

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

**TABLE OF CONTENTS**

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS:</b>	
Statements of Financial Position	2
Statement of Activities For Year Ended December 31, 2011	3
Statement of Activities For Year Ended December 31, 2010	4
Statement of Functional Expenses For Year Ended December 31, 2011	5
Statement of Functional Expenses For Year Ended December 31, 2010	6
Statement of Cash Flows	7
Notes to Financial Statements	8-11

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the statements of financial position of Shaohannah's Hope, Inc. D/B/A Show Hope (a nonprofit corporation) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

June 18, 2012

**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 2,932,280	\$ 2,668,675
Pledges Receivable	<u>784,790</u>	<u>548,600</u>
Total Current Assets	<u>3,717,070</u>	<u>3,217,275</u>
Property and Equipment	83,546	62,025
Less Accumulated Depreciation	<u>(53,764)</u>	<u>(43,581)</u>
Net Property and Equipment	<u>29,782</u>	<u>18,444</u>
Total Assets	<u><u>\$ 3,746,852</u></u>	<u><u>\$ 3,235,719</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Grants Payable	<u>\$ 1,517,585</u>	<u>\$ 1,119,435</u>
Total Current Liabilities	<u>1,517,585</u>	<u>1,119,435</u>
Net Assets:		
Unrestricted	1,446,704	1,596,228
Temporarily Restricted	<u>782,563</u>	<u>520,056</u>
Total Net Assets	<u>2,229,267</u>	<u>2,116,284</u>
Total Liabilities and Net Assets	<u><u>\$ 3,746,852</u></u>	<u><u>\$ 3,235,719</u></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 DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,484,619	\$ 2,484,619
Adoption Awareness	-	311,854	311,854
Orphan Care	-	2,800,219	2,800,219
General -Other	1,787,080	-	1,787,080
Interest Income	5,810	-	5,810
Net Assets Released From Restrictions	<u>5,334,185</u>	<u>(5,334,185)</u>	<u>-</u>
Total Increase	<u>7,127,075</u>	<u>262,507</u>	<u>7,389,582</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	2,285,064	-	2,285,064
Adoption Awareness	985,277	-	985,277
Orphan Care	<u>2,756,771</u>	<u>-</u>	<u>2,756,771</u>
Total Program Services	<u>6,027,112</u>	<u>-</u>	<u>6,027,112</u>
Supporting services:			
General and Administrative	587,751	-	587,751
Fundraising	<u>661,736</u>	<u>-</u>	<u>661,736</u>
Total Supporting Services	<u>1,249,487</u>	<u>-</u>	<u>1,249,487</u>
Total Decrease	<u>7,276,599</u>	<u>-</u>	<u>7,276,599</u>
Increase (Decrease) in Net Assets	(149,524)	262,507	112,983
Net Assets, Beginning of Year	<u>1,596,228</u>	<u>520,056</u>	<u>2,116,284</u>
Net Assets, End of Year	<u>\$ 1,446,704</u>	<u>\$ 782,563</u>	<u>\$ 2,229,267</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 DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Total
Increase in Net Assets:			
Contributions:			
Adoption Assistance	\$ -	\$ 2,216,755	\$ 2,216,755
Adoption Awareness	-	140,703	140,703
Orphan Care	-	1,698,177	1,698,177
General -Other	2,149,877	-	2,149,877
Interest Income	7,133	-	7,133
Net Assets Released From Restrictions	<u>3,762,844</u>	<u>(3,762,844)</u>	<u>-</u>
Total Increase	<u>5,919,854</u>	<u>292,791</u>	<u>6,212,645</u>
Decrease in Net Assets:			
Program Services:			
Adoption Assistance	1,911,290	-	1,911,290
Adoption Awareness	804,536	-	804,536
Orphan Care	<u>1,857,163</u>	<u>-</u>	<u>1,857,163</u>
Total Program Services	<u>4,572,989</u>	<u>-</u>	<u>4,572,989</u>
Supporting services:			
General and Administrative	477,189	-	477,189
Fundraising	<u>627,972</u>	<u>-</u>	<u>627,972</u>
Total Supporting Services	<u>1,105,161</u>	<u>-</u>	<u>1,105,161</u>
Total Decrease	<u>5,678,150</u>	<u>-</u>	<u>5,678,150</u>
Increase (Decrease) in Net Assets	241,704	292,791	534,495
