

**SHARED HOPE INTERNATIONAL**  
**AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY CONSOLIDATING INFORMATION

Years Ended June 30, 2017 and 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Shared Hope International and Affiliates  
Vancouver, Washington

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Shared Hope International (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

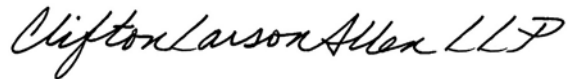
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shared Hope International as of June 30, 2017 and 2016, and the results of its operations, 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.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and statements of activities and changes in net assets are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
December 8, 2017

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 980,179	\$ 1,082,551
Certificates of deposit	250,000	-
Investments	129,181	120,072
Accounts receivable	-	13,700
Grants receivable	-	60,500
Pledges receivable, net	83,922	97,242
Prepaid expenses	133,651	30,483
Inventory	<u>119,113</u>	<u>155,675</u>
Total Current Assets	1,696,046	1,560,223
Long-Term Pledges Receivable	5,100	7,930
Deposits and Other Assets	4,406	4,406
Certificates of Deposit	250,000	-
Property and Equipment, net	345,671	396,613
Website, net	<u>-</u>	<u>15,591</u>
Total Assets	<u>\$ 2,301,223</u>	<u>\$ 1,984,763</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 60,537	\$ 68,076
Accrued payroll taxes and benefits	38,341	41,095
Accrued paid time off	51,134	47,544
Deferred revenue	<u>100,140</u>	<u>21,800</u>
Total Current Liabilities	250,152	178,515
Net Assets		
Unrestricted		
Operations	793,567	357,712
Property and Equipment	<u>345,671</u>	<u>396,613</u>
Total Unrestricted	1,139,238	754,325
Temporarily restricted	840,414	980,504
Permanently restricted	<u>71,419</u>	<u>71,419</u>
Total Net Assets	<u>2,051,071</u>	<u>1,806,248</u>
Total Liabilities and Net Assets	<u>\$ 2,301,223</u>	<u>\$ 1,984,763</u>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Contributions and grants	\$ 2,816,372	\$ 207,192	\$ -	\$ 3,023,564
Program and service revenue	292,539	-	-	292,539
Gifts-in-kind	199,923	-	-	199,923
Miscellaneous income	28	-	-	28
Interest income	1,280	5,887	-	7,167
Investment gain (loss)	244	8,571	-	8,815
Loss of uncollectible pledges	(22,171)	(1,242)	-	(23,413)
Net assets released from restrictions	360,498	(360,498)	-	-
<b>Total Support and Revenue</b>	<b>3,648,713</b>	<b>(140,090)</b>	<b>-</b>	<b>3,508,623</b>
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	525,467	-	-	525,467
International public education	7,372	-	-	7,372
Domestic public education	1,882,034	-	-	1,882,034
Domestic partners	171,994	-	-	171,994
Domestic WIN program	20,477	-	-	20,477
<b>Total Program Activities</b>	<b>2,607,344</b>	<b>-</b>	<b>-</b>	<b>2,607,344</b>
<b>Supporting Activities</b>				
Administration	369,619	-	-	369,619
Fundraising	286,837	-	-	286,837
<b>Total Supporting Activities</b>	<b>656,456</b>	<b>-</b>	<b>-</b>	<b>656,456</b>
<b>Total Expenses</b>	<b>3,263,800</b>	<b>-</b>	<b>-</b>	<b>3,263,800</b>
<b>Change in Net Assets</b>	<b>384,913</b>	<b>(140,090)</b>	<b>-</b>	<b>244,823</b>
<b>Net Assets, Beginning of Year</b>	<b>754,325</b>	<b>980,504</b>	<b>71,419</b>	<b>1,806,248</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,139,238</b>	<b>\$ 840,414</b>	<b>\$ 71,419</b>	<b>\$ 2,051,071</b>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Contributions and grants	\$ 2,450,822	\$ 594,964	\$ -	\$ 3,045,786
Program and service revenue	422,226	-	-	422,226
Gifts-in-kind	233,577	-	-	233,577
Interest/dividend income	1,042	7,194	-	8,236
Investment gain (loss)	(3,029)	(5,875)	-	(8,904)
Loss on equipment disposition	(286)	-	-	(286)
Loss on uncollectable pledges	-	(24,518)	-	(24,518)
Net assets released from restrictions	247,099	(247,099)	-	-
<b>Total Support and Revenue</b>	<b>3,351,451</b>	<b>324,666</b>	<b>-</b>	<b>3,676,117</b>
<b>Expenses</b>				
<b>Program Activities</b>				
International partners	446,622	-	-	446,622
International public education	4,224	-	-	4,224
Domestic public education	2,052,306	-	-	2,052,306
Domestic partners	196,889	-	-	196,889
Domestic WIN program	14,259	-	-	14,259
<b>Total Program Activities</b>	<b>2,714,300</b>	<b>-</b>	<b>-</b>	<b>2,714,300</b>
<b>Supporting Activities</b>				
Administration	368,627	-	-	368,627
Fundraising	329,258	-	-	329,258
<b>Total Supporting Activities</b>	<b>697,885</b>	<b>-</b>	<b>-</b>	<b>697,885</b>
<b>Total Expenses</b>	<b>3,412,185</b>	<b>-</b>	<b>-</b>	<b>3,412,185</b>
Change in Net Assets	(60,734)	324,666	-	263,932
Net Assets, Beginning of Year	815,059	655,838	71,419	1,542,316
Net Assets, End of Year	<u>\$ 754,325</u>	<u>\$ 980,504</u>	<u>\$ 71,419</u>	<u>\$ 1,806,248</u>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2017

