

**SHARED HOPE INTERNATIONAL
AND AFFILIATES**
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL CONSOLIDATING INFORMATION
Years Ended June 30, 2009 and 2008

CONTENTS

	Page
Independent Auditors' Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-22
Supplemental Information	
Consolidating Statements of Financial Position.....	23-24
Consolidating Statements of Activities	25-26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards	27-28



KUENZI & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

The Board of Directors
SHARED HOPE INTERNATIONAL
AND AFFILIATES
Vancouver, Washington

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial position of Shared Hope International (a nonprofit corporation) and Affiliates (Shared Hope Foundation, a nonprofit corporation, and Trafficking Markets, LLC, a limited liability company) as of June 30, 2009 and 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organizations' management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009 on our consideration of Shared Hope International and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



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Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information on pages 23 to 26 is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Kuenzi & Company LLC

Certified Public Accountants

Salem, Oregon
October 22, 2009

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 349,979	\$ 410,691
Investments	12,590	6,664
Grants receivable	80,541	138,203
Pledges receivable, net	55,402	47,437
Prepaid expenses	9,729	57,079
Inventory	145,820	11,521
Other assets held for sale	500	7,100
Deposits and other assets	5,673	5,547
Total Current Assets	<u>660,234</u>	<u>684,242</u>
Property and Equipment, net	65,706	88,225
Foundation Cash and Cash Equivalents	-	71,419
Foundation Investments	71,419	-
Total Assets	<u><u>\$ 797,359</u></u>	<u><u>\$ 843,886</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 95,132	\$ 73,945
Accrued payroll taxes	13,434	18,366
Accrued vacation	31,349	16,696
Current maturities of capital lease payable	3,033	2,700
Total Current Liabilities	<u>142,948</u>	<u>111,707</u>
Capital Lease Payable, less current maturities	<u>1,931</u>	<u>5,197</u>
Total Liabilities	144,879	116,904
Net Assets		
Unrestricted		
Operations	394,324	383,023
Property and Equipment	60,742	80,328
Total Unrestricted	<u>455,066</u>	<u>463,351</u>
Temporarily restricted	125,995	192,212
Permanently restricted	71,419	71,419
Total Net Assets	<u>652,480</u>	<u>726,982</u>
Total Liabilities and Net Assets	<u><u>\$ 797,359</u></u>	<u><u>\$ 843,886</u></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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 1,277,127	\$ 488,469	\$ -	\$ 1,765,596
Government grants	-	338,528	-	338,528
Gifts-in-kind	182,488	-	-	182,488
Interest income	6,424	1,728	-	8,152
Investment gain (loss)	(41)	5,600	-	5,559
Writedown of assets held for sale	(6,400)	-	-	(6,400)
Loss on equipment disposition	(2,013)	-	-	(2,013)
Net assets released from restrictions	<u>900,542</u>	<u>(900,542)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,358,127	(66,217)	-	2,291,910
Expenses				
Program Activities				
Domestic public education	619,120	-	-	619,120
Rescue/restoration	366,376	-	-	366,376
Domestic trafficking (grant)	338,888	-	-	338,888
Domestic trafficking (non-grant)	274,069	-	-	274,069
Domestic WIN program	128,667	-	-	128,667
International public education	114,001	-	-	114,001
Intervention/prevention	<u>60,196</u>	<u>-</u>	<u>-</u>	<u>60,196</u>
Total Program Activities	1,901,317	-	-	1,901,317
Supporting Activities				
Administration	247,138	-	-	247,138
Fundraising	<u>217,957</u>	<u>-</u>	<u>-</u>	<u>217,957</u>
Total Supporting Activities	<u>465,095</u>	<u>-</u>	<u>-</u>	<u>465,095</u>
Total Expenses	<u>2,366,412</u>	<u>-</u>	<u>-</u>	<u>2,366,412</u>
Change in Net Assets	(8,285)	(66,217)	-	(74,502)
Net Assets, Beginning of Year	<u>463,351</u>	<u>192,212</u>	<u>71,419</u>	<u>726,982</u>
Net Assets, End of Year	<u>\$ 455,066</u>	<u>\$ 125,995</u>	<u>\$ 71,419</u>	<u>\$ 652,480</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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 1,284,916	\$ 487,599	\$ -	\$ 1,772,515
Government grants	-	451,796	-	451,796
Gifts-in-kind	200,990	-	-	200,990
Interest income	5,739	3,686	-	9,425
Investment loss	(1,757)	-	-	(1,757)
Gain on equipment disposition	770	-	-	770
Net assets released from restrictions	987,391	(987,391)	-	-
Total Support and Revenue	2,478,049	(44,310)	-	2,433,739
Expenses				
Program Activities				
Domestic public education	253,642	-	-	253,642
Rescue/restoration	431,460	-	-	431,460
Domestic trafficking (grant)	402,036	-	-	402,036
Domestic trafficking (non-grant)	181,067	-	-	181,067
Domestic WIN program	124,888	-	-	124,888
International public education	118,385	-	-	118,385
Intervention/prevention	74,270	-	-	74,270
Trafficking markets	86,125	-	-	86,125
Total Program Activities	1,671,873	-	-	1,671,873
Supporting Activities				
Administration	282,013	-	-	282,013
Fundraising	321,430	-	-	321,430
Total Supporting Activities	603,443	-	-	603,443
Total Expenses	2,275,316	-	-	2,275,316
Change in Net Assets	202,733	(44,310)	-	158,423
Net Assets, Beginning of Year	260,618	236,522	71,419	568,559
Net Assets, End of Year	\$ 463,351	\$ 192,212	\$ 71,419	\$ 726,982

