

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2017 AND 2016**

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
FINANCIAL STATEMENTS  
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INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2017 AND 2016**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Shaohannah's Hope, Inc. D/B/A Show Hope (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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.

*Blankenship CPA Group, PLLC*

August 21, 2017

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current Assets:		
Cash	\$ 2,981,745	\$ 2,135,999
Pledges Receivable	200,000	105,000
Inventory	-	8,628
Prepaid Expenses	<u>31,682</u>	<u>152,150</u>
Total Current Assets	<u>3,213,427</u>	<u>2,401,777</u>
Property and Equipment	172,778	262,362
Less Accumulated Depreciation	<u>(116,532)</u>	<u>(174,044)</u>
Net Property and Equipment	<u>56,246</u>	<u>88,318</u>
Total Assets	<u>\$ 3,269,673</u>	<u>\$ 2,490,095</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Grants Payable	\$ 2,097,000	\$ 1,797,000
Accounts Payable	19,921	22,684
Deferred Revenue	-	132,575
Accrued Vacation	122,905	40,247
Accrued Payroll	<u>33,945</u>	<u>-</u>
Total Current Liabilities	<u>2,273,771</u>	<u>1,992,506</u>
Net Assets (Deficit):		
Unrestricted	256,169	(475,469)
Temporarily Restricted	<u>739,733</u>	<u>973,058</u>
Total Net Assets	<u>995,902</u>	<u>497,589</u>
Total Liabilities and Net Assets	<u>\$ 3,269,673</u>	<u>\$ 2,490,095</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,865,142	\$ 2,865,142
Adoption Awareness	-	145,414	145,414
Orphan Care	-	3,692,441	3,692,441
General - Other	4,048,038	-	4,048,038
Interest Income	1,015	-	1,015
Net Assets Released From Restrictions	<u>6,936,322</u>	<u>(6,936,322)</u>	<u>-</u>
Total	<u>10,985,375</u>	<u>(233,325)</u>	<u>10,752,050</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	3,104,014	-	3,104,014
Adoption Awareness	658,392	-	658,392
Orphan Care	<u>4,212,594</u>	<u>-</u>	<u>4,212,594</u>
Total Program Services	<u>7,975,000</u>	<u>-</u>	<u>7,975,000</u>
Supporting Services:			
General and Administrative	1,095,069	-	1,095,069
Fundraising	<u>1,183,668</u>	<u>-</u>	<u>1,183,668</u>
Total Supporting Services	<u>2,278,737</u>	<u>-</u>	<u>2,278,737</u>
Total	<u>10,253,737</u>	<u>-</u>	<u>10,253,737</u>
Increase (Decrease) in Net Assets	731,638	(233,325)	498,313
Net (Deficit) Assets, Beginning of Year	<u>(475,469)</u>	<u>973,058</u>	<u>497,589</u>
Net Assets, End of Year	<u>\$ 256,169</u>	<u>\$ 739,733</u>	<u>\$ 995,902</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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	General and Administrative	Fundraising	Total
Audio Visual	\$ 21,093	\$ -	\$ 44,139	\$ 65,232
Bank Service Charges	-	4,564	-	4,564
Cleaning/Maintenance	-	7,819	-	7,819
Continuing Education	9,721	919	920	11,560
Contract Labor	102,224	3,028	23,587	128,839
Credit Card Processing	2,311	138,044	-	140,355
Depreciation Expense	-	22,168	-	22,168
Design	10,100	-	2,720	12,820
Dues and Subscriptions	153	9,426	-	9,579
Employee Benefits	33,054	19,102	16,749	68,905
Fulfillment	18,993	-	-	18,993
Gifts	2,206	405	11,628	14,239
Grants Awarded	2,281,500	-	-	2,281,500
Insurance	75,680	63,919	32,231	171,830
IT Services	62,754	100,114	61,655	224,523
Licenses and Permits	1,383	36	-	1,419
Marketing	257,192	-	2,538	259,730
Merchandise Purchased	18,362	-	-	18,362
Miscellaneous	34	11	13	58
Payroll Expenses	-	4,418	-	4,418
Payroll Taxes	50,532	29,203	25,605	105,340
Postage and Delivery	16,077	10,428	28,670	55,175
Printing	42,698	3,985	79,596	126,279
Production of Event	50,988	958	91,473	143,419
Professional Fees	-	87,565	4,182	91,747
Public Relations	75	-	75	150
Rent	8,277	96,994	49,625	154,896
Repairs	281	-	-	281
Salaries and Wages	786,125	454,301	398,337	1,638,763
Special Care Centers	3,594,909	-	-	3,594,909
Supplies	25,761	11,744	36,434	73,939
Taxes	1,843	321	-	2,164
Telephone	2,340	8,334	1,690	12,364
Tour Sponsorship	150,000	-	150,000	300,000
Travel	348,334	9,230	121,801	479,365
Utilities	-	8,033	-	8,033
Total	<u>\$ 7,975,000</u>	<u>\$ 1,095,069</u>	<u>\$ 1,183,668</u>	<u>\$ 10,253,737</u>
Percent of Total	78%	11%	11%	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, 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/ACH Processing	5,296	153,626	-	158,922
Depreciation Expense	-	33,011	-	33,011
Design	5,429	98	12,856	18,383
Dues and 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 and Permits	953	206	20	1,179
Marketing	376,910	-	-	376,910
Merchandise Purchased	37,439	-	1,668	39,107
Miscellaneous	527	(265)	-	262
Payroll Expenses	-	4,137	-	4,137
Payroll Taxes	58,079	30,924	26,655	115,658
Postage and 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 and 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	557,451	14,565	192,208	764,224
Utilities	-	8,026	-	8,026
Total	<u>\$ 8,998,856</u>	<u>\$ 1,106,900</u>	<u>\$ 1,369,147</u>	<u>\$ 11,474,903</u>
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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 498,313	\$ 785,240
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Gain on Sale of Property and Equipment	(17,006)	-
Depreciation	22,168	33,011
(Increase) Decrease in Operating Assets		
Pledges Receivable	(95,000)	-
Inventory	8,628	551
Prepaid Expenses	120,468	(2,285)
Increase (Decrease) in Operating Liabilities		
Grants Payable	300,000	(553,000)
Accounts Payable	(2,763)	(50,037)
Deferred Revenue	(132,575)	(32,216)
Accrued Vacation	82,658	8,501
Accrued Payroll	<u>33,945</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>818,836</u>	<u>189,765</u>
Cash Flows From Investing Activities:		
Proceeds from Sale of Property and Equipment	32,000	-
Purchase of Property and Equipment	<u>(5,090)</u>	<u>(14,407)</u>
Net Cash Provided (Used) by Investing Activities	<u>26,910</u>	<u>(14,407)</u>
Net Increase in Cash	845,746	175,358
Cash, Beginning of Year	<u>2,135,999</u>	<u>1,960,641</u>
Cash, End of Year	<u><u>\$ 2,981,745</u></u>	<u><u>\$ 2,135,999</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, 2017 AND 2016**

