

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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Independent Auditor's Report

Board of Directors
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 Tennessee not-for-profit organization, the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's 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 auditor's 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 the Organization as of June 30, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC".

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 2, 2019

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Cash | \$ 6,414,356 | \$ 4,236,282 |
| Notes receivable | 37,338 | - |
| Prepaid expenses | 107,807 | 40,970 |
| Property and equipment, net | <u>62,305</u> | <u>57,935</u> |
| Total assets | <u>\$ 6,621,806</u> | <u>\$ 4,335,187</u> |
| Liabilities | | |
| Grants payable | \$ 2,961,000 | \$ 2,212,000 |
| Accounts payable | 98,082 | 25,141 |
| Deferred revenue | 129,857 | 87,549 |
| Accrued vacation | 150,057 | 137,493 |
| Accrued payroll | <u>29,434</u> | <u>29,021</u> |
| Total liabilities | <u>3,368,430</u> | <u>2,491,204</u> |
| Net assets | | |
| Without donor restrictions | 2,594,594 | 893,217 |
| With donor restrictions | <u>658,782</u> | <u>950,766</u> |
| Total net assets | <u>3,253,376</u> | <u>1,843,983</u> |
| Total liabilities and net assets | <u>\$ 6,621,806</u> | <u>\$ 4,335,187</u> |

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

**SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------------|
| Revenues, gains, and other support: | | | |
| Contributions: | | | |
| Adoption assistance | \$ - | \$ 3,574,025 | \$ 3,574,025 |
| Adoption awareness | - | 65,779 | 65,779 |
| Orphan care | - | 3,929,437 | 3,929,437 |
| General - Other | 5,129,980 | - | 5,129,980 |
| Interest income | 23,916 | - | 23,916 |
| Net assets released from restrictions | <u>7,861,225</u> | <u>(7,861,225)</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>13,015,121</u> | <u>(291,984)</u> | <u>12,723,137</u> |
| Expenses: | | | |
| Program services | 8,654,353 | - | 8,654,353 |
| General and administrative | 1,275,551 | - | 1,275,551 |
| Fundraising | <u>1,383,840</u> | <u>-</u> | <u>1,383,840</u> |
| Total expenses | <u>11,313,744</u> | <u>-</u> | <u>11,313,744</u> |
| Change in net assets | 1,701,377 | (291,984) | 1,409,393 |
| Net assets, beginning of year | <u>893,217</u> | <u>950,766</u> | <u>1,843,983</u> |
| Net assets, end of year | <u>\$ 2,594,594</u> | <u>\$ 658,782</u> | <u>\$ 3,253,376</u> |

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

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------------|
| Revenues, gains, and other support: | | | |
| Contributions: | | | |
| Adoption assistance | \$ - | \$ 3,261,115 | \$ 3,261,115 |
| Adoption awareness | - | 93,267 | 93,267 |
| Orphan care | - | 3,263,760 | 3,263,760 |
| General - Other | 4,238,809 | - | 4,238,809 |
| Interest income | 10,384 | - | 10,384 |
| Net assets released from restrictions | <u>6,407,109</u> | <u>(6,407,109)</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>10,656,302</u> | <u>211,033</u> | <u>10,867,335</u> |
| Expenses: | | | |
| Program services | 7,702,589 | - | 7,702,589 |
| General and administrative | 1,091,532 | - | 1,091,532 |
| Fundraising | <u>1,225,133</u> | <u>-</u> | <u>1,225,133</u> |
| Total expenses | <u>10,019,254</u> | <u>-</u> | <u>10,019,254</u> |
| Change in net assets | 637,048 | 211,033 | 848,081 |
| Net assets, beginning of year | <u>256,169</u> | <u>739,733</u> | <u>995,902</u> |
| Net assets, end of year | <u>\$ 893,217</u> | <u>\$ 950,766</u> | <u>\$ 1,843,983</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
YEAR ENDED JUNE 30, 2019

