

SHARED HOPE INTERNATIONAL
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY CONSOLIDATING INFORMATION

Years Ended June 30, 2019 and 2018

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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 and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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 and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their 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 consolidating 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
January 15, 2020

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,811,979	\$ 1,395,498
Certificates of deposit	-	500,199
Investments	147,597	140,145
Pledges receivable, net	148,107	119,270
Prepaid expenses	47,283	57,268
Inventory	93,723	105,893
Total Current Assets	<u>4,248,689</u>	<u>2,318,273</u>
Deposits and Other Assets	386	4,406
Property and Equipment, net	<u>375,227</u>	<u>298,729</u>
Total Assets	<u>\$ 4,624,302</u>	<u>\$ 2,621,408</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 70,048	\$ 83,410
Accrued payroll taxes and benefits	35,545	34,967
Accrued paid time off	44,670	40,812
Deferred revenue	162,822	208,675
Total Current Liabilities	<u>313,085</u>	<u>367,864</u>
Net Assets		
Without donor restrictions	2,421,156	1,657,536
With donor restrictions	<u>1,890,061</u>	<u>596,008</u>
Total Net Assets	<u>4,311,217</u>	<u>2,253,544</u>
Total Liabilities and Net Assets	<u>\$ 4,624,302</u>	<u>\$ 2,621,408</u>

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

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 3,314,793	\$ 1,574,867	\$ 4,889,660
Program and service revenue	381,159	-	381,159
Gifts-in-kind	227,775	-	227,775
Investment return, net	7,164	6,646	13,810
Loss on disposal of equipment	(16,099)	-	(16,099)
Loss of uncollectible pledges	(37,668)	-	(37,668)
Net assets released from restrictions	287,460	(287,460)	-
Total Support and Revenue	4,164,584	1,294,053	5,458,637
Expenses			
Program Activities			
International partners	258,047	-	258,047
International public education	14,171	-	14,171
Domestic public education	2,332,605	-	2,332,605
Domestic partners	89,909	-	89,909
Domestic WIN program	90,397	-	90,397
Total Program Activities	2,785,129	-	2,785,129
Supporting Activities			
Administration	372,935	-	372,935
Fundraising	242,900	-	242,900
Total Supporting Activities	615,835	-	615,835
Total Expenses	3,400,964	-	3,400,964
Change in Net Assets	763,620	1,294,053	2,057,673
Net Assets, Beginning of Year	1,657,536	596,008	2,253,544
Net Assets, End of Year	<u>\$ 2,421,156</u>	<u>\$ 1,890,061</u>	<u>\$ 4,311,217</u>

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

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 2,973,199	\$ 370,428	\$ 3,343,627
Program and service revenue	402,975	-	402,975
Gifts-in-kind	197,300	-	197,300
Investment return, net	6,926	8,716	15,642
Loss of uncollectible pledges	(28,434)	-	(28,434)
Net assets released from restrictions	454,929	(454,929)	-
Total Support and Revenue	4,006,895	(75,785)	3,931,110
Expenses			
Program Activities			
International partners	420,980	-	420,980
International public education	5,305	-	5,305
Domestic public education	2,178,152	-	2,178,152
Domestic partners	401,818	-	401,818
Domestic WIN program	17,091	-	17,091
Total Program Activities	3,023,346	-	3,023,346
Supporting Activities			
Administration	416,808	-	416,808
Fundraising	288,483	-	288,483
Total Supporting Activities	705,291	-	705,291
Total Expenses	3,728,637	-	3,728,637
Change in Net Assets	278,258	(75,785)	202,473
Net Assets, Beginning of Year	1,379,278	671,793	2,051,071
Net Assets, End of Year	<u>\$ 1,657,536</u>	<u>\$ 596,008</u>	<u>\$ 2,253,544</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, 2019

