	183,163	7,083	9,740	199,986
Occupancy	314	-	151,433	616	3,734	156,097	25,227	12,825	194,149
Travel and Meals	-	2,102	105,566	647	2,603	110,918	9,508	15,697	136,123
Printing and Publication	3	1,398	67,596	10	52	69,059	72	62,115	131,246
Licenses, Taxes, and Subscriptions	87	-	94,989	203	1,615	96,894	20,573	12,994	130,461
Professional Services	-	-	45,272	-	-	45,272	34,322	41,328	120,922
Insurance	138	-	72,448	314	1,953	74,853	12,623	5,993	93,469
Depreciation	178	-	77,361	401	446	78,386	5,840	1,901	86,127
Recruiting	-	-	-	-	-	-	67,736	-	67,736
Postage and Shipping	4	122	20,487	153	47	20,813	1,219	33,258	55,290
Banking Costs	2,517	-	-	-	-	2,517	46,554	-	49,071
Supplies	19	160	41,544	39	374	42,136	2,516	1,070	45,722
Computer Expenses	39	-	22,248	100	632	23,019	3,969	1,875	28,863
Conferences, Training, and Meetings	-	-	5,165	-	-	5,165	22,981	-	28,146
Telephone	35	-	19,207	85	522	19,849	2,069	1,612	23,530
Media and Advertising	-	-	14,643	-	-	14,643	-	1,080	15,723
Gifts and Volunteer Costs	-	-	1,107	93	-	1,200	5,299	-	6,499
Website	1	-	1,433	4	30	1,468	1,556	89	3,113
Total Expenses	\$ 227,158	\$ 16,709	\$ 3,057,194	\$ 104,729	\$ 55,849	\$ 3,461,639	\$ 521,763	\$ 302,272	\$ 4,285,674

See accompanying Notes to Consolidated Financial Statement.

**SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Donors and Program Services	\$ 3,646,710
Cash Paid to Grantees, Suppliers, and Employees	(4,236,160)
Interest Income	10,410
Net Cash Used by Operating Activities	<u>(579,040)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Certificates of Deposit	(627)
Purchases of Investments	(36,798)
Proceeds from Sale of Investments	27,301
Acquisition of Property and Equipment	(10,193)
Net Cash Used by Investing Activities	<u>(20,318)</u>

DECREASE IN CASH AND CASH EQUIVALENTS

(599,358)

Cash and Cash Equivalents - Beginning of Year

3,057,355

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,457,997

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
USED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (414,414)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	86,127
Noncash Lease Expense	2,283
Realized Loss on Investments	(400)
Unrealized Loss on Investments	(1,779)
Change in Assets and Liabilities:	
Contributions and Grants Receivable	10,728
Other Receivable	359
Prepaid Expenses	(227,991)
Inventory	18,334
Accounts Payable	(20,578)
Accrued Payroll Taxes and Benefits	(25,226)
Accrued Paid Time Off	13,329
Deferred Revenue	(19,812)
Total Adjustments	<u>(164,626)</u>
Net Cash Used by Operating Activities	<u><u>\$ (579,040)</u></u>

See accompanying Notes to Consolidated Financial Statement.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Shared Hope International (Shared Hope), Shared Hope Foundation (the Foundation), 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. 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.

SHI Institute was formed in July 2019 for the purpose of holding title to Shared Hope's Washington D.C. office property.

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, health care, education, and vocational training opportunities for the victims of sex trafficking.

Basis of Accounting

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 (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of Shared Hope International, Shared Hope Foundation, and SHI Institute. Intercompany transactions between the entities are eliminated in the consolidation.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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.

Certificates of Deposit

Certificates of deposit are recorded at cost which approximates fair value. At June 30, 2023, certificates of deposit had interest rates which ranged from .01% to .03% and had various maturities through September 2023. Interest earned is included in investment return, net in the accompanying consolidated statement of activities and changes in net assets.

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 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 statement of financial position.

Inventory

Inventory in the accompanying consolidated statement 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 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.

Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets - operating and lease liability - operating on the consolidated statement of financial position.

Right-of-Use (ROU) assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred, and these leases are not included as lease liabilities or right of use assets on the consolidated statement of financial position.

Net Assets

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with U.S. GAAP. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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. There was no board restricted net asset at June 30, 2023.

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.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on what they depend have been met.

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.

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

In-Kind Goods and Services

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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, 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.

Advertising Expenses

Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the year ended June 30, 2023 was \$15,723.

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). SHI Institute is exempt from federal and state income tax under Section 501(c)(2) of the IRC. 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 50% 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022 the Organization recognized a lease liability of \$222,576, which represents the present value of the remaining operating lease payments of \$232,693, discounted using a risk free rate of 3.03%.

The standard had a material impact on the consolidated statement of financial position, but did not have an impact on the consolidated statement of activities and changes in net assets, or consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Subsequent Events

The Organization has evaluated the effect of subsequent events on the consolidated financial statements through December 12, 2023, which is the date the consolidated financial statements was available to be issued. There were no subsequent events identified that are required to be disclosed in the consolidated financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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 year ended June 30, 2023:

Cash and Cash Equivalents	\$ 2,457,997
Certificates of Deposit	598,866
Investments	162,421
Other Receivables	154
Total Liquid Financial Assets at June 30	3,219,438
Less: Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditures	(524,560)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,694,878

NOTE 3 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 statement 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, 2023, the Organization held of certificates of deposit in the amount of \$598,866.

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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

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, 2023.

The fair value of investments in equity securities (primarily mutual funds) by class consists of the following at June 30, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Mutual Funds:				
Fixed Income	\$ 31,614	\$ -	\$ -	\$ 31,614
Equities - US Growth	38,880	-	-	38,880
Equities - US Value	38,010	-	-	38,010
Equities - International	21,208	-	-	21,208
Equities - US Other	8,219	-	-	8,219
Real Estate	6,386	-	-	6,386
Exchange Traded Funds	13,542	-	-	13,542
Real Estate Investment Trusts	4,562	-	-	4,562
Total	<u>\$ 162,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,421</u>

NOTE 5 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 PROPERTY, EQUIPMENT, AND IMPROVEMENTS

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

Land and Buildings	\$ 2,599,779
Leasehold Improvements	436,454
Office Equipment and Furniture	<u>137,926</u>
Subtotal	3,174,159
Less: Accumulated Depreciation	<u>(431,678)</u>
Total	<u><u>\$ 2,742,481</u></u>

Depreciation expense was \$86,127 for the year ended June 30, 2023.

NOTE 7 ENDOWMENT FUNDS

The Organization's endowment currently consists of funds given to the Mannisha Life Endowment Fund. As required by U.S. 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 as amounts to be held in perpetuity within donor-restricted net assets restrictions is classified as net assets with donor restrictions for time or purpose 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 endowment fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation or 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Endowment fund net asset composition by type at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment	\$ -	\$ 152,967	\$ 152,967

As of June 30, 2023, the Organization had no board-restricted endowment funds.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2022	\$ -	\$ 140,388	\$ 140,388
Contributions Received	-	1,517	1,517
Investment Return, Net	-	11,622	11,622
Appropriation of Endowment Assets for Expenditures	-	(560)	(560)
Endowment Net Assets, June 30, 2023	\$ -	\$ 152,967	\$ 152,967

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Training Program Expansion	\$ 239,615
Endowment	152,967
Incarcerated Trafficking Victims' Legal Fund	72,500
Legal Staff Costs	54,248
Justice	2,000
Restoration: Indianapolis	1,000
Others	2,230
Total Net Assets with Restrictions	<u><u>\$ 524,560</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the year ended June 30, 2023:

Satisfaction of Purpose or Time Restrictions:	
Legal Staff Costs	\$ 185,391
Training Staff	132,250
Restoration	93,985
Intervention/Prevention	35,459
Justice	13,211
Others	4,759
Total Net Assets Released from Restriction	<u><u>\$ 465,055</u></u>

NOTE 9 GIFTS-IN-KIND

The Organization received donated managerial, professional, and printing services for the year ended June 30, 2023. The donated services have been recognized in the consolidated financial statements at an estimated pay rate for the particular market and skill set of each individual. Contributed services totaled \$202,877 for the year ended June 30, 2023 and were used to support programmatic functions.