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|-----------------------------|---------------------------------------|---------------------|----------------------|
| Advertising | \$ 7,218 | \$ - | \$ 7,939 | \$ 15,157 |
| Audio visual | 15,774 | - | 22,520 | 38,294 |
| Bank service charges | - | 4,213 | - | 4,213 |
| Cleaning and maintenance | - | 9,532 | - | 9,532 |
| Conference fee | 363,466 | - | - | 363,466 |
| Continuing education | 2,079 | 25 | 168 | 2,272 |
| Contract labor | 198,789 | 3,471 | 41,914 | 244,174 |
| Credit card processing | 1,986 | 167,506 | - | 169,492 |
| Depreciation expense | - | 13,047 | - | 13,047 |
| Design | 383 | - | 533 | 916 |
| Dues and subscriptions | 1,538 | 8,031 | 804 | 10,373 |
| Employee benefits | 50,093 | 31,283 | 20,360 | 101,736 |
| Equipment lease | - | 5,886 | - | 5,886 |
| Fulfillment | 11,271 | - | 292 | 11,563 |
| Gifts | 31,828 | 18,257 | 58,500 | 108,585 |
| Grants awarded | 2,822,000 | - | - | 2,822,000 |
| Insurance | 86,440 | 67,648 | 45,201 | 199,289 |
| IT services | 42,874 | 107,878 | 50,595 | 201,347 |
| Marketing | 1,451 | - | 1,256 | 2,707 |
| Merchandise purchased | 5,364 | - | - | 5,364 |
| Miscellaneous | 26 | 26 | - | 52 |
| Payroll expenses | 2,461 | 1,538 | 1,000 | 4,999 |
| Payroll taxes | 59,443 | 37,122 | 24,161 | 120,726 |
| Postage | 38,697 | 6,606 | 32,015 | 77,318 |
| Printing and reproduction | 72,430 | 762 | 72,812 | 146,004 |
| Production of event | 55,979 | - | 60,558 | 116,537 |
| Professional fees | 695 | 113,350 | 6,829 | 120,874 |
| Rent | 4,000 | 100,932 | 7,435 | 112,367 |
| Salaries and wages | 842,564 | 526,183 | 342,461 | 1,711,208 |
| Special care centers | 3,158,029 | - | - | 3,158,029 |
| Supplies | 54,730 | 25,477 | 67,693 | 147,900 |
| Tax | 498 | 81 | - | 579 |
| Telephone | 2,260 | 7,767 | 2,650 | 12,677 |
| Tour sponsorship | 341,250 | - | 356,250 | 697,500 |
| Travel | 378,737 | 10,380 | 159,894 | 549,011 |
| Utilities | - | 8,550 | - | 8,550 |
| Total | <u>\$ 8,654,353</u> | <u>\$ 1,275,551</u> | <u>\$ 1,383,840</u> | <u>\$ 11,313,744</u> |
| Percent of total | 77% | 11% | 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
YEAR ENDED JUNE 30, 2018