	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	\$ 20,641	\$ 5,638	\$ 864,158	\$ 4,167	\$ 60,696	\$ 955,300	\$ 183,344	\$ 36,674	\$ 220,018	\$ 1,175,318
Payroll Taxes and Benefits	3,056	827	126,010	605	8,846	139,344	26,717	5,377	32,094	171,438
Donated Services	13,948	-	186,795	-	-	200,743	6,974	13,948	20,922	221,665
Banking Costs	-	-	-	-	-	-	36,948	-	36,948	36,948
Conferences, Training and Meetings	-	-	15,530	-	-	15,530	4,980	-	4,980	20,510
Contract Labor	1,860	-	86,230	316	5,232	93,638	13,813	6,558	20,371	114,009
Depreciation and Amortization	678	-	31,904	1,077	2,395	36,054	7,275	2,802	10,077	46,131
Facilities	-	75	416,354	-	-	416,429	-	3,755	3,755	420,184
Grants to Others	182,968	-	-	78,036	-	261,004	-	-	-	261,004
Insurance	473	6	23,769	109	1,754	26,111	5,423	2,090	7,513	33,624
Licenses, Taxes, Fees and Subscriptions	521	9	43,302	3,600	2,126	49,558	14,227	2,594	16,821	66,379
Media and Advertising	-	-	47,600	-	-	47,600	3,061	-	3,061	50,661
Occupancy	1,623	27	102,790	1,850	7,372	113,662	21,682	9,083	30,765	144,427
Other	190	3,960	16,028	60	897	21,135	8,069	1,225	9,294	30,429
Postage and Shipping	33	43	43,319	8	120	43,523	825	44,826	45,651	89,174
Printing and Publication	57	678	121,668	5	108	122,516	93	68,890	68,983	191,499
Professional Services	-	35	67,156	-	-	67,191	30,405	35,165	65,570	132,761
Scholarships	13,838	-	-	-	-	13,838	-	-	-	13,838
Supplies	271	97	52,253	74	820	53,515	2,019	1,440	3,459	56,974
Travel and Meals	17,890	2,626	85,399	2	31	105,948	7,017	8,267	15,284	121,232
Website	-	150	2,340	-	-	2,490	63	206	269	2,759
Total Expenses	\$ 258,047	\$ 14,171	\$ 2,332,605	\$ 89,909	\$ 90,397	\$ 2,785,129	\$ 372,935	\$ 242,900	\$ 615,835	\$ 3,400,964

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, 2018

	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	\$ 5,651	\$ 105	\$ 892,299	\$ 3,436	\$ 9,870	\$ 911,361	\$ 175,313	\$ 56,148	\$ 231,461	\$ 1,142,822
Payroll Taxes and Benefits	865	17	135,098	524	1,520	138,024	26,573	9,463	36,036	174,060
Donated Services	1,714	-	143,405	-	1,713	146,832	25,703	20,563	46,266	193,098
Banking Costs	-	-	-	-	-	-	43,061	-	43,061	43,061
Conferences, Training and Meetings	-	-	146	-	-	146	1,457	2,376	3,833	3,979
Contract Labor	-	-	136,319	-	-	136,319	26,475	3,712	30,187	166,506
Depreciation and Amortization	230	4	32,527	1,152	409	34,322	7,045	5,575	12,620	46,942
Facilities	-	2,669	154,154	-	-	156,823	-	1,814	1,814	158,637
Grants to Others	410,553	-	-	390,000	-	800,553	-	-	-	800,553
Insurance	199	2	12,670	169	724	13,764	2,752	4,737	7,489	21,253
Licenses, Fees and Subscriptions	378	1	34,774	312	1,396	36,861	18,453	9,881	28,334	65,195
Media and Advertising	-	-	56,153	-	-	56,153	8,019	-	8,019	64,172
Occupancy	1,209	22	109,065	4,985	1,151	116,432	23,578	18,999	42,577	159,009
Other	46	1	22,901	41	157	23,146	6,882	1,615	8,497	31,643
Postage and Shipping	2	35	26,240	4	-	26,281	635	36,027	36,662	62,943
Printing and Publication	8	456	66,551	5	11	67,031	515	70,925	71,440	138,471
Professional Services	-	-	31,882	-	-	31,882	38,786	38,967	77,753	109,635
Supplies	40	269	79,562	193	140	80,204	1,812	1,720	3,532	83,736
Travel and Meals	85	930	221,951	997	-	223,963	8,954	3,313	12,267	236,230
Website	-	794	22,455	-	-	23,249	795	2,648	3,443	26,692
Total Expenses	\$ 420,980	\$ 5,305	\$ 2,178,152	\$ 401,818	\$ 17,091	\$ 3,023,346	\$ 416,808	\$ 288,483	\$ 705,291	\$ 3,728,637