	Program Activities					Supporting Activities			Total Expenses	
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Total	Administration	Fundraising		Total
Salaries and Wages	\$ 10,576	\$ 225	\$ 740,723	\$ 43,423	\$ 14,126	\$ 809,073	\$ 150,121	\$ 72,577	\$ 222,698	\$ 1,031,771
Payroll Taxes and Benefits	1,670	36	118,376	9,328	2,154	131,564	23,932	11,529	35,461	167,025
Donated Services	1,447	-	159,444	4,160	-	165,051	16,276	16,095	32,371	197,422
Banking Costs	-	-	1,955	-	-	1,955	31,955	-	31,955	33,910
Computer Expenses	85	3	7,850	156	173	8,267	1,763	1,555	3,318	11,585
Conferences, Training and Meetings	-	31	250	-	-	281	8,846	-	8,846	9,127
Contract Labor	-	75	134,873	-	-	134,948	25,485	428	25,913	160,861
Depreciation and Amortization	726	15	40,865	8,070	966	50,642	10,359	10,018	20,377	71,019
Facilities	-	4,493	242,564	-	-	247,057	-	899	899	247,956
Gifts and Volunteer Costs	-	-	1,389	-	-	1,389	4,734	-	4,734	6,123
Grants to Others	508,151	-	-	93,001	-	601,152	-	-	-	601,152
Insurance	174	4	13,497	253	299	14,227	3,063	2,753	5,816	20,043
Licenses, Fees and Subscriptions	351	22	38,571	435	449	39,828	13,990	5,484	19,474	59,302
Meals and Entertainment	124	-	2,640	-	-	2,764	2,667	6	2,673	5,437
Media and Advertising	-	-	20,626	-	-	20,626	380	-	380	21,006
Occupancy	1,079	24	84,550	7,945	1,926	95,524	19,158	16,852	36,010	131,534
Postage and Shipping	(10)	138	19,058	227	(42)	19,371	463	30,835	31,298	50,669
Printing and Publication	16	424	52,840	19	25	53,324	1,000	58,322	59,322	112,646
Professional Services	-	-	23,163	-	-	23,163	48,985	43,017	92,002	115,165
Supplies	71	186	63,719	1,486	153	65,615	1,204	3,312	4,516	70,131
Telephone	175	3	10,982	1,936	248	13,344	1,240	2,440	3,680	17,024
Travel	832	434	74,164	1,555	-	76,985	3,469	8,068	11,537	88,522
Video Production and Distribution	-	200	7,474	-	-	7,674	-	-	-	7,674
Website	-	1,059	22,461	-	-	23,520	529	2,647	3,176	26,696
<b>Total Expenses</b>	<b>\$ 525,467</b>	<b>\$ 7,372</b>	<b>\$ 1,882,034</b>	<b>\$ 171,994</b>	<b>\$ 20,477</b>	<b>\$ 2,607,344</b>	<b>\$ 369,619</b>	<b>\$ 286,837</b>	<b>\$ 656,456</b>	<b>\$ 3,263,800</b>
Total Expenses as Percentage of Total Support and Revenue							<u>10.5%</u>	<u>8.2%</u>	<u>18.7%</u>	