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|-----------------------------|---------------------------------------|---------------------|----------------------|
| Audio visual | \$ 21,377 | \$ - | \$ 24,437 | \$ 45,814 |
| Bank service charges | - | 4,788 | - | 4,788 |
| Cleaning and maintenance | - | 6,917 | - | 6,917 |
| Continuing education | 4,719 | 110 | 658 | 5,487 |
| Contract labor | 163,616 | 1,300 | 21,184 | 186,100 |
| Credit card processing | 2,181 | 136,488 | - | 138,669 |
| Depreciation expense | - | 12,513 | - | 12,513 |
| Design | 3,936 | 213 | 3,224 | 7,373 |
| Dues and subscriptions | - | 8,051 | 475 | 8,526 |
| Employee benefits | 47,568 | 28,932 | 24,418 | 100,918 |
| Equipment lease | - | 5,632 | - | 5,632 |
| Fulfillment | 10,177 | - | - | 10,177 |
| Gifts | 15,049 | 1,967 | 20,145 | 37,161 |
| Grants awarded | 2,169,500 | - | - | 2,169,500 |
| Insurance | 70,042 | 58,076 | 35,556 | 163,674 |
| IT services | 26,916 | 112,041 | 45,254 | 184,211 |
| Marketing | 265,613 | - | 6,163 | 271,776 |
| Merchandise purchased | 4,064 | - | - | 4,064 |
| Miscellaneous | - | 120 | 224 | 344 |
| Payroll expenses | 2,074 | 1,262 | 1,065 | 4,401 |
| Payroll taxes | 52,592 | 31,988 | 26,996 | 111,576 |
| Postage | 26,118 | 7,211 | 37,124 | 70,453 |
| Printing and reproduction | 61,986 | 1,635 | 92,904 | 156,525 |
| Production of event | 38,303 | - | 50,560 | 88,863 |
| Professional fees | 8,300 | 90,392 | 6,697 | 105,389 |
| Special care centers | 3,364,044 | - | - | 3,364,044 |
| Rent | - | 92,215 | 6,380 | 98,595 |
| Salaries and wages | 752,450 | 457,667 | 386,247 | 1,596,364 |
| Supplies | 19,090 | 10,660 | 63,849 | 93,599 |
| Tax | 365 | 146 | - | 511 |
| Telephone | 2,370 | 6,407 | 3,585 | 12,362 |
| Tour sponsorship | 195,000 | - | 215,000 | 410,000 |
| Travel | 375,139 | 8,246 | 152,988 | 536,373 |
| Utilities | - | 6,555 | - | 6,555 |
| Total | <u>\$ 7,702,589</u> | <u>\$ 1,091,532</u> | <u>\$ 1,225,133</u> | <u>\$ 10,019,254</u> |
| Percent of total | 77% | 11% | 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
YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|----------------------------|----------------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 1,409,393 | \$ 848,081 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Loss on sale of property and equipment | - | 195 |
| Depreciation | 13,047 | 12,513 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | - | 200,000 |
| Notes receivable | (37,338) | - |
| Prepaid expenses | (66,837) | (9,288) |
| Grants payable | 749,000 | 115,000 |
| Accounts payable | 72,941 | 5,220 |
| Deferred revenue | 42,308 | 87,549 |
| Accrued vacation | 12,564 | 14,588 |
| Accrued payroll | 413 | (4,924) |
| Net cash provided by operating activities | <u>2,195,491</u> | <u>1,268,934</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | <u>(17,417)</u> | <u>(14,397)</u> |
| Net cash used by investing activities | <u>(17,417)</u> | <u>(14,397)</u> |
| Net increase in cash | 2,178,074 | 1,254,537 |
| Cash, beginning of year | <u>4,236,282</u> | <u>2,981,745</u> |
| Cash, end of year | <u><u>\$ 6,414,356</u></u> | <u><u>\$ 4,236,282</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
YEARS ENDED JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Shaohannah's Hope, Inc. (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 four Directors and three 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, day-to-day management is performed by the Executive Team, led by the Executive Director hired by the Board.

Basis of Accounting

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

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization 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. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. 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.

Use of 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.

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 net assets without donor restrictions.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

Cash

Cash consists principally of cash on hand and on deposit with financial institutions.

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 by use of the straight-line method over the estimated useful lives of the related assets. Routine repairs and maintenance are expensed as incurred.

Grants Payable

Grants payable consist 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.

Advertising

All advertising costs are expensed when incurred.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

Includes the direct cost of operating the Organization and all of the related programs.

Management and General

Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising

Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

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.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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, 2019, 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, 2015.

In-kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the 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) require 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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the requirement of reporting expenses by both their natural and functional classification, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 - Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019:

| | |
|---|---------------------|
| Financial assets at year end: | |
| Cash | \$ 6,414,356 |
| Notes receivable | 37,338 |
| Total financial assets at year end | <u>6,451,694</u> |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | (658,782) |
| Amounts restricted for operational use in next year | <u>658,782</u> |
| Less board designations: | |
| Adoption assistance reserve | (250,000) |
| Orphan care reserve | <u>(250,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,951,694</u> |

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

Note 3 - Property and Equipment

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

| | 2019 | 2018 |
|--------------------------|------------------|------------------|
| Computers and equipment | \$ 140,133 | \$ 122,716 |
| Furniture and fixtures | 18,077 | 18,077 |
| Leasehold improvements | 38,588 | 38,588 |
| Software | 6,086 | 6,086 |
| | <u>202,884</u> | <u>185,467</u> |
| Accumulated depreciation | (140,579) | (127,532) |
| | <u>\$ 62,305</u> | <u>\$ 57,935</u> |

Note 4 - Net Assets

Certain net assets with donor restrictions at June 30, 2019 and 2018 are for Adoption Assistance.