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, 2009

	Program Activities								Supporting Activities			Total Expenses
	Domestic Public Education	Rescue/Restoration	Domestic Trafficking (grant)	Domestic Trafficking (Non-Grant)	Domestic WIN Program	International Public Education	Intervention/Prevention	Total	Administration	Fundraising	Total	
Salaries and Wages	\$ 225,473	\$ 27,208	\$ 81,804	\$ 7,672	\$ 78,090	\$ 25,988	\$ 28,088	\$ 474,323	\$ 93,345	\$ 34,816	\$ 128,161	\$ 602,484
Payroll Taxes and Benefits	28,256	3,156	9,608	878	9,579	3,136	2,965	57,578	11,469	4,210	15,679	73,257
Donated Services	59,942	9,305	-	20,675	4,820	16,155	4,697	115,594	9,146	14,248	23,394	138,988
Banking Costs	-	-	-	-	-	-	-	-	11,419	-	11,419	11,419
Computer Expenses	7,291	686	1,527	242	2,559	593	582	13,480	3,090	1,459	4,549	18,029
Conferences and Meetings	1,198	-	53,174	-	-	631	-	55,003	3,495	1,604	5,099	60,102
Contract services	23,788	-	84,397	3,000	-	975	-	112,160	2,000	718	2,718	114,878
Depreciation	12,026	1,492	-	421	4,285	1,101	1,541	20,866	5,121	3,432	8,553	29,419
Facilities	29,657	-	-	-	-	17,088	-	46,745	-	10,586	10,586	57,331
Gifts	877	6,706	-	-	99	530	-	8,212	1,544	362	1,906	10,118
Grants to Others	-	266,766	52,861	238,735	7,568	-	-	565,930	-	-	-	565,930
Insurance	5,323	400	1,108	118	1,824	188	905	9,866	2,416	1,025	3,441	13,307
Licenses, Fees and Subscriptions	7,354	581	2,602	228	2,480	530	642	14,417	2,894	1,303	4,197	18,614
Meals and Entertainment	-	90	-	-	11	-	-	101	3,179	1,318	4,497	4,598
Advertising	5,537	-	-	-	-	-	65	5,602	1,409	588	1,997	7,599
Miscellaneous	35	-	-	16	-	34	-	85	1,044	1,015	2,059	2,144
Occupancy	25,042	3,083	10,506	867	10,217	2,560	3,275	55,550	12,186	5,573	17,759	73,309
Office Supplies	2,422	401	1,444	66	1,139	314	467	6,253	1,292	662	1,954	8,207
Postage and Shipping	17,518	563	2,010	160	2,463	1,447	964	25,125	2,915	20,881	23,796	48,921
Printing and Publication	52,600	130	105	29	412	7,515	8,060	68,851	6,118	59,219	65,337	134,188
Professional Services	20,008	-	2,650	-	-	214	-	22,872	62,356	36,641	98,997	121,869
Program Supplies	4,449	-	-	-	25	789	415	5,678	-	677	677	6,355
Telephone	7,158	862	2,882	244	2,821	670	850	15,487	3,420	1,472	4,892	20,379
Travel	49,508	44,947	32,210	718	275	24,682	538	152,878	4,838	11,583	16,421	169,299
Training	-	-	-	-	-	-	-	-	160	-	160	160
Video Production and Distribution	25,914	-	-	-	-	1,606	239	27,759	-	-	-	27,759
Website	7,744	-	-	-	-	7,255	5,903	20,902	2,282	4,565	6,847	27,749
Total Expenses	\$ 619,120	\$ 366,376	\$ 338,888	\$ 274,069	\$ 128,667	\$ 114,001	\$ 60,196	\$ 1,901,317	\$ 247,138	\$ 217,957	\$ 465,095	\$ 2,366,412
Total Expenses as Percentage of Total Support and Revenue									9.5%	10.8%	20.3%	

