

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2016 AND 2015**

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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 June 30, 2016 and 2015, 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 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, 2016 and 2015, 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.


September 23, 2016

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS		
	2016	2015
Current Assets:		
Cash	\$ 2,135,999	\$ 1,960,641
Pledges Receivable	105,000	105,000
Inventory	8,628	9,179
Prepaid Expenses	<u>152,150</u>	<u>149,865</u>
Total Current Assets	<u>2,401,777</u>	<u>2,224,685</u>
Property and Equipment	262,362	247,955
Less Accumulated Depreciation	<u>(174,044)</u>	<u>(141,033)</u>
Net Property and Equipment	<u>88,318</u>	<u>106,922</u>
Total Assets	<u>\$ 2,490,095</u>	<u>\$ 2,331,607</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities:		
Grants Payable	\$ 1,797,000	\$ 2,350,000
Accounts Payable	22,684	72,721
Deferred Revenue	132,575	164,791
Other Current Liabilities	<u>40,247</u>	<u>31,746</u>
Total Current Liabilities	<u>1,992,506</u>	<u>2,619,258</u>
Net Assets (Deficit):		
Unrestricted	(475,469)	(558,466)
Temporarily Restricted	<u>973,058</u>	<u>270,815</u>
Total Net Assets (Deficit)	<u>497,589</u>	<u>(287,651)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 2,490,095</u>	<u>\$ 2,331,607</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, 2016**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 3,277,334	\$ 3,277,334
Adoption Awareness	-	374,584	374,584
Orphan Care	-	4,002,051	4,002,051
General - Other	4,605,976	-	4,605,976
Interest Income	198	-	198
Net Assets Released From Restrictions	<u>6,951,726</u>	<u>(6,951,726)</u>	<u>-</u>
Total	<u>11,557,900</u>	<u>702,243</u>	<u>12,260,143</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	2,575,091	-	2,575,091
Adoption Awareness	1,038,971	-	1,038,971
Orphan Care	<u>5,384,794</u>	<u>-</u>	<u>5,384,794</u>
Total Program Services	<u>8,998,856</u>	<u>-</u>	<u>8,998,856</u>
Supporting Services:			
General and Administrative	1,106,900	-	1,106,900
Fundraising	<u>1,369,147</u>	<u>-</u>	<u>1,369,147</u>
Total Supporting Services	<u>2,476,047</u>	<u>-</u>	<u>2,476,047</u>
Total	<u>11,474,903</u>	<u>-</u>	<u>11,474,903</u>
Increase in Net Assets	82,997	702,243	785,240
Net (Deficit) Assets, Beginning of Year	<u>(558,466)</u>	<u>270,815</u>	<u>(287,651)</u>
Net (Deficit) Assets, End of Year	<u>\$ (475,469)</u>	<u>\$ 973,058</u>	<u>\$ 497,589</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, 2015

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 3,342,994	\$ 3,342,994
Adoption Awareness	-	272,231	272,231
Orphan Care	-	3,880,019	3,880,019
General - Other	3,429,055	-	3,429,055
Interest Income	824	-	824
Net Assets Released From Restrictions	<u>7,378,435</u>	<u>(7,378,435)</u>	<u>-</u>
 Total	 <u>10,808,314</u>	 <u>116,809</u>	 <u>10,925,123</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	3,226,185	-	3,226,185
Adoption Awareness	1,281,647	-	1,281,647
Orphan Care	<u>5,122,974</u>	<u>-</u>	<u>5,122,974</u>
 Total Program Services	 <u>9,630,806</u>	 <u>-</u>	 <u>9,630,806</u>
Supporting Services:			
General and Administrative	1,031,607	-	1,031,607
Fundraising	<u>1,123,741</u>	<u>-</u>	<u>1,123,741</u>
 Total Supporting Services	 <u>2,155,348</u>	 <u>-</u>	 <u>2,155,348</u>
 Total	 <u>11,786,154</u>	 <u>-</u>	 <u>11,786,154</u>
 (Decrease) Increase in Net Assets	 (977,840)	 116,809	 (861,031)
 Net Assets, Beginning of Year	 <u>419,374</u>	 <u>154,006</u>	 <u>573,380</u>
 Net (Deficit) Assets, End of Year	 <u>\$ (558,466)</u>	 <u>\$ 270,815</u>	 <u>\$ (287,651)</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, 2016