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



**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2016

	Program Activities					Supporting Activities				Total Expenses
	International Partners	International Public Education	Domestic Public Education	Domestic Partners	Domestic WIN Program	Total	Administration	Fundraising	Total	
Salaries and Wages	\$ 16,635	\$ 523	\$ 801,123	\$ 54,495	\$ 10,165	\$ 882,941	\$ 145,523	\$ 67,250	\$ 212,773	\$ 1,095,714
Payroll Taxes and Benefits	2,951	87	141,655	4,337	1,678	150,708	25,744	12,147	37,891	188,599
Donated Services	6,848	153	178,387	153	-	185,541	14,022	24,237	38,259	223,800
Banking Costs	-	-	-	-	-	-	30,399	-	30,399	30,399
Computer Expenses	251	3	14,225	237	105	14,821	2,923	2,235	5,158	19,979
Conferences and Meetings	-	-	305	-	-	305	6,028	300	6,328	6,633
Contract Labor	-	38	53,274	-	-	53,312	29,880	4,033	33,913	87,225
Depreciation and Amortization	885	13	51,417	6,801	754	59,870	10,586	8,387	18,973	78,843
Facilities	-	1,616	372,636	-	-	374,252	-	3,324	3,324	377,576
Gifts and Volunteer Costs	5,500	112	495	-	-	6,107	3,394	53	3,447	9,554
Grants to Others	394,151	-	-	109,386	-	503,537	-	-	-	503,537
Insurance	297	3	13,029	169	159	13,657	2,647	1,955	4,602	18,259
Licenses, Fees and Subscriptions	516	1	23,548	214	174	24,453	11,843	2,629	14,472	38,925
Meals and Entertainment	262	-	4,050	-	-	4,312	2,925	212	3,137	7,449
Media and Advertising	-	-	18,047	-	-	18,047	1,142	-	1,142	19,189
Miscellaneous	-	7	-	358	-	365	492	-	492	857
Occupancy	1,093	22	63,876	8,262	938	74,191	13,304	10,543	23,847	98,038
Postage and Shipping	69	83	18,341	84	22	18,599	1,239	36,390	37,629	56,228
Printing and Publication	33	87	64,461	22	23	64,626	1,148	89,270	90,418	155,044
Professional Services	-	-	11,651	-	-	11,651	51,804	49,669	101,473	113,124
Supplies	112	178	31,267	3,534	52	35,143	1,406	5,627	7,033	42,176
Telephone	281	3	13,629	3,279	189	17,381	1,327	2,127	3,454	20,835
Travel	16,738	25	96,031	5,558	-	118,352	10,343	6,330	16,673	135,025
Video Production and Distribution	-	-	38,992	-	-	38,992	-	-	-	38,992
Website	-	1,270	41,867	-	-	43,137	508	2,540	3,048	46,185
<b>Total Expenses</b>	<b>\$ 446,622</b>	<b>\$ 4,224</b>	<b>\$ 2,052,306</b>	<b>\$ 196,889</b>	<b>\$ 14,259</b>	<b>\$ 2,714,300</b>	<b>\$ 368,627</b>	<b>\$ 329,258</b>	<b>\$ 697,885</b>	<b>\$ 3,412,185</b>
Total Expenses as Percentage of Total Support and Revenue							10.0%	9.0%	19.0%	

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 3,443,548	\$ 3,436,365
Cash paid to grantees, vendors, and employees	(3,066,167)	(3,149,848)
Interest income	<u>7,167</u>	<u>8,236</u>
Net Cash Provided by Operating Activities	384,548	294,753
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(500,000)	-
Purchases of investments	(17,094)	(13,937)
Proceeds from sale of investments	34,660	136,262
Acquisition of property and equipment	<u>(4,486)</u>	<u>(12,487)</u>
Net Cash Provided (Used) by Investing Activities	<u>(486,920)</u>	<u>109,838</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(102,372)	404,591
Cash and Cash Equivalents, beginning of year	<u>1,082,551</u>	<u>677,960</u>
Cash and Cash Equivalents, end of year	<u>\$ 980,179</u>	<u>\$ 1,082,551</u>
Supplemental Disclosure of Cash Flows Information		
Donated stock investments	\$ 17,860	\$ 129,164

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 244,823	\$ 263,932
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and amortization	71,019	78,843
Donated stock investments	(17,860)	(129,164)
Investment (gains) losses, net	(8,815)	8,904
Loss on disposal of equipment	-	286
Change in assets and liabilities:		
Accounts receivable	13,700	(13,700)
Grants receivable	60,500	88,900
Pledges receivable, net	16,150	25,035
Prepaid expenses	(103,168)	(9,908)
Inventory	36,562	(58,385)
Deposits	-	(1,568)
Accounts payable	(7,539)	13,828
Accrued payroll taxes and benefits	(2,754)	1,300
Accrued paid time off	3,590	4,650
Deferred revenue	78,340	21,800
Total Adjustments	<u>139,725</u>	<u>30,821</u>
Net Cash Provided by Operating Activities	<u>\$ 384,548</u>	<u>\$ 294,753</u>

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
Years Ended June 30, 2017 and 2016

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**NOTE 1. THE ORGANIZATION**

Shared Hope International (Shared Hope), Shared Hope Foundation (Foundation), and Trafficking Markets, LLC, hereafter collectively referred to as the Organization, are entities formed in the state of Washington. Shared Hope and the Foundation are not for profit corporations and Trafficking Markets is a limited liability company. The Organization's activities are consolidated in the accompanying consolidated financial statements.

Formed in November of 1988, Shared Hope strives to prevent the conditions that foster sex trafficking, restore victims of sex slavery, and bring justice to vulnerable women and children. Shared Hope envisions a world passionately opposed to sex trafficking and a community committed to restoring survivors to lives of purpose, value, and choice – one life at a time. The purpose of the Foundation, formed in March of 2001, is to provide a long-term endowment for Shared Hope to help ensure that its projects will have a source of future financing. In addition, the Foundation is to provide for long-term projects that extend the mission of Shared Hope. Trafficking Markets was formed in April 2005 as a single member limited liability company, with Shared Hope being the sole member. The limited liability company operates Terry's House, an independent living home for survivors of sex trafficking.

The Organization's programs are designed to educate the public and to motivate and provide opportunities for taking action concerning the global problem of the trafficking of women and children for sexual exploitation and slavery. Its domestic and international programs are committed to prevention, intervention, and restoration of the victims of sex trafficking. Shared Hope aims to bring justice by serving as advisors for enacting strong legislation that provides for the prosecution of both the buyers and sellers while protecting the victims. The Organization partners with groups worldwide to prevent sex trafficking and to rescue and supply shelter, healthcare, education, and vocational training opportunities for the victims of sex trafficking.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies of the Organization.