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, 2008

	Program Activities									Supporting Activities			Total Expenses
	Domestic Public Education	Rescue/Restoration	Domestic Trafficking (grant)	Domestic Trafficking (non-grant)	Domestic WIN Program	International Public Education	Intervention/Prevention	Trafficking Markets	Total	Administration	Fundraising	Total	
Salaries and Wages	\$ 73,159	\$ 14,574	\$ 167,691	\$ 17,303	\$ 82,463	\$ 21,456	\$ 33,595	\$ 14,689	\$ 424,930	\$ 105,893	\$ 38,927	\$ 144,820	\$ 569,750
Payroll Taxes and Benefits	9,199	1,604	18,249	1,569	9,098	2,588	3,663	1,797	47,767	11,331	2,551	13,882	61,649
Donated Services	20,069	8,077	-	79,188	3,849	16,799	8,077	25,076	161,135	7,320	9,545	16,865	178,000
Banking Costs	-	-	-	-	-	-	-	-	-	12,304	-	12,304	12,304
Computer Expenses	1,739	419	4,877	417	2,394	569	987	491	11,893	3,007	1,419	4,426	16,319
Conferences and Meetings	363	-	-	356	-	-	-	-	719	-	91	91	810
Contract Labor	25,439	-	94,691	-	-	25,369	-	35,400	180,899	-	595	595	181,494
Depreciation	7,170	811	-	428	5,557	940	2,710	-	17,616	6,953	4,514	11,467	29,083
Facilities	11,484	-	-	-	-	3,762	-	-	15,246	-	7,212	7,212	22,458
Gifts	75	4,252	-	-	125	28	-	-	4,480	4,008	5,197	9,205	13,685
Grants to Others	-	392,067	-	53,110	-	-	-	-	445,177	-	-	-	445,177
Insurance	646	145	1,708	146	862	232	326	147	4,212	1,121	455	1,576	5,788
Licenses, Fees and Subscriptions	1,232	334	3,555	342	1,842	446	771	451	8,973	2,294	1,023	3,317	12,290
Meals and Entertainment	-	1,726	-	-	13	-	-	-	1,739	6,306	103	6,409	8,148
Advertising	12,574	-	-	-	-	69	775	-	13,418	1,151	-	1,151	14,569
Miscellaneous	3,040	628	-	104	102	422	18	-	4,314	1,263	266	1,529	5,843
Occupancy	8,395	1,701	20,532	1,621	10,472	2,743	4,106	2,071	51,641	13,528	5,349	18,877	70,518
Postage and Shipping	7,852	425	4,838	405	2,452	1,160	1,006	419	18,557	3,299	36,576	39,875	58,432
Printing and Publication	27,045	-	-	-	-	10,325	1,777	-	39,147	5,736	143,636	149,372	188,519
Professional Services	7,073	-	10,475	-	-	144	-	1,026	18,718	52,729	36,601	89,330	108,048
Supplies	3,417	484	5,463	476	2,963	1,274	1,493	559	16,129	4,038	3,925	7,963	24,092
Telephone	2,219	685	5,549	458	2,696	1,150	1,800	900	15,457	3,337	1,575	4,912	20,369
Travel	14,454	3,528	64,408	13,706	-	14,997	2,956	3,099	117,148	30,471	19,222	49,693	166,841
Training	-	-	-	-	-	-	-	-	-	4,386	-	4,386	4,386
Video Production and Distribution	14,040	-	-	11,438	-	9,180	2,048	-	36,706	-	45	45	36,751
Website	2,958	-	-	-	-	4,732	8,162	-	15,852	1,538	2,603	4,141	19,993
Total Expenses	\$ 253,642	\$ 431,460	\$ 402,036	\$ 181,067	\$ 124,888	\$ 118,385	\$ 74,270	\$ 86,125	\$ 1,671,873	\$ 282,013	\$ 321,430	\$ 603,443	\$ 2,275,316
Total Expenses as Percentage of Total Support and Revenue										<u>13.2%</u>	<u>11.6%</u>	<u>24.8%</u>	