	Program Services	General and Administrative	Fundraising	Total
Audio Visual	\$ 13,119	\$ 311	\$ 11,822	\$ 25,252
Bank Service Charges	-	5,242	-	5,242
Booth/Venue Fees	50	-	-	50
Cleaning/Maintenance	-	6,931	-	6,931
Continuing Education	1,080	437	129	1,646
Contract Labor	159,393	10,344	44,834	214,571
Credit Card Processing	5,296	153,626	-	158,922
Depreciation Expense	-	33,011	-	33,011
Design	5,429	98	12,856	18,383
Dues & Subscriptions	-	7,566	299	7,865
Employee Benefits	13,356	3,221	1,880	18,457
Fulfillment	15,660	-	-	15,660
Gifts	8,532	644	7,150	16,326
Grants Awarded	1,709,930	-	-	1,709,930
Insurance	141,290	108,537	57,894	307,721
IT Services	69,014	104,328	31,645	204,987
Licenses & Permits	953	206	20	1,179
Marketing	376,910	-	-	376,910
Merchandise Purchased	37,439	-	1,668	39,107
Miscellaneous	527	(265)	-	262
Mission Trips	383,766	-	68,816	452,582
Payroll Expenses	-	4,137	-	4,137
Payroll Taxes	58,079	30,924	26,655	115,658
Postage & Delivery	16,256	15,952	48,188	80,396
Printing	35,045	11,500	102,911	149,456
Production of Event	28,265	-	78,329	106,594
Professional Fees	17,849	59,826	58,054	135,729
Rent	8,499	95,048	19,200	122,747
Repairs	-	1,173	-	1,173
Salaries & Wages	841,365	407,078	397,749	1,646,192
Special Care Centers	4,685,019	-	-	4,685,019
Supplies	43,401	15,664	91,073	150,138
Taxes	4,114	-	-	4,114
Telephone	2,710	8,770	2,508	13,988
Tour Sponsorship	142,825	-	182,075	324,900
Travel & Entertainment	173,685	14,565	123,392	311,642
Utilities	-	8,026	-	8,026
Total	\$ 8,998,856	\$ 1,106,900	\$ 1,369,147	\$ 11,474,903
Percent of Total	78%	10%	12%	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 JUNE 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Audio Visual	\$ 39,743	\$ 540	\$ 63,321	\$ 103,604
Bank Service Charges	-	4,147	-	4,147
Booth/Venue Fees	1,250	-	3,000	4,250
Cleaning/Maintenance	-	5,798	-	5,798
Continuing Education	230	712	305	1,247
Contract Labor	172,964	25,877	55,482	254,323
Credit Card/ACH Processing	6,195	160,922	-	167,117
Depreciation Expense	-	32,426	-	32,426
Design	16,084	-	16,606	32,690
Dues & Subscriptions	1,025	4,675	299	5,999
Employee Benefits	12,427	5,418	3,736	21,581
Fulfillment	6,041	-	-	6,041
Gifts	3,456	3,475	2,375	9,306
Grants Awarded	2,278,324	-	-	2,278,324
Insurance	113,523	77,088	41,708	232,319
IT Services	57,595	65,779	1,544	124,918
Licenses & Permits	1,322	-	251	1,573
Marketing	338,860	2,649	31,371	372,880
Merchandise Purchased	116,435	-	-	116,435
Miscellaneous	516	576	72	1,164
Mission Trips	405,653	372	5	406,030
Payroll Expenses	-	4,748	-	4,748
Payroll Taxes	46,728	29,065	28,126	103,919
Postage & Delivery	73,242	10,162	89,282	172,686
Printing	66,611	23,753	83,662	174,026
Production of Event	55,823	-	5,390	61,213
Professional Fees	283,198	67,916	1,435	352,549
Rent	6,497	97,551	13,684	117,732
Repairs	726	667	-	1,393
Salaries & Wages	698,370	335,111	400,011	1,433,492
Special Care Centers	4,428,278	-	-	4,428,278
Supplies	144,627	18,603	110,143	273,373
Taxes	2,211	-	-	2,211
Telephone	1,201	12,320	2,076	15,597
Sponsorship	75,600	-	75,600	151,200
Travel & Entertainment	176,051	33,858	94,257	304,166
Utilities	-	7,399	-	7,399
Total	\$ 9,630,806	\$ 1,031,607	\$ 1,123,741	\$ 11,786,154
Percent of Total	81%	9%	10%	100%

