

Shaohannah's Hope, Inc.
dba Show Hope

Financial Statements
For the Years Ended June 30, 2021 and 2020

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Financial Statements
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Independent Auditor's Report

Board of Directors
Shaohannah's Hope, Inc. dba Show Hope

Report on the Financial Statements

We have audited the accompanying financial statements of the Shaohannah's Hope, Inc. dba Show Hope (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 Shaohannah's Hope, Inc. dba Show Hope as of June 30, 2021 and 2020, and the results of its operations 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 13, 2021

Shaohannah's Hope, Inc.
dba Show Hope
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 11,691,960	\$ 7,900,922
Prepaid expenses	-	5,000
Property and equipment, net	<u>51,730</u>	<u>49,365</u>
Total assets	\$ 11,743,690	\$ 7,955,287
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 4,586,932	\$ 3,614,000
Accounts payable	43,793	22,323
Deferred revenues	7,002	1,406
Accrued vacation	138,828	142,841
Accrued payroll	<u>33,027</u>	<u>36,295</u>
Total liabilities	4,809,582	3,816,865
Net assets		
Without donor restrictions	6,162,283	3,302,408
With donor restrictions	<u>771,825</u>	<u>836,014</u>
Total net assets	<u>6,934,108</u>	<u>4,138,422</u>
Total liabilities and net assets	\$ 11,743,690	\$ 7,955,287

Shaohannah's Hope, Inc.
dba Show Hope
Statement of Activities
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Adoption assistance	\$ -	\$ 4,084,813	\$ 4,084,813
Adoption awareness	-	100,837	100,837
Orphan care	-	174,046	174,046
General, other	5,525,908	-	5,525,908
Interest income	1,145	-	1,145
Net assets released from restrictions	<u>4,423,885</u>	<u>(4,423,885)</u>	<u>-</u>
Total support and revenues	9,950,938	(64,189)	9,886,749
Expenses			
Program services	5,307,316	-	5,307,316
Management and general	973,482	-	973,482
Fundraising	810,265	-	810,265
Total expenses	<u>7,091,063</u>	<u>-</u>	<u>7,091,063</u>
Change in net assets	2,859,875	(64,189)	2,795,686
Net assets, beginning of year	<u>3,302,408</u>	<u>836,014</u>	<u>4,138,422</u>
Net assets, end of year	\$ 6,162,283	\$ 771,825	\$ 6,934,108

Shaohannah's Hope, Inc.
dba Show Hope
Statement of Activities
For the Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Adoption assistance	\$ -	\$ 3,833,810	\$ 3,833,810
Adoption awareness	-	6,053	6,053
Orphan care	-	2,265,635	2,265,635
General, other	4,338,435	-	4,338,435
Interest income	77,299	-	77,299
Net assets released from restrictions	<u>5,928,266</u>	<u>(5,928,266)</u>	<u>-</u>
Total support and revenues	10,344,000	177,232	10,521,232
Expenses			
Program services	7,647,916	-	7,647,916
Management and general	1,150,203	-	1,150,203
Fundraising	<u>838,067</u>	<u>-</u>	<u>838,067</u>
Total expenses	9,636,186	-	9,636,186
Change in net assets	707,814	177,232	885,046
Net assets, beginning of year	<u>2,594,594</u>	<u>658,782</u>	<u>3,253,376</u>
Net assets, end of year	\$ 3,302,408	\$ 836,014	\$ 4,138,422

