

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2014**

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 statement of financial position as of June 30, 2014, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC
November 11, 2014

**SHAOHANNAH'S HOPE, INC.
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FINANCIAL STATEMENTS
AND
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JUNE 30, 2014**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current Assets:	
Cash	\$ 2,904,023
Pledges Receivable	316,750
Inventory	22,500
Prepaid Expenses	<u>49,486</u>
 Total Current Assets	 <u>3,292,759</u>
 Property and Equipment	 205,364
Less Accumulated Depreciation	<u>(109,423)</u>
 Net Property and Equipment	 <u>95,941</u>
 Total Assets	 <u>\$ 3,388,700</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Grants Payable	\$ 2,660,000
Accounts Payable	1,314
Deferred Revenue	140,174
Other Current Liabilities	<u>13,832</u>
 Total Current Liabilities	 <u>2,815,320</u>
 Net Assets:	
Unrestricted	419,374
Temporarily Restricted	<u>154,006</u>
 Total Net Assets	 <u>573,380</u>
 Total Liabilities and Net Assets	 <u>\$ 3,388,700</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 JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,771,712	\$ 2,771,712
Adoption Awareness	-	309,577	309,577
Orphan Care	-	3,870,677	3,870,677
General - Other	3,162,490	-	3,162,490
Interest Income	4,204	-	4,204
Net Assets Released From Restrictions	<u>7,343,567</u>	<u>(7,343,567)</u>	<u>-</u>
Total	<u>10,510,261</u>	<u>(391,601)</u>	<u>10,118,660</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	3,163,315	-	3,163,315
Adoption Awareness	1,155,822	-	1,155,822
Orphan Care	<u>4,041,451</u>	<u>-</u>	<u>4,041,451</u>
Total Program Services	<u>8,360,588</u>	<u>-</u>	<u>8,360,588</u>
Supporting Services:			
General and Administrative	943,451	-	943,451
Fundraising	<u>1,129,722</u>	<u>-</u>	<u>1,129,722</u>
Total Supporting Services	<u>2,073,173</u>	<u>-</u>	<u>2,073,173</u>
Total	<u>10,433,761</u>	<u>-</u>	<u>10,433,761</u>
Increase (Decrease) in Net Assets	76,500	(391,601)	(315,101)
Net Assets, Beginning of Year	<u>342,874</u>	<u>545,607</u>	<u>888,481</u>
Net Assets, End of Year	<u>\$ 419,374</u>	<u>\$ 154,006</u>	<u>\$ 573,380</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 JUNE 30, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Audio Visual	\$ 16,910	\$ -	\$ 24,662	\$ 41,572
Bank Service Charges	1,073	3,192	-	4,265
Booth/Venue Fees	750	-	-	750
Catering	-	-	27,610	27,610
Cleaning/Maintenance	75	4,455	200	4,730
Continuing Education	1,120	-	-	1,120
Contract Labor	127,967	25,289	112,020	265,276
Credit Card/ACH Processing	2,227	127,340	-	129,567
Depreciation Expense	-	35,598	-	35,598
Design	10,706	288	15,785	26,779
Dues & Subscriptions	1,000	4,250	1,295	6,545
Employee Benefits	7,628	4,698	3,649	15,975
Fulfillment	7,152	-	-	7,152
Gifts	1,033	1,734	5,674	8,441
Grants Awarded	2,644,415	-	-	2,644,415
Insurance	112,544	70,805	33,958	217,307
Inventory Adjustment	32,680	-	-	32,680
IT Services	114,751	75,881	46,687	237,319
Licenses & Permits	1,055	20	600	1,675
Marketing	31,738	-	125	31,863
Merchandise Purchased	61,515	-	-	61,515
Miscellaneous	70	1,372	13	1,455
Mission Trips	479,400	-	1,084	480,484
Orphan Care	581,009	-	-	581,009
Payroll Expenses	-	3,661	-	3,661
Payroll Taxes	43,695	22,154	20,051	85,900
Postage & Delivery	29,391	9,881	46,495	85,767
Printing	57,165	27,600	98,102	182,867
Production of Event	2,500	-	14,320	16,820
Professional Fees	203,161	86,846	1,423	291,430
Red Bus Project Sales	15,583	-	-	15,583
Rent	15,810	90,778	44,856	151,444
Salaries & Wages	607,765	276,657	275,590	1,160,012
Special Care Centers	2,734,622	-	-	2,734,622
Supplies	46,069	14,554	97,713	158,336
Taxes	1,086	-	-	1,086
Telephone	733	12,594	1,101	14,428
Sponsorship	194,500	-	194,500	389,000
Travel & Entertainment	171,690	36,094	62,209	269,993
Utilities	-	7,710	-	7,710
Total	<u>\$ 8,360,588</u>	<u>\$ 943,451</u>	<u>\$ 1,129,722</u>	<u>\$ 10,433,761</u>
Percent of Total	80%	9%	11%	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 YEAR ENDED JUNE 30, 2014**

Cash Flows From Operating Activities:	
Decrease in Net Assets	\$ (315,101)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	35,598
(Increase) Decrease in Operating Assets	
Pledges Receivable	324,810
Inventory	17,548
Prepaid Expenses	112,519
Other Current Assets	626
Increase (Decrease) in Operating Liabilities	
Grants Payable	333,200
Accounts Payable	(27,768)
Deferred Revenue	(134,260)
Other Current Liabilities	<u>13,832</u>
Net Cash Provided by Operating Activities	<u>361,004</u>
Cash Flows From Investing Activities:	
Purchase of Property and Equipment	<u>(12,793)</u>
Net Increase in Cash	348,211
Cash, Beginning of Year	<u>2,555,812</u>
Cash, End of Year	<u>\$ 2,904,023</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
JUNE 30, 2014**

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 statement 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. Management has deemed allowance adjustments unwarranted.

Deferred revenue represents collections for mission trips taking place after June 30. Prepaid expenses represent expenditures relating to those trips.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory, which consists primarily of donated clothing, is valued at estimated fair value at the date of donation.

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 June 30, 2014, 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 ending before 2010.

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 June 30, 2014, the Organization's uninsured cash balance was approximately \$1,942,000.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

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

Donor A	39%
Donor B	38%

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

Agency A	19%
Agency B	12%

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.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 are available for Adoption Assistance.

NOTE 4 – RELATED PARTY TRANSACTIONS

A company owned by an officer of the Organization was paid \$389,000 for a fall and spring tour sponsorship. These fees were underwritten as designated contributions by a number of donors in full disclosure of the related party transaction. The transactions were entered into within the boundaries of the Organization's conflict of interest policy including unanimous vote by the independent parties of the Organization's Board of Directors. During 2014, a company presented to the Show Hope disinterested party of the board an offer made to this officer for similar services for approximately twice the fee paid by the Organization. In addition, management has analyzed historical data for a period of two and a half years following a specific tour and determined that new monthly donors acquired during the tour donated approximately 10 times the fee paid for the tour. Management feels that the results of this analysis are representative of the results of other tours.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

In addition, management has analyzed historical data for a period of two and a half years following a specific tour and determined that new monthly donors acquired during the tour donated approximately 10 times the fee paid for the tour. Management feels that the results of this analysis are representative of the results of other tours.

This officer made a contribution of \$66,000 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 the statement of activities.

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 Statement 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 month to month lease agreement for office space in Franklin, Tennessee. Rent expense for the year ended June 30, 2014 was \$83,400.

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 year ended June 30, 2014 was \$15,975.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 11, 2014, the date which the financial statements were available to be issued.