**Consolidation Policy** – The consolidated financial statements include the accounts of Shared Hope International, Shared Hope Foundation, and Trafficking Markets, LLC. Intercompany transactions between the entities are eliminated in the consolidation.

**Basis of Accounting and Presentation** – The consolidated financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities. Financial statement presentation is in accordance with generally accepted accounting and reporting standards for nonprofit organizations. Accordingly, the net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to externally imposed restrictions. Amounts designated by the board of the Organization are included in this classification.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions that stipulate the resources are to be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

*Use of Estimates* – The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents for reporting purposes.

*Certificates of Deposit* – Certificates of deposit are stated at cost.

*Investments* – Investments acquired by gift are recorded at their fair market value at the date of the gift. The Organization's policy is to sell the donated investments promptly upon receipt of the donation.

Investments are comprised of real estate investment trusts (REITs) and mutual funds. The investments with readily determinable fair values are reported at their fair values based upon quoted market values. Income earned from investments, including realized and unrealized gains and losses, is recorded in net asset classes based upon donor restrictions or the absence thereof.

The Organization has an endowment fund which contains both temporarily and permanently restricted assets. Investment earnings of the endowment fund are available to support the Organization's rescue/restoration programs as well as pay for administrative costs of the Foundation. The investment earnings are reported as temporarily restricted in the consolidated financial statements until disbursed.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

*Promises to Give* – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give, which are reported as pledges receivable in the consolidated financial statements, are unsecured. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is calculated based on prior years' experience and management's analysis of specific promises made.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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

**Inventory** – Inventory in the accompanying consolidated statements of financial position consists primarily of books, DVDs, printed materials, office supplies, and awareness and training resources. The Organization’s inventory is recorded at the lower of cost or market on a first-in, first-out basis. Many of the inventory items are given to donors as a “thank you” for their donation.

**Property and Equipment** – Property and equipment includes land, buildings, leasehold improvements, furniture, and equipment and are recorded at cost, if purchased. It is the Organization’s policy to capitalize expenditures for items in excess of \$1,000. Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are charged against expensed as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations. The recorded value of equipment and other capital assets used in the Organization’s International and Domestic Partners’ programs are expensed as incurred when the Organization does not retain title.

Depreciation on property and equipment is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the life of the property or the term of the lease, whichever is shorter.

Donations of property and equipment are recorded as contributions at fair value as of the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Restricted and Unrestricted Revenue and Support** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. When projects are completed and restricted funds remain, every effort is made to use the excess funds in like or similar projects.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in unrestricted support that increases unrestricted net assets.

Registration fees received prior to the period in which the program or activity takes place are reported as deferred revenue on the consolidated statement of financial position.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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

**Functional Allocation of Expenses** – The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Certain costs have been allocated between the program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management.

**Gifts-in-kind** – In-kind contributions of materials and supplies are recorded when there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization's activities. The Organization receives the benefit of donated services, which are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Advertising Expenses** – Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2017 and 2016 was \$21,006 and \$19,189, respectively.

**Income Taxes** – The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been included in the consolidated financial statements.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Effective with the year ended June 30, 2011, the Organization elected the expenditure test under section 501(h) as an alternative method for measuring lobbying activity. The election provides a specific dollar amount the organization can spend on lobbying during the year without the burden of proving the amount is not substantial. Management believes the Organization's lobbying activities are within limits allowed by relevant tax law.

**Reclassifications** – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Subsequent events that provide evidence about conditions that arose after the statement of financial position date are not recognized in the financial statements. Management has evaluated subsequent events through December 8, 2017, which is the date the financial statements were available to be issued.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 3. CASH AND CERTIFICATES OF DEPOSIT**

At certain times during the year, the level of cash held may exceed federally insured limits. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per institution. The cash balance reported in the accompanying consolidated financial statements may differ from the amount held on deposit due to deposits in transit or outstanding checks that have not cleared the bank as of the statement of financial position date.

The Organization from time to time deposits cash into interest bearing accounts and invests a portion of its cash in certificates of deposit. Generally, the terms are between six months and two years. Interest rates for certificates of deposit held at year-end ranged between 0.08% and 0.20%.

**NOTE 4. FAIR VALUE AND INVESTMENTS**

The Organization uses fair value measurements to record fair value adjustments to its endowment investments and certain other assets. The *Fair Value Measurements* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of trading and available for sale securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2017 and 2016.