In-kind gifts are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. There were no donor restrictions on in-kind good or services for the year ended June 30, 2023.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 GIFTS-IN-KIND (CONTINUED)

In-kind donations reported in the accompanying consolidated financial statements consist of the following for the year ended June 30, 2023:

Managerial Services	\$ 177,087
Professional Services	24,345
Printing	<u>1,445</u>
Total	<u><u>\$ 202,877</u></u>

NOTE 10 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 domestic nonprofit organizations. These domestic grants 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 statement of functional expenses and totaled \$319,492 for the year ended June 30, 2023.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 LEASES – ASC 842

In May 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 for the initial year. The lease includes a 3% increase in rent each year and contains two five-year renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Organization’s lease.

Lease Costs Grouped with:	
Operating Lease Costs	\$ 77,564
Total Lease Costs	<u>\$ 77,564</u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 75,281
Right -of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	
Weighted-Average Remaining Lease Term-Operating Leases	2 years
Weighted-Average Discount Rate-Operating Leases	3.03%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 77,551
2025	79,861
Total	<u>157,412</u>
Less: Imputed Interest	<u>(4,520)</u>
Present Value of Lease Liabilities	<u>\$ 152,892</u>
Short-Term Lease Liabilities	\$ 74,133
Long-Term Lease Liabilities	78,759
Total Lease Liabilities	<u>\$ 152,892</u>

NOTE 12 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, U.S. GAAP prescribes 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 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 year ended June 30, 2023:

Domestic Public Education	\$ 175,494
International Public Education	17,888
Fundraising	<u>180,285</u>
Total	<u><u>\$ 373,667</u></u>

NOTE 13 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 \$27,666 for the year ended June 30, 2023. In addition, the Plan provides for discretionary contributions as determined by the board of directors. No discretionary contributions were made for the year ended June 30, 2023.

NOTE 14 UNCONDITIONAL PURCHASE OBLIGATION

As of June 2022, the Organization entered into an agreement for the 2023 JuST (Juvenile Sex Trafficking) conference. The agreement requires a 25% nonrefundable deposit and includes provisions that the Organization will incur a minimum of \$100,000 in food and beverage charges and will be responsible for liquidation damages depending on the date of cancellation.

As of June 2023, the Organization entered into an agreement for the 2024 JuST conference. The agreement requires a 25% nonrefundable deposit and includes a provision that the Organization will be responsible for liquidation damages depending on the date of cancellation.

Payments made prior to June 30, 2023 total \$202,500 and are included in prepaid expenses on the consolidated statement of financial position.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 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.

NOTE 16 RESTATEMENT - CORRECTION OF ERROR

During the year ended June 30, 2023, the Organization restated certain financial statement amounts to correct an error. Beginning net assets as of July 1, 2022 were restated to correct an error related to the recording of pledge receivables. This resulted in a net decrease in pledge receivables and a decrease in net assets, totaling \$93,306.