Shaohannah's Hope, Inc.
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Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 633,838	\$ 438,867	\$ 296,880	\$ 1,369,585
Payroll taxes	45,394	31,431	21,262	98,087
Employee benefits	46,531	32,219	21,796	100,546
Payroll expenses	1,973	1,366	924	4,263
Advertising	13,782	-	10,621	24,403
Audio visual	18,604	-	6,306	24,910
Bank service charges	-	1,314	-	1,314
Cleaning and maintenance	-	10,600	-	10,600
Conference fee	562,400	-	-	562,400
Continuing education	35	459	91	585
Contract labor	64,434	126	23,836	88,396
Credit card processing	497	131,023	-	131,520
Depreciation expense	-	10,188	-	10,188
Design	875	-	875	1,750
Dues and subscriptions	1,538	7,175	495	9,208
Equipment lease	-	5,387	-	5,387
Fulfillment	5,056	-	-	5,056
Gifts	1,882	3,721	23,959	29,562
Grants awarded	3,001,141	-	-	3,001,141
Insurance	78,402	59,072	48,303	185,777
IT services	26,897	31,755	49,963	108,615
Marketing	2,515	-	375	2,890
Merchandise purchased	2,678	-	-	2,678
Miscellaneous	-	130	-	130
Postage	25,463	5,826	28,242	59,531
Printing and reproduction	93,495	1,985	71,609	167,089
Production of event	67,132	-	50,924	118,056
Professional fees	68,296	66,015	12,433	146,744
Rent	5,925	99,236	6,875	112,036
Special care centers	386,078	-	-	386,078
Supplies	15,018	15,409	23,880	54,307
Tax	120	78	-	198
Telephone	400	8,254	1,500	10,154
Tour sponsorship	116,500	-	73,000	189,500
Travel	20,417	3,986	36,116	60,519
Utilities	-	7,860	-	7,860
	\$ 5,307,316	\$ 973,482	\$ 810,265	\$ 7,091,063
Percent of total	75%	14%	11%	100%

Shaohannah's Hope, Inc.
dba Show Hope
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 696,507	\$ 501,870	\$ 303,531	\$ 1,501,908
Payroll taxes	50,628	36,480	22,064	109,172
Employee benefits	49,016	35,318	21,361	105,695
Payroll expenses	2,028	1,462	884	4,374
Advertising	5,197	-	10,212	15,409
Audio visual	1,946	-	16,559	18,505
Bank service charges	-	3,491	-	3,491
Cleaning and maintenance	-	9,728	-	9,728
Conference fee	206,360	-	-	206,360
Continuing education	1,045	-	295	1,340
Contract labor	210,402	2,837	43,468	256,707
Credit card processing	674	156,179	-	156,853
Depreciation expense	-	11,968	-	11,968
Design	-	-	233	233
Dues and subscriptions	1,538	8,515	475	10,528
Equipment lease	-	7,845	-	7,845
Fulfillment	9,747	-	-	9,747
Gifts	2,559	6,927	20,728	30,214
Grants awarded	2,943,000	-	-	2,943,000
Insurance	79,682	70,414	46,191	196,287
IT services	62,756	34,819	50,851	148,426
Marketing	1,569	-	2,503	4,072
Merchandise purchased	4,297	-	-	4,297
Miscellaneous	-	174	-	174
Postage	18,300	6,479	23,857	48,636
Printing and reproduction	37,514	376	85,009	122,899
Production of event	500	-	68,507	69,007
Professional fees	24,576	125,421	12,770	162,767
Rent	-	85,297	6,145	91,442
Special care centers	2,987,859	-	-	2,987,859
Supplies	14,423	17,362	48,500	80,285
Tax	277	147	-	424
Telephone	1,150	9,117	3,000	13,267
Tour sponsorship	33,750	-	6,250	40,000
Travel	200,616	8,533	44,674	253,823
Utilities	-	9,444	-	9,444
	\$ 7,647,916	\$ 1,150,203	\$ 838,067	\$ 9,636,186
Percent of total	79%	12%	9%	100%

Shaohannah's Hope, Inc.
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 Statements of Cash Flows
 For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 7,900,922	\$ 6,414,356
Cash flows from operating activities		
Change in net assets	2,795,686	885,046
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss on disposal of fixed assets	(82)	2,096
Depreciation expense	10,188	11,968
Change in:		
Notes receivable	-	37,338
Prepaid expenses	5,000	102,807
Grants payable	972,932	653,000
Accounts payable	21,470	(75,759)
Deferred revenues	5,596	(128,451)
Accrued vacation	(4,013)	(7,216)
Accrued payroll	(3,268)	6,861
Net cash provided (used) by operating activities	3,803,509	1,487,690
Cash flows from investing activities		
Purchase of property and equipment	(12,471)	(1,124)
Net cash provided (used) by investing activities	(12,471)	(1,124)
Net change in cash	3,791,038	1,486,566
Cash, end of year	\$ 11,691,960	\$ 7,900,922
Supplemental disclosures of noncash investing activities		
Disposal of property and equipment	\$ 1,877	\$ 75,304