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 5,161,090	\$ 3,796,455
Cash paid to grantees	(261,004)	(800,553)
Cash paid to vendors	(1,506,485)	(1,256,128)
Cash paid to employees	(1,342,320)	(1,330,578)
Interest income	<u>13,810</u>	<u>12,859</u>
Net Cash Provided by Operating Activities	2,065,091	422,055
Cash Flows from Investing Activities		
Purchases of certificates of deposit	-	(199)
Proceeds from redemption of certificates of deposit	500,199	-
Purchases of investments	(34,205)	(20,091)
Proceeds from sale of investments	24,124	13,554
Acquisition of property and equipment	<u>(138,728)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>351,390</u>	<u>(6,736)</u>
Net Increase in Cash and Cash Equivalents	2,416,481	415,319
Cash and Cash Equivalents, beginning of year	<u>1,395,498</u>	<u>980,179</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,811,979</u>	<u>\$ 1,395,498</u>
Supplemental Disclosure of Cash Flows Information		
Donated stock investments	<u>\$ 5,757</u>	<u>\$ 524,470</u>
Income taxes paid	<u>\$ 376</u>	<u>\$ -</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 2,057,673	\$ 202,473
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and amortization	46,131	46,942
Investment (gains) losses, net	2,629	(4,427)
Loss on disposal of equipment	16,099	-
Change in assets and liabilities:		
Pledges receivable, net	(28,837)	(30,248)
Prepaid expenses	9,985	76,383
Inventory	12,170	13,220
Accounts payable	(13,362)	22,873
Accrued payroll taxes and benefits	578	(3,374)
Accrued paid time off	3,858	(10,322)
Deferred revenue	(45,853)	108,535
Total Adjustments	<u>7,418</u>	<u>219,582</u>
Net Cash Provided by Operating Activities	<u>\$ 2,065,091</u>	<u>\$ 422,055</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, 2019 and 2018

NOTE 1. THE ORGANIZATION

Shared Hope International (Shared Hope), Shared Hope Foundation (the 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 nonprofit 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 manages Terry's House, an independent living home for survivors of sex trafficking, which is operated by Coffee Oasis (a nonprofit organization).

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 Organization, as a not-for-profit organization, follows the accounting guidance prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations. As discussed below under Recently Adopted Standards, for the year ended June 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 disclosures 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 (CD's) 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. Investment return is presented net of investment fees.

The Organization has an endowment fund. 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 net assets with donor restrictions (a purpose restriction) 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Inventory – Inventory in the accompanying consolidated statements of financial position consists primarily of books, DVDs, printed materials, supplies, and awareness and training resources. The Organization's inventory is recorded at the lower of cost or net realizable value 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 \$2,500. 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 the fair value as of the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Contributions restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restriction upon acquisition of assets and the assets are placed in service.

Contributions and Donor-Imposed Restrictions – Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in unrestricted support that increases net assets without donor restrictions.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Measure of Operations – The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs and other activities considered to be of a more unusual or nonrecurring nature.

Recently Adopted Standards – In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

The Organization adopted ASU 2016-14 effective July 1, 2018. The major changes to the Organization’s financial statements include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (c) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (e) presenting investment return net of external and direct expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adjusted the presentation of these consolidated statements accordingly. The ASU has been applied retrospectively to all periods presented.

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. The expenses that are allocated include licenses and fees, contract labor, depreciation, insurance, office and occupancy costs as well as salaries, payroll taxes and benefits which are all allocated on the basis of estimates of time and effort.

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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses – Advertising costs are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$50,661 and \$64,172, respectively.

Income Taxes – Shared Hope and the Foundation are exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, these two organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and have been classified as organizations that are not private foundations under Section 509(a)(2). Accordingly, no provision for income taxes has been included in the consolidated financial statements.

