

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
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FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Shaohannah's Hope, Inc.  
D/B/A Show Hope

We have audited the accompanying financial statements of Shaohannah's Hope, Inc. D/B/A Show Hope (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Shaohannah's Hope, Inc. D/B/A Show Hope as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



July 10, 2013

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,242,953	\$ 2,930,639
Pledges Receivable	935,040	784,790
Marketable Equity Securities	54,758	1,641
Other Current Assets	<u>21,585</u>	<u>-</u>
Total Current Assets	<u>4,254,336</u>	<u>3,717,070</u>
Property and Equipment	192,836	83,546
Less Accumulated Depreciation	<u>(71,494)</u>	<u>(53,764)</u>
Net Property and Equipment	<u>121,342</u>	<u>29,782</u>
Total Assets	<u>\$ 4,375,678</u>	<u>\$ 3,746,852</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Grants Payable	\$ 1,987,100	\$ 1,517,585
Accounts Payable	9,336	-
Other Current Liabilities	<u>1,807</u>	<u>-</u>
Total Current Liabilities	<u>1,998,243</u>	<u>1,517,585</u>
Net Assets:		
Unrestricted	1,535,642	1,446,704
Temporarily Restricted	<u>841,793</u>	<u>782,563</u>
Total Net Assets	<u>2,377,435</u>	<u>2,229,267</u>
Total Liabilities and Net Assets	<u>\$ 4,375,678</u>	<u>\$ 3,746,852</u>

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



**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,853,736	\$ 2,853,736
Adoption Awareness	-	734,310	734,310
Orphan Care	-	2,871,586	2,871,586
General - Other	2,372,626	-	2,372,626
Interest Income	2,482	-	2,482
Net Assets Released From Restrictions	<u>6,400,402</u>	<u>(6,400,402)</u>	<u>-</u>
Total Increase	<u>8,775,510</u>	<u>59,230</u>	<u>8,834,740</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	2,794,487	-	2,794,487
Adoption Awareness	1,375,665	-	1,375,665
Orphan Care	<u>3,067,387</u>	<u>-</u>	<u>3,067,387</u>
Total Program Services	<u>7,237,539</u>	<u>-</u>	<u>7,237,539</u>
Supporting Services:			
General and Administrative	680,560	-	680,560
Fundraising	<u>768,473</u>	<u>-</u>	<u>768,473</u>
Total Supporting Services	<u>1,449,033</u>	<u>-</u>	<u>1,449,033</u>
Total Decrease	<u>8,686,572</u>	<u>-</u>	<u>8,686,572</u>
Increase in Net Assets	88,938	59,230	148,168
Net Assets, Beginning of Year	<u>1,446,704</u>	<u>782,563</u>	<u>2,229,267</u>
Net Assets, End of Year	<u>\$ 1,535,642</u>	<u>\$ 841,793</u>	<u>\$ 2,377,435</u>

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

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,484,619	\$ 2,484,619
Adoption Awareness	-	311,854	311,854
Orphan Care	-	2,800,219	2,800,219
General - Other	1,787,080	-	1,787,080
Interest Income	5,810	-	5,810
Net Assets Released From Restrictions	<u>5,334,185</u>	<u>(5,334,185)</u>	<u>-</u>
 Total Increase	 <u>7,127,075</u>	 <u>262,507</u>	 <u>7,389,582</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	2,285,064	-	2,285,064
Adoption Awareness	985,277	-	985,277
Orphan Care	<u>2,756,771</u>	<u>-</u>	<u>2,756,771</u>
 Total Program Services	 <u>6,027,112</u>	 <u>-</u>	 <u>6,027,112</u>
Supporting Services:			
General and Administrative	587,751	-	587,751
Fundraising	<u>661,736</u>	<u>-</u>	<u>661,736</u>
 Total Supporting Services	 <u>1,249,487</u>	 <u>-</u>	 <u>1,249,487</u>
 Total Decrease	 <u>7,276,599</u>	 <u>-</u>	 <u>7,276,599</u>
 (Decrease) Increase in Net Assets	 (149,524)	 262,507	 112,983
Net Assets, Beginning of Year	<u>1,596,228</u>	<u>520,056</u>	<u>2,116,284</u>
Net Assets, End of Year	<u>\$ 1,446,704</u>	<u>\$ 782,563</u>	<u>\$ 2,229,267</u>