**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

**NOTE 4. FAIR VALUE AND INVESTMENTS (CONTINUED)**

The fair value of investments in equity securities (primarily mutual funds) by class consists of the following at June 30, 2017 and 2016:

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Mutual Funds:				
Fixed Income	\$ 32,733	\$ -	\$ -	\$ 32,733
Equities - US Growth	28,271	-	-	28,271
Equities - US Value	31,905	-	-	31,905
Equities - US Other	3,888	-	-	3,888
Equities - International	21,338	-	-	21,338
Real Estate	4,971	-	-	4,971
Real Estate Investment Trusts*	3,836	2,239	-	6,075
Total	<u>\$ 126,942</u>	<u>\$ 2,239</u>	<u>\$ -</u>	<u>\$ 129,181</u>

\*donated securities

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Mutual Funds:				
Fixed Income	\$ 35,751	\$ -	\$ -	\$ 35,751
Equities - US Growth	27,315	-	-	27,315
Equities - US Value	24,801	-	-	24,801
Equities - US Other	3,484	-	-	3,484
Equities - International	18,371	-	-	18,371
Real Estate	5,055	-	-	5,055
Real Estate Investment Trusts*	3,158	2,137	-	5,295
Total	<u>\$ 117,935</u>	<u>\$ 2,137</u>	<u>\$ -</u>	<u>\$ 120,072</u>

\* donated securities

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

**NOTE 4. FAIR VALUE AND INVESTMENTS (CONTINUED)**

Investments consisted of the following at June 30, 2017 and 2016:

	2017	2016
Mutual Funds	\$ 123,106	\$ 114,777
Real Estate Investment Trusts	6,075	5,295
Total	<u>\$ 129,181</u>	<u>\$ 120,072</u>

Investment income is summarized as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 7,167	\$ 8,236
Realized loss on investments	(338)	(1,037)
Unrealized loss on investments	9,153	(7,867)
Total	<u>\$ 15,982</u>	<u>\$ (668)</u>

**NOTE 5. PROMISES TO GIVE**

Promises to give, which are reported as pledges receivable in the consolidated financial statements are stated at the value expected to be received and consist of the following at June 30, 2017 and 2016:

	2017	2016
Receivable in less than one year	\$ 98,535	\$ 113,096
Receivable in one to five years	5,100	7,930
Allowance for uncollectible pledges	(14,613)	(15,854)
Total	<u>\$ 89,022</u>	<u>\$ 105,172</u>

**NOTE 6. PROPERTY, EQUIPMENT, IMPROVEMENTS, AND WEBSITE**

Property, equipment, improvements, and website consist of the following at June 30, 2017 and 2016:

	2017	2016
Land and buildings	\$ 271,676	\$ 271,676
Office equipment and furniture	188,129	185,473
Leasehold improvements	131,559	131,559
Program equipment	12,771	12,771
	604,135	601,479
Accumulated depreciation and amortization	<u>(258,464)</u>	<u>(204,866)</u>
Total	<u>\$ 345,671</u>	<u>\$ 396,613</u>

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 6. PROPERTY, EQUIPMENT, IMPROVEMENTS, AND WEBSITE (CONTINUED)**

	<u>2017</u>	<u>2016</u>
Website	\$ 31,183	\$ 31,183
Accumulated amortization	<u>(31,183)</u>	<u>(15,592)</u>
Total	<u>\$ -</u>	<u>\$ 15,591</u>

Depreciation and amortization expense was \$71,019 and \$78,843 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 7. ENDOWMENT FUNDS**

The Organization's endowment currently consists of funds given to the Mannisha Life Endowment Fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** – The management of the Organization has interpreted the State of Washington's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

**NOTE 7. ENDOWMENT FUNDS (CONTINUED)**

Endowment fund net asset composition by type at June 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment, June 30, 2017	\$ -	\$ 55,562	\$ 71,419	\$ 126,981
Donor-Restricted Endowment, June 30, 2016	\$ -	\$ 43,002	\$ 71,419	\$ 114,421

As of June 30, 2017 and 2016, the Organization had no board-restricted endowment funds.

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ 43,002	\$ 71,419	\$ 114,421
Investment income:				
Interest and dividends	-	5,887	-	5,887
Realized gains	-	199	-	199
Unrealized gains	-	8,372	-	8,372
Total investment income	-	14,458	-	14,458
Appropriation of endowment assets for expenditures	-	(1,898)	-	(1,898)
Endowment net assets, June 30, 2017	\$ -	\$ 55,562	\$ 71,419	\$ 126,981
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ -	\$ 44,199	\$ 71,419	\$ 115,618
Investment income:				
Interest and dividends	-	7,194	-	7,194
Realized losses	-	(287)	-	(287)
Unrealized losses	-	(5,588)	-	(5,588)
Total investment income	-	1,319	-	1,319
Appropriation of endowment assets for expenditures	-	(2,516)	-	(2,516)
Endowment net assets, June 30, 2016	\$ -	\$ 43,002	\$ 71,419	\$ 114,421

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 7. ENDOWMENT FUNDS (CONTINUED)**

***Funds with Deficiencies*** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, no deficiencies of this nature were required to be reported in unrestricted net assets as of June 30, 2017 and 2016. If these deficiencies were to exist, they would most likely result from unfavorable market fluctuations.