As a single-member limited liability company owned by Share Hope, Trafficking Markets, LLC is treated as a disregarded entity for income tax purposes.

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 50% 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.

At the Organization's Virginia office, the Organization pays for parking for employees. Under section 512(a)(7) of the Tax Cuts and Jobs Act of 2017, effective in 2018, this benefit is considered Unrelated Business Income (UBI) subject to tax for the Organization. UBI tax related to this benefit is estimated to be \$1,264 for the year ended June 30, 2019. For the year ended June 30, 2018, the UBI tax related to this benefit was \$376 which is reported within Occupancy on the statement of functional expenses for the fiscal year ended June 30, 2019.

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 January 15, 2020, which is the date the consolidated financial statements were available to be issued.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

New Accounting Pronouncements Effective in Future Accounting Periods

Revenue from Contracts with Customers – In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and change in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the entity's consolidated financial statements.

Leases – In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for fiscal periods beginning after December 15, 2020; however, early adoption is permitted. Management is currently evaluating the impact this guidance will have on the Organization's consolidated financial statements.

Accounting for Contributions Received and Contributions Made - In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 15, 2019; however, early adoption of the amendment is permitted. Management is currently evaluating the impact the adoption of the new standard will have on the Organization's consolidated financial statements

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. As of June 30, 2018, the CD's had interest rates that ranged from 0.06% to 0.20% and had various maturities through May 2019.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

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 to 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, 2019 and 2018.

The fair value of investments in equity securities (primarily mutual funds) by class consists of the following at June 30, 2019 and 2018:

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

Years Ended June 30, 2019 and 2018

NOTE 4. FAIR VALUE AND INVESTMENTS (CONTINUED)

Investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual Funds	\$ 140,424	\$ 133,026
Real Estate Investment Trusts	<u>7,173</u>	<u>7,119</u>
Total	<u>\$ 147,597</u>	<u>\$ 140,145</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 179,154	\$ 138,848
Allowance for uncollectible pledges	<u>(31,047)</u>	<u>(19,578)</u>
Total	<u>\$ 148,107</u>	<u>\$ 119,270</u>

NOTE 6. PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and buildings	\$ 397,167	\$ 271,676
Office equipment and furniture	174,904	188,129
Leasehold improvements	131,559	131,559
Program equipment	<u>12,771</u>	<u>12,771</u>
	716,401	604,135
Accumulated depreciation and amortization	<u>(341,174)</u>	<u>(305,406)</u>
Total	<u>\$ 375,227</u>	<u>\$ 298,729</u>

Depreciation and amortization expense was \$45,190 and \$46,942 for the years ended June 30, 2019 and 2018, respectively

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

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 net assets with donor restrictions (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 net assets with donor restrictions 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.

Endowment fund net asset composition by type at June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted			
Endowment, June 30, 2019	\$ -	\$ 129,155	\$ 129,155
Donor-Restricted			
Endowment, June 30, 2018	\$ -	\$ 135,244	\$ 135,244

As of June 30, 2019, and 2018, the Organization had no board-restricted endowment funds.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 7. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ -	\$ 135,244	\$ 135,244
Contributions received	-	1,543	1,543
Investment return, net	-	6,646	6,646
Appropriation of endowment assets for expenditures	-	(14,278)	(14,278)
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 129,155</u>	<u>\$ 129,155</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	\$ -	\$ 126,981	\$ 126,981
Contributions received	-	57	57
Investment return, net	-	8,716	8,716
Appropriation of endowment assets for expenditures	-	(510)	(453)
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 135,244</u>	<u>\$ 135,244</u>

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 net assets with donor restriction as of June 30, 2019 and 2018. 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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2019 and 2018

NOTE 7. ENDOWMENT FUNDS (CONTINUED)

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 I fito 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.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Donor-restricted net assets are available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Justice	\$ 1,573,324	\$ -
Pledges receivable at year-end	148,107	119,270
Endowment fund principal	71,419	71,419
Earnings from endowment fund yet to be disbursed	57,736	63,825
Grant to cover legal staff costs	38,475	340,179
Restoration: Indianapolis	1,000	1,000
Defenders Program	-	315
Total Net Assets With Donor Restrictions	<u>\$ 1,890,061</u>	<u>\$ 596,008</u>

NOTE 9. GIFTS-IN-KIND

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.