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, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,154,021	\$ 2,288,185
Cash paid to grantees, vendors, and employees	(2,211,728)	(2,136,312)
Interest income	8,152	9,425
Net Cash Provided (Used) by Operating Activities	(49,555)	161,298
Cash Flows from Investing Activities		
Purchases of investments	(78,031)	-
Proceeds from sale of investments	7,301	-
Proceeds from the disposal of property and equipment	-	770
Acquisition of property and equipment	(8,913)	(14,637)
Net Cash Used by Investing Activities	(79,643)	(13,867)
Cash Flows from Financing Activities		
Payments on capital lease payable	(2,933)	(834)
Net Cash Used by Financing Activities	(2,933)	(834)
Net Increase (Decrease) in Cash and Cash Equivalents	(132,131)	146,597
Cash and Cash Equivalents, Beginning of Year	482,110	335,513
Cash and Cash Equivalents, End of Year	<u>\$ 349,979</u>	<u>\$ 482,110</u>
Reconciliation of Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities		
Change in Net Assets	\$ (74,502)	\$ 158,423
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	29,419	29,083
Noncash donations	(35,803)	(8,819)
Investment (gains) losses	(5,559)	1,757
(Gain) loss on disposal of equipment	2,013	(770)
Change in assets and liabilities:		
Other receivables	-	1,575
Grants receivable	57,662	56,545
Pledges receivable	(7,965)	5,758
Prepaid expenses	47,350	(49,177)
Inventory	(99,552)	-
Other assets held for sale	6,600	-
Deposits and other assets	(126)	4,449
Accounts payable	21,187	(47,703)
Accrued payroll taxes	(4,932)	14,859
Accrued vacation	14,653	10,318
Settlement payable	-	(15,000)
Total Adjustments	24,947	2,875
Net Cash Provided (Used) by Operating Activities	<u>\$ (49,555)</u>	<u>\$ 161,298</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, 2009 and 2008

Note 1. *The Organization*

Shared Hope International (Shared Hope), Shared Hope Foundation (Foundation), and Trafficking Markets, LLC (Affiliates), hereafter collectively referred to as the “Organization,” are entities formed in the state of Washington. Shared Hope and Share Hope Foundation are corporations and Trafficking Markets is a limited liability company. The Organization’s activities are consolidated in the accompanying consolidated financial statements.

Shared Hope’s mission is to rescue and restore women and children in crisis. Since its formation in November of 1998, the Organization has become a leader in the worldwide effort to prevent and eradicate sex trafficking and slavery through education and public awareness. The purpose of the Shared Hope 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 will 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 was formed to manage and operate Shared Hope’s “Market Places of Victimization” Federal grant.

The Organization operates programs 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. The Organization partners with groups worldwide to prevent sex trafficking; to rescue victims of trafficking; and to supply shelter, healthcare, education, and vocational training opportunities to 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, its wholly-owned subsidiary, Trafficking Markets, LLC and its affiliate, Shared Hope Foundation. Intercompany transactions between the three entities, which include member investments and reimbursement expenses, are eliminated in the consolidation.