Net Assets, Beginning of Year	<u>1,354,524</u>	<u>227,265</u>	<u>1,581,789</u>
Net Assets, End of Year	<u>\$ 1,596,228</u>	<u>\$ 520,056</u>	<u>\$ 2,116,284</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 DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
ACH Processing Fees	\$ -	\$ -	\$ 3,277	\$ 3,277
Audio Visual	33,393	-	6,320	39,713
Bank Service Charges	30	2,124	-	2,154
Booth / Venue Fee	2,030	-	4,000	6,030
Catering	-	-	33,450	33,450
Cleaning / Maintenance	-	3,900	-	3,900
Continuing Education	-	315	-	315
Contract Labor	164,285	8,759	26,486	199,530
Credit Card Processing Fees	4,209	50,699	55,625	110,533
Depreciation Expense	-	10,183	-	10,183
Design	36,563	481	19,407	56,451
Dues and Subscriptions	11,099	2,900	1,295	15,294
Employee Benefits	6,143	3,297	3,434	12,874
Fulfillment	5,921	-	-	5,921
Gifts	3,117	4,014	900	8,031
Grants Awarded	2,007,785	-	800	2,008,585
Insurance	74,040	46,029	33,224	153,293
IT Services	22,826	21,249	6,898	50,973
Licenses and Permits	15,671	229	300	16,200
Marketing	59,118	-	-	59,118
Merchandise Purchased	131,654	-	-	131,654
Miscellaneous	15,940	4,868	1,340	22,148
Mission Trips	522,904	-	-	522,904
Orphan Care	491,826	-	-	491,826
Payroll Taxes	29,477	21,101	15,481	66,059
Payroll Expenses	-	2,892	-	2,892
Postage and Delivery	28,048	6,632	32,178	66,858
Printing and Reproduction	42,848	8,556	56,914	108,318
Production of Event	13,955	-	-	13,955
Professional Fees	39,673	41,089	4,675	85,437
Refunds	20	-	-	20
Rent	32,245	69,585	11,153	112,983
Salaries and Wages	403,255	216,682	224,777	844,714
Special Care Centers	1,580,058	-	-	1,580,058
Supplies	60,751	12,565	16,832	90,148
Taxes	7,284	68	-	7,352
Telephone	655	13,631	-	14,286
Sponsorship	62,500	-	62,500	125,000
Travel and Entertainment	117,789	30,278	40,470	188,537
Utilities	-	5,625	-	5,625
<b>Total</b>	<u>\$ 6,027,112</u>	<u>\$ 587,751</u>	<u>\$ 661,736</u>	<u>\$ 7,276,599</u>
Percent of Total	<u>83%</u>	<u>8%</u>	<u>9%</u>	<u>100%</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 DECEMBER 31, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
ACH Processing Fees	\$ 2,076	\$ -	\$ -	\$ 2,076
Audio Visual	26,173	-	1,479	27,652
Bank Service Charges	15	3,597	-	3,612
Booth / Venue Fee	2,016	-	-	2,016
Catering	-	-	33,250	33,250
Cleaning / Maintenance	-	3,925	200	4,125
Continuing Education	1,099	-	-	1,099
Contract Labor	64,155	2,752	48,900	115,807
Credit Card Processing Fees	16,334	42,528	12,674	71,536
Depreciation Expense	-	10,539	-	10,539
Design	16,003	457	15,801	32,261
Dues and Subscriptions	500	1,420	-	1,920
Employee Benefits	5,212	3,039	3,103	11,354
Fulfillment	2,835	-	-	2,835
Gifts	2,804	498	979	4,281
Grants Awarded	2,221,504	-	-	2,221,504
Housing Allowance/Recoupment	-	2,750	-	2,750
Insurance	46,234	35,325	26,362	107,921
Inventory	19,439	-	4,620	24,059
IT Services	10,425	17,568	6,898	34,891
Licenses and Permits	32,479	300	124	32,903
Marketing	27,186	-	-	27,186
Merchandise Purchased	140,002	-	-	140,002
Miscellaneous	2,226	2,817	494	5,537
Payroll Taxes	20,142	18,918	17,609	56,669
Payroll Expenses	-	2,368	-	2,368
Postage and Delivery	33,184	3,265	20,126	56,575
Printing and Reproduction	45,707	5,443	32,829	83,979
Production of Event	129,664	-	6,760	136,424
Professional Fees	36,167	22,447	7,500	66,114
Refunds	4,138	-	-	4,138
Rent	5,000	59,455	9,621	74,076
Salaries and Wages	269,686	195,334	237,588	702,608
Special Care Centers	1,012,131	-	-	1,012,131
Supplies	37,967	8,934	31,054	77,955
Telephone	156	12,755	132	13,043
Sponsorship	83,700	-	83,700	167,400
Travel and Entertainment	256,630	16,374	26,169	299,173
Utilities	-	4,381	-	4,381
<b>Total</b>	<u>\$ 4,572,989</u>	<u>\$ 477,189</u>	<u>\$ 627,972</u>	<u>\$ 5,678,150</u>
Percent of Total	<u>81%</u>	<u>8%</u>	<u>11%</u>	<u>100%</u>