Shaohannah's Hope, Inc.
dba Show Hope
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 dba name "Show Hope." In 2020, the Organization incorporated in the state of Tennessee and merged the existing Virginia nonstock corporation into the Tennessee nonprofit organization. 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 financial assistance to families who have adopted children experiencing medical needs, and increasing adoption awareness by mobilizing the church to engage in adoption and orphan care. Of note, Show Hope provided funding for Maria's Big House of Hope and other care centers which provided surgical care and medical care to special needs orphans in China through August 2020.

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 (US GAAP).

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 US GAAP 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.

Shaohannah's Hope, Inc.
dba Show Hope
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. **Summary of Significant Accounting Policies**

Cash

Cash consists principally of cash on deposit with financial institutions.

Property and Equipment and Depreciation

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.

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 net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions.

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

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 recordkeeping, 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.

Shaohannah's Hope, Inc.
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Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

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.

US GAAP requires 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, 2021, no uncertain positions have been 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 ended before June 30, 2017.

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.

Note 2. Availability and Liquidity

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

	2021	2020
Financial assets		
Cash	\$ 11,691,960	\$ 7,900,922
Less amounts not available to be used within one year		
Net assets with donor restrictions	(771,825)	(836,014)
Amounts restricted for operational use in next year	771,825	836,014
Less board designations		
Adoption assistance reserve	(500,000)	(500,000)
Orphan care reserve	<u>(500,000)</u>	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,691,960	\$ 6,900,922

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.
dba Show Hope
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Property and Equipment

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

	2021	2020
Computers and equipment	\$ 79,643	\$ 69,048
Software	16,801	16,801
Leasehold improvements	38,588	38,588
Software	4,267	4,267
Less: accumulated depreciation	<u>(87,567)</u>	<u>(79,339)</u>
	\$ 51,732	\$ 49,365

Note 4. Net Assets

Net assets with donor restrictions at June 30, 2021 and 2020 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:

	2021	2020
Adoption assistance	\$ 4,149,003	\$ 3,656,579
Adoption awareness	520,345	418,793
Orphan care	<u>637,968</u>	<u>3,572,544</u>
Program services	\$ 5,307,316	\$ 7,647,916

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:

Year ended June 30,	
2022	\$ 1,812
2023	<u>453</u>
Total	\$ 2,265

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, 2021 and 2020, was \$93,600 and \$79,200, respectively.

Shaohannah's Hope, Inc.
dba Show Hope
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020 was \$34,491 and \$30,210 respectively.

Note 8. Concentrations and Uncertainties

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

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, 2021 and 2020, the Organization had deposits in excess of the federally insured limit totaling approximately \$11,321,000 and \$7,565,000, respectively.

Note 9. Related Party Transactions

A company owned by an officer of the Organization was paid \$157,000 for house concerts utilized for fundraising purposes (\$72,500), tour sponsorships (\$64,500), recorded event honorarium (\$15,000), and virtual event honorariums (\$5,000) for the fiscal year ended June 30, 2021.

The total of \$157,000 paid to a company owned by the officer of the Organization for house concerts (7 shows), tour sponsorships (15 tour stops), recorded event honorarium (1 event), and virtual event honorariums (2 events) compares to \$40,000 paid to a company owned by the officer for tour sponsorship (11 tour stops) and a live event (1 event) for the fiscal year ended June 30, 2020. The increase from fiscal year 19-20 to fiscal year 20-21 in the amounts paid is due to an increase in the number of tour stops, house shows, and event honorariums. The additional house shows and tour stops generated additional income to Show Hope in fiscal year 20-21, 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. This officer made a contributions to the Organization of \$14,285 and \$40,712 for the years ended June 30, 2021 and 2020, respectively.

Note 10. Subsequent Events

Management has evaluated subsequent events through October 13, 2021, the date on which the financial statements were available for issuance.