Basis of Accounting and Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) 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.

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 investments within one year.

Investments are comprised of common and preferred stock, money market funds and mutual funds. 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 the net assets classes based upon donor restrictions or the absence thereof. The Organization has an Endowment Fund which is permanently restricted. Investment earnings of the Endowment Fund are available to support the Organization's Rescue/Restoration program as well as pay for administrative costs of the Foundation and are reported as temporarily restricted in the consolidated statement of activities 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. An allowance for uncollectible promises to give is calculated based upon a percentage of pledges receivable. It is reasonably possible that the Organization's estimate of the allowance for uncollectible promises to give will change.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 2. Summary of Significant Accounting Policies (Continued)

Inventory – Inventory in the accompanying Consolidated Statements of Financial Position consists of books, jewelry, leather goods, and office supplies. The aforementioned jewelry and leather goods were produced by women who were victims of sex trafficking. The Organization makes these goods available for sale to its donors as a means of supporting its rescue/restoration program. The Organization's inventory is recorded at the lower of cost or market.

Property and Equipment – Property and equipment are recorded at cost, if purchased, or at fair market value at date of gift, if donated. It is the Organization's policy to capitalize expenditures for items in excess of \$250. 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 lease, whichever is shorter. The recorded value of equipment and other capital assets used in the Organization's rescue/restoration program is expensed as incurred, as the Organization does not retain title.

Expenditures for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are charged against revenue 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.

Foundation Cash and Investments – Cash and cash equivalents and investments on the Consolidated Statements of Financial Position for the years ended June 30, 2009 and 2008 include endowments received by the Shared Hope Foundation with donor imposed restrictions limiting their use to long-term purposes.

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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 2. Summary of Significant Accounting Policies (Continued)

Donated Services – 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.

Functional Allocation of Expenses – The costs of providing various programs and supporting activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements 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.

Advertising Expenses are charged to income during the year in which they are incurred. Advertising expense for the years ended June 30, 2009 and 2008 was \$7,599 and \$14,569, 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). The Organization has elected to defer the provisions of FIN No. 48, “Accounting for Income Taxes,” under the provisions of FSP FIN No. 48-3. The Company uses a FAS 5, “Loss Contingencies,” approach for evaluating uncertain tax provisions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Reclassifications – Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 consolidated financial statement presentation.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 3. Investments

The fair values and unrealized gain (loss) for investments as of June 30, 2009 and 2008 are summarized as follows:

	2009		
	Original Cost	Fair Market Value	Unrealized Gain (Loss)
Common stock	21,419	\$ 20,260	\$ (1,159)
Mutual funds	\$ 57,853	\$ 63,749	\$ 5,896
	<u>79,272</u>	<u>84,009</u>	<u>4,737</u>

	2008		
	Original Cost	Fair Market Value	Unrealized (Loss)
Common Stock	\$ 8,421	\$ 6,664	\$ (1,757)

Investment income (loss) for the years ended June 30, 2009 and 2008 is summarized as follows:

	2009	2008
Interest and dividends	\$ 8,152	\$ 9,425
Realized loss on investments	(935)	-
Unrealized gain (loss) on investments	6,494	(1,757)
	<u>\$ 13,711</u>	<u>\$ 7,668</u>

Note 4. Grants Receivable

Grants receivable consist of the following:

	2009	2008
Christopher Family Foundation	\$ 32,500	\$ -
Kellogg Foundation	20,000	-
Federal Grant - U.S. Department of Justice	28,041	138,203
	<u>\$ 80,541</u>	<u>\$ 138,203</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 5. Pledges Receivable

Pledges receivable represent unconditional promises to give and consist of the following:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 73,869	\$ 63,249
Less allowance for uncollectible pledges	<u>(18,467)</u>	<u>(15,812)</u>
	<u>\$ 55,402</u>	<u>\$ 47,437</u>