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

Years Ended June 30, 2019 and 2018

NOTE 9. GIFTS-IN-KIND (CONTINUED)

In-kind donations reported in the accompanying consolidated financial statements consist of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Managerial services	\$ 174,355	\$ 171,355
Professional services	53,032	23,248
Printing	388	2,020
Office repairs and maintenance	-	677
	<u> </u>	<u> </u>
Total	<u>\$ 227,775</u>	<u>\$ 197,300</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 \$45,031 and \$41,297 for the years ended June 30, 2019 and 2018, respectively. As required by generally accepted accounting principles, the value of these services is not reflected in the consolidated financial statements.

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 \$261,004 and \$800,553 for the years ended June 30, 2019 and 2018, respectively.

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

Years Ended June 30, 2019 and 2018

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's lease for office space in Arlington, VA expired April 30, 2019 and was not renewed. In May 2019, the Organization entered into a Condominium Purchase and Sale Agreement to purchase a condominium unit located in Washington D.C. for \$2,450,000. Upon execution of the sales agreement, an escrow deposit of \$122,500 was paid and reported in Property and Equipment in the consolidated statement of financial position. The building purchase was finalized subsequent to June 30, 2019, in August 2019.

Rent expense reported in the accompanying consolidated statements of activities was \$113,517 and \$120,370 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments for the year ended June 30, 2020 total \$45,250.

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, 2019 and 2018 is summarized as follows:

	2019	2018
Domestic Public Education	\$ 201,989	\$ 496,042
International Public Education	13,901	6,225
Fundraising	166,891	192,378
Administration	112	794
Total	<u>\$ 382,893</u>	<u>\$ 695,439</u>

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

Years Ended June 30, 2019 and 2018

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 \$18,064 and \$19,589 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

NOTE 14. AVAILABLE RESOURCES AND LIQUIDITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following for the fiscal year ended June 30, 2019:

Cash and Cash Equivalents	\$ 3,811,979
Investments	147,597
Pledges Receivable	<u>148,107</u>
Total Financial Assets	4,107,683
Donor-imposed Restrictions	
Funds subject to use restrictions	(1,818,642)
Endowments	<u>(71,419)</u>
Net Financial Assets after Donor-imposed Restrictions	2,217,622
Less:	
Funds designated to purchase building	<u>(880,970)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 1,336,652</u></u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. Financial assets in excess of daily cash requirements are invested in certificates of deposit or money market funds as determined appropriate.

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

Years Ended June 30, 2019 and 2018

NOTE 15. 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 June 2018, the Organization entered into an agreement for facilities and catering services for its JuST (Juvenile Sex Trafficking) Conference to be held in October 2019 at the Duke Energy Convention Center in Cincinnati, Ohio. The agreement provides for a non-refundable deposit of \$3,400 which was paid during the current fiscal year.

The agreement contains a provision that the Organization will incur a minimum of \$130,000 in food and beverage charges. In the event that the food and beverage minimum is not met, the Organization is responsible for the difference between the actual catered food and beverage spent and the food and beverage minimum. If the Organization were to cancel this event, the Organization would pay the Convention Center at the time of cancellation, as liquidation damages a percentage (depending on date of cancellation) of anticipated food and beverage revenue plus applicable taxes.

During the current fiscal year, the Organization entered into contracts with several Cincinnati hotels to hold rooms for this event. The contracts contain provisions that the Organization's event will generate a minimum of \$290,637 of room revenue. Should the Organization achieve less than this amount, the Organization will be required to pay the difference between actual revenue and the minimum guaranteed. Also, if the Organization were to cancel the event, the Organization would pay the hotels at the time of cancellation, as liquidation damages a percentage (depending on date of cancellation) of anticipated room revenue plus applicable taxes.

NOTE 16. 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.