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

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
ACH Processing Fees	\$ -	\$ -	\$ 3,549	\$ 3,549
Audio Visual	22,499	-	16,141	38,640
Bank Service Charges	661	2,268	30	2,959
Booth/Venue Fees	175	-	13,500	13,675
Catering	-	-	34,596	34,596
Cleaning / Maintenance	-	5,190	1,000	6,190
Continuing Education	513	1,143	-	1,656
Contract Labor	166,939	22,533	29,726	219,198
Credit Card Processing Fees	4,514	45,828	88,582	138,924
Depreciation Expense	-	26,114	-	26,114
Design	24,174	608	17,519	42,301
Dues and Subscriptions	1,119	3,599	1,295	6,013
Employee Benefits	7,032	3,773	3,639	14,444
Fulfillment	6,018	-	-	6,018
Gifts	4,633	8,362	1,829	14,824
Grants Awarded	2,487,615	-	1,050	2,488,665
Insurance	89,212	50,192	23,352	162,756
IT Services	7,302	17,907	10	25,219
Licenses and Permits	1,997	20	414	2,431
Marketing	31,624	-	200	31,824
Merchandise Purchased	67,941	-	-	67,941
Miscellaneous	1,212	2,294	-	3,506
Mission Trips	444,030	1,274	-	445,304
Orphan Care	549,549	-	-	549,549
Payroll Taxes	35,163	23,586	15,376	74,125
Payroll Expenses	-	3,306	-	3,306
Postage and Delivery	39,706	5,742	43,974	89,422
Printing	48,204	7,753	97,675	153,632
Production of Event	8,650	-	-	8,650
Professional Fees	443,017	38,212	28	481,257
Red Bus Project Sales	13,113	-	-	13,113
Refunds	-	-	-	-
Rent	34,882	89,210	7,425	131,517
Repairs	23,804	-	-	23,804
Salaries and Wages	478,860	237,991	225,925	942,776
Special Care Centers	1,909,178	-	-	1,909,178
Supplies	98,755	27,269	32,345	158,369
Taxes	4,226	71	-	4,297
Telephone	746	12,675	-	13,421
Sponsorship	75,900	-	75,900	151,800
Travel and Entertainment	104,576	37,467	33,393	175,436
Utilities	-	6,173	-	6,173
<b>Total</b>	<b>\$ 7,237,539</b>	<b>\$ 680,560</b>	<b>\$ 768,473</b>	<b>\$ 8,686,572</b>
Percent of Total	83%	8%	9%	100%

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



**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
ACH Processing Fees	\$ -	\$ -	\$ 3,277	\$ 3,277
Audio Visual	33,393	-	6,320	39,713
Bank Service Charges	30	2,124	-	2,154
Booth / Venue Fee	2,030	-	4,000	6,030
Catering	-	-	33,450	33,450
Cleaning / Maintenance	-	3,900	-	3,900
Continuing Education	-	315	-	315
Contract Labor	164,285	8,759	26,486	199,530
Credit Card Processing Fees	4,209	50,699	55,625	110,533
Depreciation Expense	-	10,183	-	10,183
Design	36,563	481	19,407	56,451
Dues and Subscriptions	11,099	2,900	1,295	15,294
Employee Benefits	6,143	3,297	3,434	12,874
Fulfillment	5,921	-	-	5,921
Gifts	3,117	4,014	900	8,031
Grants Awarded	2,007,785	-	800	2,008,585
Insurance	74,040	46,029	33,224	153,293
IT Services	22,826	21,249	6,898	50,973
Licenses and Permits	15,671	229	300	16,200
Marketing	59,118	-	-	59,118
Merchandise Purchased	131,654	-	-	131,654
Miscellaneous	15,940	4,868	1,340	22,148
Mission Trips	522,904	-	-	522,904
Orphan Care	491,826	-	-	491,826
Payroll Taxes	29,477	21,101	15,481	66,059
Payroll Expenses	-	2,892	-	2,892
Postage and Delivery	28,048	6,632	32,178	66,858
Printing	42,848	8,556	56,914	108,318
Production of Event	13,955	-	-	13,955
Professional Fees	39,673	41,089	4,675	85,437
Red Bus Project Sales	-	-	-	-
Refunds	20	-	-	20
Rent	32,245	69,585	11,153	112,983
Repairs	-	-	-	-
Salaries and Wages	403,255	216,682	224,777	844,714
Special Care Centers	1,580,058	-	-	1,580,058
Supplies	60,751	12,565	16,832	90,148
Taxes	7,284	68	-	7,352
Telephone	655	13,631	-	14,286
Sponsorship	62,500	-	62,500	125,000
Travel and Entertainment	117,789	30,278	40,470	188,537
Utilities	-	5,625	-	5,625
<b>Total</b>	<u>\$ 6,027,112</u>	<u>\$ 587,751</u>	<u>\$ 661,736</u>	<u>\$ 7,276,599</u>
Percent of Total	83%	8%	9%	100%

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



**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 148,168	\$ 112,983
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	26,114	10,183
Loss on Disposal of Property and Equipment	2,106	-
Unrealized Loss on Marketable Equity Securities	101	-
Donations of Marketable Equity Securities	(175,776)	(1,641)
Donations of Property and Equipment	(1,325)	-
Increase in Pledges Receivable	(150,250)	(236,189)
Increase in Other Current Assets	(21,585)	-
Increase in Grants Payable	469,515	398,150
Increase in Accounts Payable	9,336	-
Increase in Other Current Liabilities	<u>1,807</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>308,211</u>	<u>283,486</u>
Cash Flows From Investing Activities:		
Proceeds From Sale of Marketable Equity Securities	122,558	-
Proceeds From Sale of Property and Equipment	750	-
Purchase of Property and Equipment	<u>(119,205)</u>	<u>(21,522)</u>
Net Cash Provided (Used) by Investing Activities	<u>4,103</u>	<u>(21,522)</u>
Net Increase in Cash	312,314	261,964
Cash, Beginning of Year	<u>2,930,639</u>	<u>2,668,675</u>
Cash, End of Year	<u>\$ 3,242,953</u>	<u>\$ 2,930,639</u>