***Return Objectives and Risk Parameters*** – The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding for the payment of obligations and mission-related expenses, administrative expenses and the growth of financial surplus, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Finance and Audit Committee, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5.5% annually. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives*** – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy*** – The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to remain consistent. This is consistent with Organization's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Years Ended June 30, 2017 and 2016

**NOTE 8. NET ASSETS**

Temporarily restricted net assets are available for the following purposes or period as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Terry's House shelter property and operations	\$ 245,209	\$ 299,709
Pledges receivable at year-end	89,022	105,172
Earnings from endowment fund yet to be disbursed	55,562	43,002
Restoration: Pathway to Freedom	4,273	4,022
Restoration: Indianapolis	1,000	1,000
Prevention Rescue and Restoration: Pennsylvania	17,566	20,621
Protected Innocence Challenge: Demanding Justice grant	-	29,379
Grant to cover legal staff costs	227,010	477,599
e-Learning training development grant	200,772	-
Total Temporarily Restricted Net Assets	<u>\$ 840,414</u>	<u>\$ 980,504</u>

Permanently restricted net assets include amounts donated to the Mannisha Life Endowment Fund totaling \$71,419 as of June 30, 2017 and 2016.

**NOTE 9. GIFTS-IN-KIND**

Shared Hope receives contributions in the form of donated services, supplies, and other assets. If it were not for gifts-in-kind, the purchase of these vital components and the services of these volunteers for its programs would be restricted to the availability of cash funds. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

In-kind donations reported in the accompanying consolidated financial statements consist of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Managerial services	\$ 180,845	\$ 191,295
Professional services	18,528	40,505
Printing and supplies	550	1,777
Total	<u>\$ 199,923</u>	<u>\$ 233,577</u>

The Organization receives donated services, primarily for administrative and fundraising support, which do not require specific expertise, but are nonetheless central to the Organization's activities. The estimated value of these services, based on the minimum hourly wage, amounts to \$57,016 and \$45,344 for the years ended June 30, 2017 and 2016, respectively. As required by generally accepted accounting principles, the value of these services is not reflected in the consolidated financial statements.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 10. GRANTS TO OTHERS**

The Organization partners with several foreign nonprofit organizations in order to help rescue and restore victims of sex trafficking by providing them with shelter, healthcare, education, and vocational training opportunities. The Organization has found that supporting established, local nonprofit organizations in foreign countries is the most effective way to meet these goals due to legal and cultural differences. The Organization's staff oversees these projects to ensure monies are utilized in compliance with the grant agreements in place.

The Organization also partners with organizations across the United States providing services to domestic trafficking victims across the country. Guided by principals garnered through over a decade of research and partnerships with international and local partners, the Organization provides small grants to support emerging trends in service delivery, building upon the goal of the Organization's National Restoration Initiative to build an array of service options to provide tailored, trauma-informed services to survivors. As with the international grants, the Organization's staff monitors these projects to ensure monies are utilized in compliance with the grant agreements in place.

Funds granted to nonprofit organizations are recorded as grants to others in the accompanying consolidated statements of functional expenses and totaled \$601,152 and \$503,537 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 11. OPERATING LEASES**

Beginning January 1, 2014, the Organization entered into a three-year non-cancelable lease for office space in Vancouver, WA at a rate of \$3,960 per month plus shared utilities. The monthly lease payment increased to \$4,150 effective January 1, 2015. The lease expired December 31, 2016, and was renewed for three years effective May 1, 2017 at a rate of \$4,325 plus shared utilities. The lease contains an option to negotiate a three- or five-year lease at the end of the lease term.

The Organization entered into a new three-year three-month non-cancelable lease for office space in Arlington, VA effective February 1, 2016. The initial monthly lease payment under this lease was \$4,406, and the landlord waived the first four months' rent. The monthly lease payment increases 2.5% annually and includes an annual prorated charge for operating expenses.

Rent expense reported in the accompanying consolidated statements of activities was \$114,142 and \$78,232 for the years ended June 30, 2017 and 2016, respectively.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 11. OPERATING LEASES (CONTINUED)**

Future minimum lease payments are as follows for the years ending June 30:

2018	\$	107,167
2019		98,356
2020		<u>45,250</u>
Total	\$	<u><u>250,773</u></u>

**NOTE 12. JOINT COSTS**

Certain direct and indirect joint costs are incurred by the Organization's programs to educate the American public. When public education program activities are combined with a fundraising appeal, accounting principles generally accepted in the United States of America prescribe conditions under which costs may be split between fundraising and program activities. If these conditions are not met, then the entire amount must be treated as a fundraising cost.

The conditions to be met include three criteria tests: purpose, audience, and content. When these criteria are met, the expenditures of the Organization's joint activities are allocated between fundraising and the Organization's related programs. In educating the public about human trafficking activities, Shared Hope incurred certain joint costs for informational materials, events and its website.

The functional allocation of these joint costs for the years ended June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Domestic Public Education	\$ 444,655	\$ 382,046
International Public Education	7,742	3,667
Fundraising	198,657	220,582
Administration	<u>794</u>	<u>508</u>
Total	<u><u>\$ 651,848</u></u>	<u><u>\$ 606,803</u></u>



**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended June 30, 2017 and 2016

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**NOTE 13. EMPLOYEE BENEFIT PLAN**

The Organization maintains a 401(k) plan (the Plan) for all eligible employees. Employees may contribute a percentage of their salary to the Plan subject to statutory limits. The Organization has made matching contributions in an amount equal to 3% of each eligible participant's compensation totaling \$17,031 and \$18,197 for the years ended June 30, 2017 and 2016, respectively. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. No discretionary contributions were made for the years ended June 30, 2017 and 2016.