NOTE 17. SUBSEQUENT EVENTS

Subsequent to year-end, the Organization formed SHI Institute. This new corporation will be wholly owned by Shared Hope International, and its purpose is to hold title to the Organization's real estate in Washington D.C. SHI Institute has applied to be a title holding corporation under Section 501(c)(2) of the Internal Revenue Code.

As described in Note 11, the Organization purchased a condominium unit located in Washington D.C. for \$2,450,000 effective in August 2019. Upon execution of the Condominium Purchase and Sale Agreement in May 2019, an escrow deposit of \$122,500 was paid. The balance of \$2,454,294 was paid at closing. The Organization plans to transfer the building to SHI Institute during the fiscal year ending June 30, 2020.

SUPPLEMENTARY INFORMATION

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2019

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
ASSETS					
Current Assets					
Cash	\$ 3,769,845	\$ 1,919	\$ 40,215	\$ -	\$ 3,811,979
Investments	7,173	140,424	-	-	147,597
Pledges receivable, net	148,107	-	-	-	148,107
Intercompany receivable	13,188	-	-	(13,188)	-
Prepaid expenses	45,589	-	1,694	-	47,283
Inventory	93,723	-	-	-	93,723
Total Current Assets	4,077,625	142,343	41,909	(13,188)	4,248,689
Deposits and other assets	386	-	-	-	386
Property and Equipment, net	373,273	-	1,954	-	375,227
Total Assets	<u>\$ 4,451,284</u>	<u>\$ 142,343</u>	<u>\$ 43,863</u>	<u>\$ (13,188)</u>	<u>\$ 4,624,302</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 70,048	\$ -	\$ -	\$ -	\$ 70,048
Intercompany payable	-	13,188	-	(13,188)	-
Accrued payroll taxes and benefits	35,545	-	-	-	35,545
Accrued paid time off	44,670	-	-	-	44,670
Deferred revenue	162,822	-	-	-	162,822
Total Current Liabilities	313,085	13,188	-	(13,188)	313,085
Net Assets					
Without donor restrictions	2,377,293	-	43,863	-	2,421,156
With donor restrictions	1,760,906	129,155	-	-	1,890,061
Total Net Assets	4,138,199	129,155	43,863	-	4,311,217
Total Liabilities and Net Assets	<u>\$ 4,451,284</u>	<u>\$ 142,343</u>	<u>\$ 43,863</u>	<u>\$ (13,188)</u>	<u>\$ 4,624,302</u>

See independent auditors' report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
ASSETS					
Current Assets					
Cash	\$ 1,344,007	\$ 2,671	\$ 48,820	\$ -	\$ 1,395,498
Certificates of deposit	500,199	-	-	-	500,199
Investments	7,119	133,026	-	-	140,145
Pledges receivable, net	119,270	-	-	-	119,270
Intercompany receivable	4,021	-	-	(4,021)	-
Prepaid expenses	55,484	-	1,784	-	57,268
Inventory	105,893	-	-	-	105,893
Total Current Assets	2,135,993	135,697	50,604	(4,021)	2,318,273
Deposits and other assets	4,406	-	-	-	4,406
Property and Equipment, net	295,834	-	2,895	-	298,729
Total Assets	<u>\$ 2,436,233</u>	<u>\$ 135,697</u>	<u>\$ 53,499</u>	<u>\$ (4,021)</u>	<u>\$ 2,621,408</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 83,410	\$ -	\$ -	\$ -	\$ 83,410
Intercompany payable	-	453	3,568	(4,021)	-
Accrued payroll taxes and benefits	34,967	-	-	-	34,967
Accrued paid time off	40,812	-	-	-	40,812
Deferred revenue	208,675	-	-	-	208,675
Total Current Liabilities	367,864	453	3,568	(4,021)	367,864
Net Assets					
Without donor restrictions	1,607,605	-	49,931	-	1,657,536
With donor restrictions	460,764	135,244	-	-	596,008
Total Net Assets	2,068,369	135,244	49,931	-	2,253,544
Total Liabilities and Net Assets	<u>\$ 2,436,233</u>	<u>\$ 135,697</u>	<u>\$ 53,499</u>	<u>\$ (4,021)</u>	<u>\$ 2,621,408</u>

See independent auditors' report.