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

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Shaohannah's Hope, Inc. D/B/A Show Hope (the "Organization") was incorporated in 2002 in the state of Virginia for the purpose of engaging the church to care for orphans, raising awareness of the plight of orphaned children throughout the world, and working to reduce financial barriers to adoptions. The Organization was authorized to conduct business in Tennessee in 2006 and relocated its corporate offices to Franklin, Tennessee in 2007. In 2009 the Organization adopted and trademarked the D/B/A name "Show Hope." The Organization is a publicly supported, nonprofit corporation and contributions are solicited and received over a broad geographic region of the country.

The Organization's major program services include providing financial assistance to families adopting children, providing funding for Maria's Big House of Hope which will provide surgical care and medical care to special needs orphans in China to increase their chances of being adopted, and increasing adoption awareness by mobilizing the church to engage in adoption and orphan care.

The affairs of the Organization are managed by a seven member Board of Directors consisting of three Directors and four Officers. Each Director and Officer is entitled to one vote on all voting matters. While major policies and decisions are determined by the Board of Directors, the day-to-day management is performed by the Executive Director hired by the Board.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Pledges receivable in the accompanying statements of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. When warranted by management the Organization uses the allowance method to determine uncollectible pledges based on prior years experience and management's analysis of specific promises made. For the years ended December 31, 2012 and 2011 management has deemed allowance adjustments unwarranted.



**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

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

Marketable Equity Securities

The Organization carries investments in marketable securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statements of Financial Position. Net unrealized gains or losses are included in the change in net assets in the accompanying Statements of Activities.

Property and Equipment

The Organization capitalizes expenditures for those items reasonably expected to last beyond the current year and above minimal values. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Grants Payable

Grants payable consists of adoption assistance grants payable to various adoption agencies and are designated for the benefit of specific individuals. If a grant is rescinded, the payable is relieved and the related expense account is credited.

Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). This code section enables the Organization to accept donations that qualify as charitable contributions to the donor.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2012 and 2011, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to IRS audit for the years before 2009.

Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash, pledges receivable, and grants payable.

At various times during the year, the Organization's cash in bank balances exceeded the federally insured limits. At December 31, 2012 and 2011, the Organization's uninsured cash balances were approximately \$1,093,000 and \$940,000, respectively.

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

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

Concentrations of Credit Risk (Continued)

The approximate percentage of concentration of pledges receivable is as follows:

	<u>2012</u>	<u>2011</u>
Donor A	37%	43%
Donor B	6%	28%
Donor C	- %	13%
Donor D	21%	- %
Donor E	17%	- %

The approximate percentage of concentration of grants payable to adoption agencies is as follows:

	<u>2012</u>	<u>2011</u>
Agency A	17%	15%
Agency B	16%	10%

In-kind Contributions

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Compensated absences

The Organization provides for paid leave for eligible employees. The liability at December 31, 2012 and 2011 is deemed to be immaterial to the financial statements taken as a whole.

**NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2012 and 2011 are available for Adoption Assistance.



**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Organization contracts with a Christian Music entertainment company owned by an officer of the Organization to provide promotional services during multi-city events for the purposes of raising awareness and resources for the Organization's mission. The fee for professional promotional services for the years ending December 31, 2012 and 2011 was \$125,000. In addition, \$10,000 was paid as a fee to participate in a share-a-thon radio event during 2012. These fees were underwritten as designated contributions by a number of donors in full disclosure of this related party transaction. Furthermore, the transaction was entered into within the boundaries of the Organization's conflict of interest policy including unanimous vote by the disinterested parties of the Organization's board of directors.

This officer also made a \$50,920 donation in 2012 and a \$115,000 donation in 2011 to the Organization in addition to the gratis offering of time, brand image/likeness, limited licensing of intellectual property and professional services for similar events and Organization branding. The value of the waived fees for these goods and services could not be readily determined and, accordingly, are not included in the statements of activities.

Two sons of this officer are members of a band which received \$36,000 during 2012 to perform on the Red Bus Tour, an adoption awareness program.

During 2012, a senior employee of the Organization received \$8,750 for the rental of a public address system for the Red Bus Tour.

**NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Allocations were made by the Organization based on their reviews of expenses as well as estimates made by management.

**NOTE 6 – FACILITY LEASE**

The Organization has a lease agreement for office space in Franklin, Tennessee. Rent expense for the years ended December 31, 2012 and 2011 was \$83,400 and \$66,900, respectively. Beginning January 1, 2013, the lease is on a monthly term.

**NOTE 7 – RETIREMENT PLAN**

The Organization maintains a SIMPLE IRA plan for all eligible employees. Employees are eligible to participate in the plan after 12 months of employment. The Organization matches employee contributions up to 3% of employee salary. The Organization's contribution to employees' accounts for the years ended December 31, 2012 and 2011 was \$14,444 and \$12,874, respectively.

**NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 10, 2013, the date which the financial statements were available to be issued.