Note 6. Property and Equipment

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Office equipment and furniture	\$ 112,656	\$ 111,896
Program equipment	13,974	19,857
Leasehold improvements	<u>45,682</u>	<u>45,681</u>
	172,312	177,434
Less accumulated depreciation	<u>(106,606)</u>	<u>(89,209)</u>
	<u>\$ 65,706</u>	<u>\$ 88,225</u>

Depreciation expense was \$29,419 and \$29,083 in 2009 and 2008, respectively, and includes amortization of property and equipment under capital lease arrangements. Office equipment and furniture under capital leases totaled \$9,149 as of June 30, 2009 and 2008. Accumulated depreciation and amortization for property and equipment under capital lease arrangements for 2009 and 2008 were \$2,897 and \$1,067, respectively.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 7. Capital Leases

Capital lease payable consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
10.96% capital lease payable with monthly payments of \$286 including interest, due February 2011, secured by equipment.	\$ 4,964	\$ 7,897
Less current maturities	<u>3,033</u>	<u>2,700</u>
	<u>\$ 1,931</u>	<u>\$ 5,197</u>

Future minimum payments, by year and in the aggregate, under the capital lease are as follows:

2010	\$ 3,400
2011	<u>2,078</u>
Total lease payments	5,478
Less amount representing interest	<u>514</u>
Total obligation under the capital lease	4,964
Less current maturities	<u>3,033</u>
Total obligations under the capital lease, less current maturities	<u>\$ 1,931</u>

Note 8. Endowment Fund

Shared Hope'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.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 8. Endowment Fund (Continued)

Interpretation of Relevant Law – Management of Shared Hope 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.

Endowment fund net asset composition by type at June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ 9,275</u>	<u>\$ 71,419</u>	<u>\$ 80,694</u>

As of June 30, 2009, Shared Hope had no board-restricted endowment funds.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 8. Endowment Fund (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
Beginning of the year	\$ 630	\$ 3,833	\$ 71,419	\$ 75,882
Investment income:				
Interest and dividends	-	1,728	-	1,728
Realized losses	-	(935)	-	(935)
Unrealized gains	-	6,535	-	6,535
Total investment income	-	7,328	-	7,328
Appropriation of endowment assets for expenditures	(630)	(1,886)	-	(2,516)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,275</u>	<u>\$ 71,419</u>	<u>\$ 80,694</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, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of June 30, 2009. These deficiencies would 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 percent 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, 2009 and 2008

Note 8. Endowment Fund (Continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Shared Hope 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 – Shared Hope 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.

Note 9. Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2009 and 2009:

	<u>2009</u>	<u>2008</u>
Rescue/Restoration:		
South Africa Village of Hope	\$ 1,696	\$ 1,696
Fiji Village of Hope	-	770
Jamaica	-	138,476
Intervention/Prevention: Predator Project	3,212	-
Domestic Public Education:		
Florida assessment/DMST training	53,410	-
Northwest programs	3,000	-
Pledges receivable during June 30, 2010 and 2009	55,402	47,437
Earnings from endowment fund yet to be disbursed	<u>9,275</u>	<u>3,833</u>
	<u>\$ 125,995</u>	<u>\$ 192,212</u>

Permanently restricted net assets include amounts donated to the Mannisha Life Endowment Fund totaling \$71,419 as of June 30, 2009 and 2008.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 10. Government Grant Revenue

During the year ended June 30, 2007, the Organization was awarded a \$978,228 Federal grant from the U.S. Department of Justice for the purpose of facilitating services for domestic child sex trafficking victims. The original award period for this grant was from September 1, 2006 through October 1, 2008 but has been extended through September 30, 2009.

The Organization recognizes Federal grant revenue to the extent of allowable grant expenses incurred each period. The Federal government may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants.

Expenditures made under Federal grants consist of the following:

	<u>2009</u>	<u>2008</u>
U.S. Department of Justice	\$ 338,528	\$ 390,713
U.S. Department of State	<u>-</u>	<u>61,083</u>
	<u>\$ 338,528</u>	<u>\$ 451,796</u>

The Organization's government grant revenue was approximately 15% and 19% of the Organization's total support and revenue for 2009 and 2008, respectively.

