

Shaohannah's Hope, Inc.
dba Show Hope

Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Shaohannah's Hope, Inc. dba Show Hope and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 12, 2024

Shaohannah's Hope, Inc.
dba Show Hope
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 12,097,009	\$ 11,312,904
Accounts receivable	100	788
Prepaid expenses	20,471	9,525
Property and equipment, net	<u>4,178,308</u>	<u>4,143,990</u>
Total assets	\$ 16,295,888	\$ 15,467,207
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 5,389,071	\$ 4,977,064
Accounts payable	102,489	36,240
Deferred revenues	-	11,103
Accrued vacation	178,174	138,813
Accrued payroll	<u>26,592</u>	<u>37,736</u>
Total liabilities	5,696,326	5,200,956
Net assets		
Without donor restrictions	10,599,562	10,266,251
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>10,599,562</u>	<u>10,266,251</u>
Total liabilities and net assets	\$ 16,295,888	\$ 15,467,207

Shaohannah's Hope, Inc.
dba Show Hope
Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Adoption assistance	\$ -	\$ 3,465,226	\$ 3,465,226
Adoption awareness	-	26,366	26,366
Orphan care	-	387,303	387,303
General, other	5,959,102	-	5,959,102
Interest income	263,694	-	263,694
Net assets released from restrictions	<u>3,878,895</u>	<u>(3,878,895)</u>	<u>-</u>
Total support and revenues	10,101,691	-	10,101,691
Expenses			
Program services	7,070,563	-	7,070,563
Management and general	1,288,330	-	1,288,330
Fundraising	<u>1,409,487</u>	<u>-</u>	<u>1,409,487</u>
Total expenses	9,768,380	-	9,768,380
Change in net assets	333,311	-	333,311
Net assets, beginning of year	<u>10,266,251</u>	<u>-</u>	<u>10,266,251</u>
Net assets, end of year	\$ 10,599,562	\$ -	\$ 10,599,562

Shaohannah's Hope, Inc.
dba Show Hope
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Adoption assistance	\$ -	\$ 3,243,720	\$ 3,243,720
Adoption awareness	-	1,711	1,711
Orphan care	-	241,040	241,040
General, other	5,471,087	-	5,471,087
Interest income	109,266	-	109,266
Net assets released from restrictions	<u>3,522,288</u>	<u>(3,522,288)</u>	<u>-</u>
Total support and revenues	9,102,641	(35,817)	9,066,824
Expenses			
Program services	6,080,554	-	6,080,554
Management and general	1,292,425	-	1,292,425
Fundraising	<u>1,295,345</u>	<u>-</u>	<u>1,295,345</u>
Total expenses	8,668,324	-	8,668,324
Change in net assets	434,317	(35,817)	398,500
Net assets, beginning of year	<u>9,831,934</u>	<u>35,817</u>	<u>9,867,751</u>
Net assets, end of year	\$ 10,266,251	\$ -	\$ 10,266,251

Shaohannah's Hope, Inc.
dba Show Hope
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 715,353	\$ 439,522	\$ 469,296	\$ 1,624,171
Payroll taxes	51,635	31,549	31,342	114,526
Employee benefits	120,999	115,240	73,827	310,066
Other payroll expenses	-	3,652	-	3,652
Audio visual	7,444	-	9,081	16,525
Bank service charges	-	4,098	-	4,098
Business meals	4,004	8,873	3,871	16,748
Cleaning and maintenance	-	46,955	-	46,955
Conference fee	58,425	-	-	58,425
Continuing education	3,908	14,241	988	19,137
Contract labor	84,579	97,062	52,932	234,573
Credit card processing	80	140,976	-	141,056
Depreciation	-	135,390	-	135,390
Design	-	-	43	43
Dues and subscriptions	1,566	7,011	383	8,960
Equipment lease	-	2,895	-	2,895
Fulfillment	2,267	-	-	2,267
Gifts	10,221	5,526	19,548	35,295
Grants awarded	5,138,739	-	-	5,138,739
Insurance	324	19,046	1,207	20,577
IT services	40,495	50,004	48,688	139,187
Marketing	163,097	-	23,362	186,459
Miscellaneous	6	4,470	364	4,840
Postage	28,790	6,063	19,348	54,201
Printing and reproduction	120,339	6,670	87,053	214,062
Production of event	79,514	1,074	153,361	233,949
Professional fees	89,064	91,152	14,868	195,084
Rent	3,427	5,416	-	8,843
Supplies	800	16,505	1,217	18,522
Telephone	940	9,512	1,450	11,902
Tour sponsorship	261,250	-	283,750	545,000
Travel	83,297	15,245	113,508	212,050
Utilities	-	10,183	-	10,183
	\$ 7,070,563	\$ 1,288,330	\$ 1,409,487	\$ 9,768,380
Percent of total	72%	13%	15%	100%