**NOTE 14. UNCONDITIONAL PURCHASE OBLIGATION**

Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at a fixed or minimum price. In December 2016, the Organization entered into an agreement for facilities and catering services for its JuST (Juvenile Sex Trafficking) Conference to be held in October 2017 in New Orleans, LA. The agreement provides for a non-refundable deposit of \$115,000 to be paid in three installments of which \$80,000 was paid during the current fiscal year.

The agreement contains a provision that the Organization will incur a minimum of \$115,000 in food and beverage charges and generate a minimum of \$278,419 in sleeping room revenue. The food and beverage guaranteed amount is required to be paid, regardless of whether the Organization actually charges that amount. In addition, if less than the minimum sleeping room revenue is generated by attendees, then the Organization will be required to pay the difference between actual revenue and the minimum guaranteed. If the Organization were to cancel this event without cause, the Organization would pay the hotel at the time of cancellation, as liquidation damages a total of \$268,735 plus applicable taxes.

Subsequent to year-end, the Organization entered into an agreement for facilities and catering services for a JuST Faith Summit to be held June 2018 in Saint Paul, MN. The agreement requires deposits totaling \$31,000 payable in three installments in order to confirm the reservation of facilities for this event.

**NOTE 15. RISKS**

The sex trafficking industry is fraught with dangers that could result in serious consequences to any party that discloses information about the details of sex trafficking operations or that works to prevent such operations from continuing. The Organization is heavily involved with research and related activities which are aimed at revealing information about the details of the sex trafficking industry and with helping sex trafficking victims reach freedom. In addition, the Organization is committed to bringing justice to victims of sex trafficking by supporting the development of global, federal, and state policies and legislation.

**SUPPLEMENTARY INFORMATION**

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
Year Ended June 30, 2017

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets					
Cash	\$ 913,260	\$ 3,876	\$ 63,043	\$ -	\$ 980,179
Certificates of deposit	250,000	-	-	-	250,000
Investments	6,076	123,105	-	-	129,181
Pledges receivable, net	83,922	-	-	-	83,922
Intercompany receivable	12,589	-	-	(12,589)	-
Prepaid expenses	132,133	-	1,518	-	133,651
Inventory	119,113	-	-	-	119,113
Total Current Assets	1,517,093	126,981	64,561	(12,589)	1,696,046
Long-Term Pledges Receivable	5,100	-	-	-	5,100
Deposits and other assets	4,406	-	-	-	4,406
Certificates of deposit	250,000	-	-	-	250,000
Property and Equipment, net	341,765	-	3,906	-	345,671
Website, net	-	-	-	-	-
Total Assets	<u>\$ 2,118,364</u>	<u>\$ 126,981</u>	<u>\$ 68,467</u>	<u>\$ (12,589)</u>	<u>\$ 2,301,223</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Accounts payable	\$ 60,463	\$ -	\$ 74	\$ -	\$ 60,537
Intercompany payable	-	-	12,589	(12,589)	-
Accrued payroll taxes and benefits	38,341	-	-	-	38,341
Accrued paid time off	51,134	-	-	-	51,134
Deferred revenue	100,140	-	-	-	100,140
Total Current Liabilities	250,078	-	12,663	(12,589)	250,152
Net Assets					
Unrestricted					
Operations	741,669	-	51,898	-	793,567
Property and equipment	341,765	-	3,906	-	345,671
Total Unrestricted	1,083,434	-	55,804	-	1,139,238
Temporarily restricted	784,852	55,562	-	-	840,414
Permanently restricted	-	71,419	-	-	71,419
Total Net Assets	<u>1,868,286</u>	<u>126,981</u>	<u>55,804</u>	<u>-</u>	<u>2,051,071</u>
Total Liabilities and Net Assets	<u>\$ 2,118,364</u>	<u>\$ 126,981</u>	<u>\$ 68,467</u>	<u>\$ (12,589)</u>	<u>\$ 2,301,223</u>

See independent auditors' report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
Year Ended June 30, 2016

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 932,168	\$ 1,874	\$ 148,509	\$ -	\$ 1,082,551
Investments	5,295	114,777	-	-	120,072
Accounts Receivable	13,700	-	-	-	13,700
Grants receivable	60,500	-	-	-	60,500
Pledges receivable, net	97,242	-	-	-	97,242
Intercompany receivable	49,961	-	-	(49,961)	-
Prepaid expenses	28,989	-	1,494	-	30,483
Inventory	155,675	-	-	-	155,675
Total Current Assets	1,343,530	116,651	150,003	(49,961)	1,560,223
Long-Term Pledges Receivable	7,930	-	-	-	7,930
Deposits and other assets	4,406	-	-	-	4,406
Property and Equipment, net	391,696	-	4,917	-	396,613
Website, net	15,591	-	-	-	15,591
Total Assets	<u>\$ 1,763,153</u>	<u>\$ 116,651</u>	<u>\$ 154,920</u>	<u>\$ (49,961)</u>	<u>\$ 1,984,763</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Accounts payable	\$ 67,637	\$ -	\$ 439	\$ -	\$ 68,076
Intercompany payable	-	2,230	47,731	(49,961)	-
Accrued payroll taxes and benefits	41,095	-	-	-	41,095
Accrued paid time off	44,775	-	2,769	-	47,544
Deferred revenue	21,800	-	-	-	21,800
Total Current Liabilities	175,307	2,230	50,939	(49,961)	178,515
Net Assets					
Unrestricted					
Operations	258,648	-	99,064	-	357,712
Property and equipment	391,696	-	4,917	-	396,613
Total Unrestricted	650,344	-	103,981	-	754,325
Temporarily restricted	937,502	43,002	-	-	980,504
Permanently restricted	-	71,419	-	-	71,419
Total Net Assets	<u>1,587,846</u>	<u>114,421</u>	<u>103,981</u>	<u>-</u>	<u>1,806,248</u>
Total Liabilities and Net Assets	<u>\$ 1,763,153</u>	<u>\$ 116,651</u>	<u>\$ 154,920</u>	<u>\$ (49,961)</u>	<u>\$ 1,984,763</u>