Note 5 - Program Services

The following is a detailed summary of program services as presented on the statement of activities for the years ended June 30:

| | 2019 | 2018 |
|---------------------|---------------------|---------------------|
| Adoption assistance | \$ 3,879,290 | \$ 3,050,083 |
| Adoption awareness | 858,909 | 636,442 |
| Orphan care | 3,916,154 | 4,016,064 |
| Program services | <u>\$ 8,654,353</u> | <u>\$ 7,702,589</u> |

Note 6 - Leases

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

| <u>Year Ending June 30,</u> | |
|-----------------------------|------------------|
| 2020 | \$ 5,484 |
| 2021 | 3,036 |
| 2022 | 1,812 |
| 2023 | 453 |
| | <u>\$ 10,785</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, 2019 and 2018, was \$93,600 and \$79,200, 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 years ended June 30, 2019 and 2018 was \$31,352 and \$28,817 respectively.

SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

Note 8 - Concentrations

Financial instruments that are exposed to concentrations of credit risk consist of cash on deposit with financial institutions and grants payable.

At various times during the year, the Organization's cash on deposit with financial institutions exceeded the federally insured limit of \$250,000. At June 30, 2019 and 2018, the Organization had deposits in excess of the federally insured limit totaling approximately \$5,920,000 and \$3,790,000, respectively.

At June 30, 2019, three adoption agencies accounted for 40% of grants payable. At June 30, 2018, one adoption agency accounted for 20% of grants payable.

Note 9 - Related Party Transactions

An officer of the Organization was paid \$37,500 directly during the fiscal year ending June 30, 2019 for a series of house concerts (3) utilized for fundraising purposes. The officer of the Organization was paid \$50,000 directly during the fiscal year ending June 30, 2018 for a series of house concerts (4) utilized for fundraising purposes.

In addition, \$660,000 was paid to a company owned by the officer of the Organization for fall and spring tour sponsorships (66 tour stops) for the fiscal year ending June 30, 2019. \$360,000 was paid to the company owned by the officer of the Organization for fall and spring tour sponsorships (36 tour stops) for the fiscal year ending June 30, 2018.

The increase from fiscal year 2017-2018 to fiscal year 2018-2019 in the amounts paid is due to an increase in the number of tour stops. The additional tour stops generated additional income to Show Hope in fiscal year 2018-2019, and are projected to generate additional income in the future.

The transactions were entered into within the boundaries of the Organization's conflict of interest policy including approval by majority vote by the independent parties of the Organization's Board of Directors.

The current amounts paid to the officer of the Organization are significantly less than the industry standard average amount. New monthly donors donate approximately 3-5 times the fee paid for the tour. Management believes these results are representative of the results of other tours. In addition to acquiring 1,989 new monthly donors, one-time contributions from the tours were \$294,000 for FY18-19.

This officer made a contribution of \$77,252 and \$54,720 for the years ended June 30, 2019 and 2018, respectively, to the Organization.

Note 10 - Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09, along with the subsequent amendments, which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. In addition, ASU 2014-09 requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing and uncertainty of revenue. ASU 2014-09 was deferred by one year by ASU 2015-14 and will become effective for annual reporting periods beginning after December 15, 2018. The Organization does not expect the timing of grant or gift revenue recognition to change significantly as a result of this ASU. The Organization will adopt the provisions of ASU 2014-09 in 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), to supersede nearly all existing lease guidance under GAAP. ASU 2016-02 requires the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases. ASU 2016-02 also requires qualitative disclosures along with specific quantitative disclosures and is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations and cash flows.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 10 - Recent Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires organizations to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations and cash flows.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through October 2, 2019, the date which the financial statements were available to be issued.