Shaohannah's Hope, Inc.
dba Show Hope
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 643,123	\$ 449,596	\$ 380,247	\$ 1,472,966
Payroll taxes	42,918	32,461	23,041	98,420
Employee benefits	93,890	129,212	48,768	271,870
Other payroll expenses	-	4,026	-	4,026
Audio visual	11,557	-	9,336	20,893
Bank service charges	-	3,651	-	3,651
Business meals	3,275	7,479	4,440	15,194
Cleaning and maintenance	-	45,132	-	45,132
Conference fee	72,218	760	255	73,233
Continuing education	612	4,210	16	4,838
Contract labor	80,219	95,840	65,545	241,604
Credit card processing	439	134,584	-	135,023
Depreciation	-	90,287	-	90,287
Design	898	-	1,367	2,265
Dues and subscriptions	1,561	7,814	383	9,758
Equipment lease	-	2,738	-	2,738
Fulfillment	2,358	-	-	2,358
Gifts	3,579	4,429	35,863	43,871
Grants awarded	4,227,500	-	-	4,227,500
Insurance	302	18,712	704	19,718
IT services	44,737	52,533	44,913	142,183
Marketing	102,135	-	10,396	112,531
Miscellaneous	260	10,273	2,922	13,455
Postage	26,135	5,709	19,139	50,983
Printing and reproduction	123,373	6,355	104,237	233,965
Production of event	121,213	1,927	106,166	229,306
Professional fees	94,922	79,219	11,549	185,690
Rent	3,166	47,673	-	50,839
Supplies	1,513	24,582	1,335	27,430
Telephone	900	10,078	850	11,828
Tour sponsorship	309,500	-	332,000	641,500
Travel	68,251	11,393	91,873	171,517
Utilities	-	11,752	-	11,752
	\$ 6,080,554	\$ 1,292,425	\$ 1,295,345	\$ 8,668,324
Percent of total	70%	15%	15%	100%

Shaohannah's Hope, Inc.
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Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash and cash equivalents, beginning of year	\$ 11,312,904	\$ 12,311,040
Cash flows from operating activities		
Change in net assets	333,311	398,500
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	135,390	90,287
Change in:		
Accounts receivable	688	(788)
Related party receivable	-	230
Prepaid expenses	(10,946)	(3,519)
Grants payable	412,007	(329,613)
Accounts payable	66,249	(24,875)
Deferred revenues	(11,103)	2,425
Accrued vacation	39,361	92,672
Accrued payroll	(11,144)	6,817
Accrued expenses	-	(7,337)
Net cash provided (used) by operating activities	953,813	224,799
Cash flows from investing activities		
Purchases of property and equipment	(169,708)	(1,222,935)
Net change in cash and cash equivalents	784,105	(998,136)
Cash and cash equivalents, end of year	\$ 12,097,009	\$ 11,312,904
Supplemental disclosures of noncash investing activities		
Disposal of property and equipment	\$ -	\$ 60,177

Shaohannah's Hope, Inc.
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Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

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.

Shaohannah's Hope, Inc.
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Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

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

Principles of Consolidation

In 2022, the Organization formed SH Property, LLC, a wholly-owned subsidiary, to facilitate the purchase of land and a building where the corporate office is located.

The accompanying financial statements include the accounts of Shaohannah's Hope, Inc. and its wholly-owned subsidiary, after elimination of all material intercompany accounts, transactions, and profits.

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, 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.

Cash and Cash Equivalents

Cash and cash equivalents consists principally of cash on deposit with financial institutions and U.S. Treasury Securities.