See independent auditors' report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**

## CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
<b>Support and Revenue</b>					
Contributions and grants	\$ 3,023,564	\$ -	\$ -	\$ -	\$ 3,023,564
Program and service revenue	292,539	-	-	-	292,539
Gifts-in-kind	199,923	-	-	-	199,923
Miscellaneous income	28	-	-	-	28
Interest/dividend income	1,280	5,887	-	-	7,167
Investment gain (loss)	244	8,571	-	-	8,815
Loss on uncollectible pledges	<u>(23,413)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,413)</u>
Total Support and Revenue	3,494,165	14,458	-	-	3,508,623
<b>Expenses</b>					
<b>Program Activities</b>					
International partners	525,467	-	-	-	525,467
International public education	7,372	-	-	-	7,372
Domestic public education	1,882,034	-	-	-	1,882,034
Domestic partners	125,883	-	46,111	-	171,994
Domestic WIN program	<u>20,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,477</u>
Total Program Activities	<u>2,561,233</u>	<u>-</u>	<u>46,111</u>	<u>-</u>	<u>2,607,344</u>
<b>Supporting Activities</b>					
Administration	365,655	1,898	2,066	-	369,619
Fundraising	<u>286,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,837</u>
Total Supporting Activities	<u>652,492</u>	<u>1,898</u>	<u>2,066</u>	<u>-</u>	<u>656,456</u>
Total Expenses	<u>3,213,725</u>	<u>1,898</u>	<u>48,177</u>	<u>-</u>	<u>3,263,800</u>
Change in Net Assets	280,440	12,560	(48,177)	-	244,823
Net Assets, beginning of year	<u>1,587,846</u>	<u>114,421</u>	<u>103,981</u>	<u>-</u>	<u>1,806,248</u>
Net Assets, end of year	<u>\$ 1,868,286</u>	<u>\$ 126,981</u>	<u>\$ 55,804</u>	<u>\$ -</u>	<u>\$ 2,051,071</u>

See independent auditors' report.

**SHARED HOPE INTERNATIONAL AND AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2016

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
<b>Support and Revenue</b>					
Contributions and grants	\$ 3,045,786	\$ -	\$ -	\$ -	\$ 3,045,786
Program and service revenue	422,226	-	-	-	422,226
Gifts-in-kind	233,577	-	-	-	233,577
Interest/dividend income	1,042	7,194	-	-	8,236
Investment gain (loss)	(3,029)	(5,875)	-	-	(8,904)
Loss on equipment disposition	(286)	-	-	-	(286)
Loss on uncollectable pledges	(24,518)	-	-	-	(24,518)
<b>Total Support and Revenue</b>	<b>3,674,798</b>	<b>1,319</b>	<b>-</b>	<b>-</b>	<b>3,676,117</b>
<b>Expenses</b>					
<b>Program Activities</b>					
International partners	446,622	-	-	-	446,622
International public education	4,224	-	-	-	4,224
Domestic public education	2,052,306	-	-	-	2,052,306
Domestic partners	137,184	-	59,705	-	196,889
Domestic WIN program	14,259	-	-	-	14,259
<b>Total Program Activities</b>	<b>2,654,595</b>	<b>-</b>	<b>59,705</b>	<b>-</b>	<b>2,714,300</b>
<b>Supporting Activities</b>					
Administration	365,463	2,516	648	-	368,627
Fundraising	329,258	-	-	-	329,258
<b>Total Supporting Activities</b>	<b>694,721</b>	<b>2,516</b>	<b>648</b>	<b>-</b>	<b>697,885</b>
<b>Total Expenses</b>	<b>3,349,316</b>	<b>2,516</b>	<b>60,353</b>	<b>-</b>	<b>3,412,185</b>
<b>Change in Net Assets</b>	<b>325,482</b>	<b>(1,197)</b>	<b>(60,353)</b>	<b>-</b>	<b>263,932</b>
Net Assets, beginning of year	1,262,364	115,618	164,334	-	1,542,316
Net Assets, end of year	<u>\$ 1,587,846</u>	<u>\$ 114,421</u>	<u>\$ 103,981</u>	<u>\$ -</u>	<u>\$ 1,806,248</u>

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