SUPPLEMENTARY INFORMATION

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Shared Hope International	Shared Hope Foundation	SHI Institute	Consolidation Adjustments	Total
CURRENT ASSETS					
Cash	\$ 2,450,658	\$ 7,339	\$ -	\$ -	\$ 2,457,997
Certificates of Deposit	598,866	-	-	-	598,866
Investments	4,562	157,859	-	-	162,421
Contributions and Grants Receivable	154	-	-	-	154
Intercompany Receivable	2,608,526	-	-	(2,608,526)	-
Prepaid Expenses	306,715	-	-	-	306,715
Inventory	70,826	-	-	-	70,826
Total Current Assets	<u>6,040,307</u>	<u>165,198</u>	<u>-</u>	<u>(2,608,526)</u>	<u>3,596,979</u>
DEPOSITS	6,821	-	-	-	6,821
OTHER ASSETS	75,000	-	-	-	75,000
PROPERTY AND EQUIPMENT, Net	401,602	-	2,340,879	-	2,742,481
RIGHT-OF-USE ASSET - OPERATING	<u>150,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,609</u>
Total Assets	<u>\$ 6,674,339</u>	<u>\$ 165,198</u>	<u>\$ 2,340,879</u>	<u>\$ (2,608,526)</u>	<u>\$ 6,571,890</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 103,691	\$ -	\$ -	\$ -	\$ 103,691
Intercompany Payable	-	12,231	2,596,295	(2,608,526)	-
Accrued Payroll Taxes and Benefits	10,991	-	-	-	10,991
Accrued Paid Time Off	58,615	-	-	-	58,615
Deferred Revenue	16,275	-	-	-	16,275
Current Lease Liability - Operating	74,133	-	-	-	74,133
Total Current Liabilities	<u>263,705</u>	<u>12,231</u>	<u>2,596,295</u>	<u>(2,608,526)</u>	<u>263,705</u>
LONG-TERM LEASE LIABILITY - OPERATING	<u>78,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,759</u>
Total Liabilities	342,464	12,231	2,596,295	(2,608,526)	342,464
NET ASSETS					
Without Donor Restrictions	5,960,282	-	(255,416)	-	5,704,866
With Donor Restrictions	371,593	152,967	-	-	524,560
Total Net Assets	<u>6,331,875</u>	<u>152,967</u>	<u>(255,416)</u>	<u>-</u>	<u>6,229,426</u>
Total Liabilities and Net Assets	<u>\$ 6,674,339</u>	<u>\$ 165,198</u>	<u>\$ 2,340,879</u>	<u>\$ (2,608,526)</u>	<u>\$ 6,571,890</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Shared Hope International	Shared Hope Foundation	SHI Institute	Consolidation Adjustments	Total
SUPPORT AND REVENUE					
Contributions and Grants	\$ 3,239,550	\$ 1,517	\$ -	\$ -	\$ 3,241,067
Program and Service Revenue	413,114	-	-	-	413,114
Gifts-In-Kind	202,877	-	-	-	202,877
Investment Return, Net	767	11,622	-	-	12,389
Miscellaneous Income	1,813	-	-	-	1,813
Total Support and Revenue	<u>3,858,121</u>	<u>13,139</u>	<u>-</u>	<u>-</u>	<u>3,871,260</u>
EXPENSES					
Program Activities:					
International Partners	227,158	-	-	-	227,158
International Public Education	16,709	-	-	-	16,709
Domestic Public Education	2,992,320	-	64,874	-	3,057,194
Domestic Partners	104,729	-	-	-	104,729
Domestic WIN Program	55,849	-	-	-	55,849
Total Program Activities	<u>3,396,765</u>	<u>-</u>	<u>64,874</u>	<u>-</u>	<u>3,461,639</u>
Supporting Activities:					
Administration	520,682	560	521	-	521,763
Fundraising	302,272	-	-	-	302,272
Total Supporting Activities	<u>822,954</u>	<u>560</u>	<u>521</u>	<u>-</u>	<u>824,035</u>
Total Expenses	4,219,719	560	65,395	-	4,285,674
CHANGE IN NET ASSETS	(361,598)	12,579	(65,395)	-	(414,414)
Net Assets - Beginning of Year, As Restated	<u>6,693,473</u>	<u>140,388</u>	<u>(190,021)</u>	<u>-</u>	<u>6,643,840</u>
NET ASSETS - END OF YEAR	<u>\$ 6,331,875</u>	<u>\$ 152,967</u>	<u>\$ (255,416)</u>	<u>\$ -</u>	<u>\$ 6,229,426</u>



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