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

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 785,240	\$ (861,031)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	33,011	32,426
(Increase) Decrease in Operating Assets		
Pledges Receivable	-	211,750
Inventory	551	13,321
Prepaid Expenses	(2,285)	(100,379)
Increase (Decrease) in Operating Liabilities		
Grants Payable	(553,000)	(310,000)
Accounts Payable	(50,037)	71,407
Deferred Revenue	(32,216)	24,617
Other Current Liabilities	<u>8,501</u>	<u>17,914</u>
Net Cash Provided (Used) by Operating Activities	<u>189,765</u>	<u>(899,975)</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	<u>(14,407)</u>	<u>(43,407)</u>
Net Increase (Decrease) in Cash	175,358	(943,382)
Cash, Beginning of Year	<u>1,960,641</u>	<u>2,904,023</u>
Cash, End of Year	<u><u>\$ 2,135,999</u></u>	<u><u>\$ 1,960,641</u></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, 2016 AND 2015**

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 and other care centers 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. 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, 2016 AND 2015

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 \$1,000. 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, 2016, 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 2012.

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, 2016 and 2015, the Organization's uninsured cash balance was approximately \$1,847,000 and \$1,673,000, respectively.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

The approximate percentage of concentration of pledges receivable at June 30 was as follows:

	2016	2015
Donor A	24%	24%
Donor B	76%	76%

The approximate percentage of concentration of grants payable to adoption agencies at June 30 was as follows:

	2016	2015
Agency A	21%	19%
Agency B	15%	14%

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, 2016 and 2015 are for Adoption Assistance.

NOTE 4 – RELATED PARTY TRANSACTIONS

A company owned by an officer of the Organization was paid \$178,500 for a fall and spring tour sponsorship for the year ended June 30, 2016. The same officer of the Organization was paid \$70,000 directly during the same period for a series of house concerts utilized for fundraising purposes.

The total of \$248,500 paid directly to the officer of the Organization and to a company owned by that officer for tour sponsorships for the year ended June 30, 2016 compares to \$155,200 paid to a company owned by an officer of the Organization for fall and spring tour sponsorships for the year ended June 30, 2015.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

For the years ended June 30, 2016 and 2015, \$160,000 and \$150,000, respectively, of 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 majority 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. The current amounts paid to the officer of the Organization is about equal to the industry average amount. In addition, management has analyzed historical data for a period of seven years following a specific tour and determined that new monthly donors acquired during that tour donated approximately 10 times the fee paid for the tour. Current tours are estimated to pay 3-5 times the fee paid for the tour over the time period of the donors acquired by the tour. Management feels that the results of these analyses are representative of the results of other tours.

This officer made a contribution of \$91,472.08 and \$115,746 for the years ended June 30, 2016 and 2015, respectively, to the Organization.

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 month to month lease agreement for office space in Franklin, Tennessee. Rent expense for the years ended June 30, 2016 and 2015 was \$86,400 and \$90,350, respectively.

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, 2016 and 2015 was \$18,457 and \$21,581, respectively.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 23, 2016, the date which the financial statements were available to be issued.