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, which range from 3 to 39 years. 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.

Deferred revenues represent collections for events taking place after year end. Prepaid expenses represent expenditures for events taking place after year end.

Shaohannah's Hope, Inc.
dba Show Hope
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets 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.

Marketing

All marketing 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. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated.

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.

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, 2024, 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, 2021.

Shaohannah's Hope, Inc.
dba Show Hope
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2. Liquidity and Availability

The following represents the Organization's financial assets at:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 12,097,009	\$ 11,312,904
Less board designations		
Endowment	(1,001,430)	-
Grants operating reserve	(1,000,000)	-
Adoption assistance reserve	-	(500,000)
Orphan care reserve	-	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,095,579	\$ 10,312,904

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.

Note 3. Property and Equipment

Property and equipment consist of the following:

	2024	2023
Land	\$ 1,895,000	\$ 1,895,000
Building and improvements	2,219,572	2,064,865
Computers and equipment	156,073	146,564
Furniture and fixtures	161,403	155,911
Software	1,200	1,200
Less: accumulated depreciation	(254,940)	(119,550)
	\$ 4,178,308	\$ 4,143,990

Note 4. Endowment Funds

The Board of Directors has designated endowment funds to support the mission of the Organization. As required by US GAAP, net assets associated with endowment funds, including those designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as a portion of the Organization's net assets without donor restrictions.

Shaohannah's Hope, Inc.
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Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 4. Endowment Funds

In accordance with Uniform Prudent Management of Institutional Funds Act, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment net asset composition by type of fund as of June 30, 2024:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 1,001,430	\$ -	\$ 1,001,430

Changes in endowment net assets for the year ended June 30, 2024:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2023	\$ -	\$ -	\$ -
Investment return			
Interest and dividends	1,430	-	1,430
Contributions	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Endowment net assets, June 30, 2024	\$ 1,001,430	\$ -	\$ 1,001,430

The Organization has established investment policies for endowments which set certain expectations for target asset allocations, expected rates of return, and risk tolerances sufficient to achieve long-term investment objectives. Investment performance is reviewed at least annually with comparisons made to market indices.

Shaohannah’s Hope, Inc.
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Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 5. Program Services

The following is a detailed summary of program services as presented on the statements of activities:

	2024	2023
Adoption assistance	\$ 5,415,760	\$ 4,695,645
Adoption awareness	908,307	950,421
Orphan care	<u>746,496</u>	<u>434,488</u>
Program services	\$ 7,070,563	\$ 6,080,554

Note 6. 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, 2024 and 2023 was \$32,641 and \$25,425, respectively.

Note 7. 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, 2024 and 2023, the Organization had deposits in excess of the federally insured limit totaling approximately \$20,000 and \$837,000, respectively.

Note 8. Related Party Transactions

A tour production company owned by an officer of the Organization was paid \$639,000 for services rendered to benefit the Organization which included house concerts, individual concert sponsorships, recorded event honorariums, virtual event honorariums, and reimbursement for a personal assistant for the fiscal year ending June 30, 2024. In addition, a related party was paid \$43,000 for consulting fees, for adoption advocacy and organizational history, for the fiscal year ending June 30, 2024. The tour stops generated additional income to the Organization during the fiscal year ending June 30, 2024, and are projected to generate additional income in the future.

This compares to \$187,500 paid to a company owned by the officer for house concerts, individual concert sponsorships, recorded event honorariums, virtual event honorariums and reimbursement for a personal assistant for the fiscal year ended June 30, 2023. In addition, a related party was paid \$27,700 for consulting fees, for adoption advocacy and organizational history, for the year ending June 30, 2023.

Shaohannah's Hope, Inc.
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Notes to Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 8. Related Party Transactions

The increase in the amounts paid is due to an increase in the number of tour stops paid directly to a company owned by the officer for the year ending June 30, 2024; sponsorship for some individual concerts were paid to a separate tour promotion company for the year ending June 30, 2023, and therefore not reflected in the amount.

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 contribution of \$39,944 and \$74,269 for the years ended June 30, 2024 and 2023, respectively, to the Organization.

Note 9. Subsequent Events

Management has evaluated subsequent events through September 12, 2024, the date on which the financial statements were available for issuance.