SHARED HOPE INTERNATIONAL AND AFFILIATES**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2019

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Trafficking Markets</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Support and Revenue					
Contributions and grants	\$ 4,888,117	\$ 1,543	\$ -	\$ -	\$ 4,889,660
Program and service revenue	381,159	-	-	-	381,159
Gifts-in-kind	227,775	-	-	-	227,775
Miscellaneous income	-	-	-	-	-
Net investment returns	7,161	6,646	3	-	13,810
Loss on disposal of equipment	(16,099)	-	-	-	(16,099)
Loss on uncollectible pledges	<u>(37,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,668)</u>
Total Support and Revenue	5,450,445	8,189	3	-	5,458,637
Expenses					
Program Activities					
International partners	244,209	13,838	-	-	258,047
International public education	14,171	-	-	-	14,171
Domestic public education	2,332,605	-	-	-	2,332,605
Domestic partners	84,133	-	5,776	-	89,909
Domestic WIN program	<u>90,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,397</u>
Total Program Activities	<u>2,765,515</u>	<u>13,838</u>	<u>5,776</u>	<u>-</u>	<u>2,785,129</u>
Supporting Activities					
Administration	372,200	440	295	-	372,935
Fundraising	<u>242,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,900</u>
Total Supporting Activities	<u>615,100</u>	<u>440</u>	<u>295</u>	<u>-</u>	<u>615,835</u>
Total Expenses	<u>3,380,615</u>	<u>14,278</u>	<u>6,071</u>	<u>-</u>	<u>3,400,964</u>
Change in Net Assets	2,069,830	(6,089)	(6,068)	-	2,057,673
Net Assets, beginning of year	<u>2,068,369</u>	<u>135,244</u>	<u>49,931</u>	<u>-</u>	<u>2,253,544</u>
Net Assets, end of year	<u>\$ 4,138,199</u>	<u>\$ 129,155</u>	<u>\$ 43,863</u>	<u>\$ -</u>	<u>\$ 4,311,217</u>

See independent auditors' report.

SHARED HOPE INTERNATIONAL AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018

	Shared Hope International	Shared Hope Foundation	Trafficking Markets	Consolidation Adjustments	Total
Support and Revenue					
Contributions and grants	\$ 3,343,570	\$ 57	\$ -	\$ -	\$ 3,343,627
Program and service revenue	402,975	-	-	-	402,975
Gifts-in-kind	197,300	-	-	-	197,300
Miscellaneous income	-	-	-	-	-
Net investment returns	6,925	8,716	1	-	15,642
Loss on uncollectible pledges	<u>(28,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,434)</u>
Total Support and Revenue	3,922,336	8,773	1	-	3,931,110
Expenses					
Program Activities					
International partners	420,980	-	-	-	420,980
International public education	5,305	-	-	-	5,305
Domestic public education	2,178,152	-	-	-	2,178,152
Domestic partners	396,244	-	5,574	-	401,818
Domestic WIN program	<u>17,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,091</u>
Total Program Activities	<u>3,017,772</u>	<u>-</u>	<u>5,574</u>	<u>-</u>	<u>3,023,346</u>
Supporting Activities					
Administration	415,998	510	300	-	416,808
Fundraising	<u>288,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,483</u>
Total Supporting Activities	<u>704,481</u>	<u>510</u>	<u>300</u>	<u>-</u>	<u>705,291</u>
Total Expenses	<u>3,722,253</u>	<u>510</u>	<u>5,874</u>	<u>-</u>	<u>3,728,637</u>
Change in Net Assets	200,083	8,263	(5,873)	-	202,473
Net Assets, beginning of year	<u>1,868,286</u>	<u>126,981</u>	<u>55,804</u>	<u>-</u>	<u>2,051,071</u>
Net Assets, end of year	<u>\$ 2,068,369</u>	<u>\$ 135,244</u>	<u>\$ 49,931</u>	<u>\$ -</u>	<u>\$ 2,253,544</u>

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