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



**SHAOHANNAH'S HOPE, INC.**  
**D/B/A SHOW HOPE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 AND DECEMBER 31, 2010**

	2011	2010
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 112,983	\$ 534,495
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,183	10,539
Increase in Pledges Receivable	(236,189)	(466,594)
Increase in Grants Payable	398,150	194,435
Decrease in Payroll Liabilities	-	(599)
	285,127	272,276
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities:		
Proceeds From Sale of Short-term Investments	-	5,645
Purchase of Equipment and Furniture	(21,522)	(3,538)
	(21,522)	2,107
Net Cash Provided by Investing Activities		
Net Increase in Cash	263,605	274,383
Cash, Beginning of Year	2,668,675	2,394,292
Cash, End of Year	\$ 2,932,280	\$ 2,668,675

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

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 statement of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as current or long-term receivables on the statement of financial position. 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. For the years ended December 31, 2011 and 2010 management has deemed allowance adjustments unwarranted.

SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of December, 31, 2011 and 2010, 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.

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 December 31, 2011 and 2010, the Organization's uninsured cash balances were approximately \$940,000 and \$778,000, respectively.

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

	<u>2011</u>	<u>2010</u>
Donor A	43%	56%
Donor B	28%	17%
Donor C	13%	16%

SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

	<u>2011</u>	<u>2010</u>
Agency A	15%	13%
Agency B	10%	11%

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) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Compensated absences

The Organization provides for paid leave for eligible employees. The liability at December 31, 2011 and 2010 is deemed to be immaterial to the financial statements taken as a whole.

**NOTE 3 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 18, 2012, the date which the financial statements were available to be issued.

**NOTE 4 – 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.

**SHAOHANNAH'S HOPE, INC.  
D/B/A SHOW HOPE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010**

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The organization contracts with a Christian Music entertainment company owned by an officer of the organization to provide promotional services during multi-city events for the purposes of raising awareness and resources for the organization's mission. The fee for professional promotional services for the years ending December 31, 2011 and 2010 was \$125,000 and \$167,400 respectively. These fees were underwritten as designated contributions by a number of donors in full disclosure of this related party transaction. Furthermore, the transaction was entered into within the boundaries of the organization's conflict of interest policy including unanimous vote by the disinterested parties of the Organization's board of directors.

This officer also made a \$115,000 donation in 2011 and a \$100,000 donation in 2010 to the organization in addition to the gratis offering of time, brand image/likeness, limited licensing of intellectual property and professional services for similar events and organization branding. The value of the waived fee's for these goods and services could not be readily determined and, accordingly, are not included in the statement of activities.

**NOTE 6 – FACILITY LEASE**

The Organization has a lease agreement for office space in Franklin, Tennessee. Rent expense for the years ended December 31, 2011 and 2010 was \$66,900 and \$58,300, respectively. Future minimum rental payments under this agreement are as follows:

<u>Year</u>	<u>Amount</u>
2012	<u>\$ 83,400</u>

**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 December 31, 2011 and 2010 was \$12,874 and \$11,354, respectively.

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Adoption Assistance	<u>\$ 782,563</u>	<u>\$ 520,056</u>

**NOTE 9 – RECLASSIFICATION**

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.