SHAOHANNAH’S HOPE, INC.
D/B/A SHOW HOPE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS’ REPORT
FOR THE SIX MONTHS ENDED
JUNE 30, 2013
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Shaohannah's Hope, Inc. D/B/A Show Hope (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, functional expenses, and cash flows for the six months 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 audit. We conducted our audit 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, 2013, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

April 12, 2014

Blankenship CPA Group, PLLC
SHAOHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets:
- Cash $2,555,812
- Pledges Receivable 641,560
- Inventory 40,048
- Prepaid Expenses 162,005
- Other Current Assets 626

Total Current Assets 3,400,051

Property and Equipment
- 192,571
Less Accumulated Depreciation (73,825)

Net Property and Equipment 118,746

Total Assets $3,518,797

LIABILITIES AND NET ASSETS

Current Liabilities:
- Grants Payable $2,326,800
- Accounts Payable 29,082
- Deferred Revenue 274,434
- Other Current Liabilities

Total Current Liabilities 2,630,316

Net Assets:
- Unrestricted 342,874
- Temporarily Restricted 548,607

Total Net Assets 888,481

Total Liabilities and Net Assets $3,518,797

The accompanying notes are an integral part of these financial statements.
SHAOLAHANNA'S HOPE, INC.  
D/B/A SHOW HOPE  
STATEMENT OF ACTIVITIES  
FOR THE SIX MONTHS ENDED JUNE 30, 2013

<table>
<thead>
<tr>
<th>Increase in Net Assets:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption Assistance</td>
<td>$</td>
<td>$ 965,628</td>
<td>$ 965,628</td>
</tr>
<tr>
<td>Adoption Awareness</td>
<td></td>
<td>333,027</td>
<td>333,027</td>
</tr>
<tr>
<td>Orphan Care</td>
<td></td>
<td>1,233,122</td>
<td>1,233,122</td>
</tr>
<tr>
<td>General - Other</td>
<td>423,710</td>
<td></td>
<td>423,710</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1,898</td>
<td></td>
<td>1,898</td>
</tr>
<tr>
<td>Net Assets Released From Restrictions</td>
<td>2,827,963</td>
<td>(2,827,963)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3,253,571</td>
<td>(296,186)</td>
<td>2,957,385</td>
</tr>
</tbody>
</table>

| Decrease in Net Assets:                         |              |                        |           |
| Program Services:                               |              |                        |           |
| Adoption Assistance                             | 1,261,814    |                        | 1,261,814 |
| Adoption Awareness                              | 745,427      |                        | 745,427   |
| Orphan Care                                     | 1,818,106    |                        | 1,818,106 |
| Total Program Services                          | 3,825,347    |                        | 3,825,347 |

| Supporting Services:                            |              |                        |           |
| General and Administrative                      | 375,930      |                        | 375,930   |
| Fundraising                                     | 245,062      |                        | 245,062   |
| Total Supporting Services                       | 620,992      |                        | 620,992   |
| Total                                           | 4,446,339    |                        | 4,446,339 |

| Decrease in Net Assets                          | (1,192,768)  | (296,186)              | (1,488,954)|
| Net Assets, Beginning of Period                 | 1,535,642    | 841,793                | 2,377,435 |
| Net Assets, End of Period                       | $ 342,874    | $ 545,607              | $ 888,481 |
## SHAOHANNAH'S HOPE, INC.
### D/B/A SHOW HOPE
#### STATEMENT OF FUNCTIONAL EXPENSES
##### FOR THE SIX MONTHS ENDED JUNE 30, 2013

<table>
<thead>
<tr>
<th>Program Services</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACH Processing Fees</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,295</td>
</tr>
<tr>
<td>Audio Visual</td>
<td>53,051</td>
<td>-</td>
<td>3,400</td>
</tr>
<tr>
<td>Bank Service Charges</td>
<td>582</td>
<td>1,129</td>
<td>30</td>
</tr>
<tr>
<td>Booth/Venue Fees</td>
<td>800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cleaning/Maintenance</td>
<td>-</td>
<td>2,430</td>
<td>-</td>
</tr>
<tr>
<td>Continuing Education</td>
<td>1,250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>112,265</td>
<td>22,403</td>
<td>-</td>
</tr>
<tr>
<td>Credit Card Processing</td>
<td>1,786</td>
<td>48,038</td>
<td>40,784</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>-</td>
<td>18,096</td>
<td>-</td>
</tr>
<tr>
<td>Design</td>
<td>59,918</td>
<td>-</td>
<td>400</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td>1,000</td>
<td>695</td>
<td>-</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>4,089</td>
<td>2,216</td>
<td>1,874</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>3,807</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gifts</td>
<td>2,032</td>
<td>453</td>
<td>466</td>
</tr>
<tr>
<td>Grants Awarded</td>
<td>1,064,500</td>
<td>-</td>
<td>1,050</td>
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<tr>
<td>Insurance</td>
<td>54,332</td>
<td>36,101</td>
<td>12,656</td>
</tr>
<tr>
<td>IT Services</td>
<td>10,187</td>
<td>10,912</td>
<td>115</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>896</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Marketing</td>
<td>45,737</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Merchandise Purchased</td>
<td>40,209</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>834</td>
<td>737</td>
<td>-</td>
</tr>
<tr>
<td>Mission Trips</td>
<td>104,234</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Orphan Care</td>
<td>434,307</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Expenses</td>
<td>-</td>
<td>1,566</td>
<td>-</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>18,302</td>
<td>12,487</td>
<td>9,648</td>
</tr>
<tr>
<td>Postage and Delivery</td>
<td>15,821</td>
<td>2,568</td>
<td>18,948</td>
</tr>
<tr>
<td>Printing</td>
<td>28,930</td>
<td>5,981</td>
<td>20,752</td>
</tr>
<tr>
<td>Production of Event</td>
<td>24,850</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>162,850</td>
<td>12,554</td>
<td>630</td>
</tr>
<tr>
<td>Red Bus Project Sales</td>
<td>4,049</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rent</td>
<td>17,277</td>
<td>45,420</td>
<td>-</td>
</tr>
<tr>
<td>Repairs</td>
<td>7,141</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>240,169</td>
<td>121,692</td>
<td>126,345</td>
</tr>
<tr>
<td>Special Care Centers</td>
<td>1,181,900</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>53,796</td>
<td>5,322</td>
<td>-</td>
</tr>
<tr>
<td>Taxes</td>
<td>2,137</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone</td>
<td>300</td>
<td>6,969</td>
<td>364</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel &amp; Entertainment</td>
<td>60,009</td>
<td>14,425</td>
<td>5,305</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>3,716</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,825,347</strong></td>
<td><strong>375,930</strong></td>
<td><strong>245,062</strong></td>
</tr>
</tbody>
</table>