**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, not-for-profit 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 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, 2017 AND 2016**

**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 estimated 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, 2017, 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 June 30, 2013.

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, 2017 and 2016, the Organization's uninsured cash balance was approximately \$2,769,000 and \$1,847,000, respectively.

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017 AND 2016**

**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:

	2017	2016
Donor A	25%	24%
Donor B	75%	76%

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

	2017	2016
Agency A	21%	21%
Agency B	12%	15%

In-kind Contributions

In-kind contributions are reflected as contributions at their estimated 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, 2017 and 2016 are for Adoption Assistance.

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017 AND 2016**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<b>2017</b>	<b>2016</b>
Computers and Equipment	\$ 111,227	\$ 106,136
Furniture and Fixtures	18,077	18,077
Leasehold Improvements	38,588	38,588
Vehicles	-	94,675
Software	4,886	4,886
	<u>172,778</u>	<u>262,362</u>
Less: Accumulated Depreciation	<u>(116,532)</u>	<u>(174,044)</u>
	<u><u>\$ 56,246</u></u>	<u><u>\$ 88,318</u></u>

**NOTE 5 – RELATED PARTY TRANSACTIONS**

An officer of the Organization was paid \$50,000 directly during the fiscal year ending June 30, 2017 for a series of house concerts utilized for fundraising purposes.

The \$50,000 paid directly to the officer of the Organization for tour sponsorship for the year ended June 30, 2017 compares to \$248,500 paid directly to the officer of the Organization and to a company owned by the officer for fall and spring tour sponsorships for the year ended June 30, 2016.

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.

The current amounts paid to the officer of the Organization are about equal to the industry average amount. New monthly donors donate approximately 3-5 times the fee paid for the tour. Management feels that the results of these analyses are representative of the results of other tours.

This officer made a contribution of \$56,025 and \$231,806 for the years ended June 30, 2017 and 2016, respectively, to the Organization.

**NOTE 6 – 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.

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017 AND 2016**

**NOTE 7 – OPERATING LEASES**

The Organization leases certain office equipment under non-cancelable operating leases. Future estimated minimum lease payments required under the leases are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 5,487
2019	5,487
2020	3,675
2021	<u>1,225</u>
	<u>\$ 15,874</u>

The Organization also has a month to month lease agreement for office space in Franklin, Tennessee. Rent expense associated with the monthly lease agreement for the years ended June 30, 2017 and 2016 was \$86,400 each year.

**NOTE 8 – 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, 2017 and 2016 was \$21,661 and \$18,457, respectively.

**NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 21, 2017, the date which the financial statements were available to be issued.