Percent of Total: 86% 8% 6% 100%

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

-4-
SHAOLHANNAH'S HOPE, INC.
D/B/A SHOW HOPE
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013

Cash Flows From Operating Activities:
Decrease in Net Assets $ (1,488,954)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities:
Depreciation 59,918
Proceeds From Sales of Marketable Equity Securities 54,758
Decrease in Pledges Receivable 293,480
(Increase) Decrease in Operating Assets
Inventory (19,789)
Prepaid Expenses (162,005)
Other Current Assets 700
Increase (Decrease) in Operating Liabilities
Grants Payable 339,700
Accounts Payable 19,746
Deferred Revenue 274,434
Other Current Liabilities (1,807)

Net Cash Used by Operating Activities (629,819)

Cash Flows From Investing Activities:
Purchase of Property and Equipment (57,322)

Net Decrease in Cash (687,141)
Cash, Beginning of Period 3,242,953
Cash, End of Period $ 2,555,812

The accompanying notes are an integral part of these financial statements.
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Shaohannah’s Hope, Inc. D/B/A Show Hope (the “Organization”) was incorporated in 2002 in the state of Virginia for the purpose of engaging the church to care for orphans, raising awareness of the plight of orphaned children throughout the world, and working to reduce financial barriers to adoptions. The Organization was authorized to conduct business in Tennessee in 2006 and relocated its corporate offices to Franklin, Tennessee in 2007. In 2009 the Organization adopted and trademarked the D/B/A name “Show Hope.” The Organization is a publicly supported, nonprofit corporation and contributions are solicited and received over a broad geographic region of the country.

The Organization’s major program services include providing financial assistance to families adopting children, providing funding for Maria's Big House of Hope which will provide surgical care and medical care to special needs orphans in China to increase their chances of being adopted, and increasing adoption awareness by mobilizing the church to engage in adoption and orphan care.

The affairs of the Organization are managed by a seven member Board of Directors consisting of three Directors and four Officers. Each Director and Officer is entitled to one vote on all voting matters. While major policies and decisions are determined by the Board of Directors, the day-to-day management is performed by the Executive Director hired by the Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Pledges receivable in the accompanying statements of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. When warranted by management the Organization uses the allowance method to determine uncollectible pledges based on prior years experience and management’s analysis of specific promises made. Management has deemed allowance adjustments unwarranted.

Deferred revenue represents collections for mission trips taking place after June 30. Prepaid expenses represent expenditures relating to those trips.
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 minimal values. Contributed property and equipment is recorded at
fair value at the date of donation. Depreciation is provided over the estimated useful lives of the
respective assets on a straight-line basis. Routine repairs and maintenance are expensed as
incurred.

Grants Payable

Grants payable consists of adoption assistance grants payable to various adoption agencies
and are designated for the benefit of specific individuals. If a grant is rescinded, the payable is
relieved and the related expense account is credited.

Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code
Section 501(c)(3). This code section enables the Organization to accept donations that qualify
as charitable contributions to the donor.

Accounting principles generally accepted in the United States of America require the
Organization’s management to evaluate tax positions taken by the Organization and recognize
a tax liability (or asset) if the Organization has taken an uncertain position that more likely than
not would not be sustained upon examination by the Internal Revenue Service (IRS).
Management has analyzed the tax positions taken by the Organization and has concluded that
as of June 30, 2013, 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 2010.

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, 2013, the Organization’s uninsured cash balance was
approximately $1,445,000.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

The approximate percentage of concentration of pledges receivable is as follows:

- Donor A: 33%
- Donor B: 31%
- Donor C: 25%

The approximate percentage of concentration of grants payable to adoption agencies is as follows:

- Agency A: 18%
- Agency B: 15%

In-kind Contributions

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) 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.

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, 2013 are available for Adoption Assistance.

NOTE 4 – RELATED PARTY TRANSACTIONS

Included in Pledges Receivable is $4,200 due from an officer of the Organization. This officer also donates time, brand image/likeliness, limited licensing of intellectual property and professional services for events and Organization branding. The value of the waived fees for these goods and services could not be readily determined and, accordingly, are not included in the statement of activities.
NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Allocations were made by the Organization based on their reviews of expenses as well as estimates made by management.

NOTE 6 – FACILITY LEASE

The Organization has a month to month lease agreement for office space in Franklin, Tennessee. Rent expense for the six months ended June 30, 2013 was $41,700.

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 six months ended June 30, 2013 was $8,179.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 12, 2014, the date which the financial statements were available to be issued.