Note 11. Grants to Others

The Organization partners with other nonprofit organizations in several foreign countries in order to help rescue and restore women and children enslaved in the sex trade by providing them with shelter, healthcare, education and vocational training opportunities. The Organization has found that supporting established, local nonprofit organizations is the most effective way to meet these goals due to legal and cultural differences. The Organization oversees these projects, and monies transferred are recorded as grants to others.

The Organization has also provided grants to several nonprofit organizations as part of its Federal grant programs. In addition, the Organization provided grants to nonprofit organizations which are providing services for domestic trafficking victims. The goal is to provide funding, technical assistance and other support in order to help these organizations become successful and self-sustaining.

Funds granted to nonprofit organizations totaled \$565,930 and \$445,177 for the years ended June 30, 2009 and 2008, respectively.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 12. Gifts-in-Kind

Shared Hope receives some 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 projects would be restricted to the availability of cash funds. Gifts-in-kind for managerial and professional services are allocated to program revenues and expenses based on hourly wages. Donations of construction services are capitalized as a direct cost to the asset constructed. Other donated assets are considered unrestricted revenues, if not donor specified, and are available for use to fulfill the mission of the Organization.

In-kind donations reported in the accompanying consolidated financial statements consist of the following:

	<u>2009</u>	<u>2008</u>
Managerial and professional services	\$ 146,685	\$ 192,171
Investments	1,056	8,421
Inventory	34,747	118
Equipment	-	280
	<u>\$ 182,488</u>	<u>\$ 200,990</u>

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's activities. The estimated value of these services, based on minimum hourly wage, amounts to \$11,761 and \$8,753 for the years ended June 30, 2009 and 2008, respectively. In accordance with Statement of Financial Accounting Standards No. 116, the value of these services is not reflected in the consolidated financial statements.

Note 13. Operating Leases

The Organization's Vancouver, Washington office lease expired March 31, 2009. The space continued to be leased on a month-to-month basis thereafter. Subsequent to June 30, 2009, the Organization negotiated a new lease, which commences November 1, 2009. The lease requires a monthly lease payment of \$2,550 and expires October 30, 2010. The lease contains an option to negotiate a two-year lease.

In addition, the Organization entered into a non-cancelable lease of office space in Arlington, Virginia on April 27, 2007 with a monthly lease payment of \$2,836 that increases 3% annually. The lease also includes an annual prorated charge for operating expenses. The lease expires on May 1, 2010 with a renewal option for one additional lease term of three years.

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 13. Operating Leases (Continued)

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

2010	\$ 20,400
2011	<u>10,200</u>
	<u>\$ 30,600</u>

Rent expense reported in the accompanying Consolidated Statements of Activities for all non-cancelable and cancelable leases was \$67,523 and \$64,799 for the years ended June 30, 2009 and 2008, respectively.

Note 14. 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, generally accepted accounting principles prescribe conditions under which costs may be split between fundraising and program activities. If the conditions prescribed under generally accepted accounting standards 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, websites, and events.

The functional allocation of these costs is summarized as follows:

	<u>2009</u>	<u>2008</u>
Domestic Public Education	\$ 124,651	\$ 55,313
Intervention/Prevention	163	8,162
International Public Education	39,731	4,014
Fundraising	151,139	202,085
Administration	<u>2,282</u>	<u>-</u>
	<u>\$ 317,966</u>	<u>\$ 269,574</u>

SHARED HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2009 and 2008

Note 15. Profit Sharing Plan

On April 1, 2009, the Organization adopted a profit-sharing and 401(k) plan (Plan) for all eligible employees. Employees may contribute a percentage of their salary to the Plan subject to statutory limits. The Organization will make matching contributions in an amount up to 3% of each eligible participant's compensation, which totaled \$2,612 for the year ended June 30, 2009. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. No discretionary contributions were made for the year ended June 30, 2009.

Note 16. Statement of Cash Flows - Supplemental Disclosures

Non-cash transactions reported in the accompanying consolidated statements of cash flows are as follows:

	2009	2008
Donated investments	\$ 1,056	\$ 8,421
Donated inventory	34,747	118
Donated equipment	-	280
Acquisition of property and equipment financed by capital lease payable	-	8,731
	\$ 35,803	\$ 17,550

Cash paid for interest during the year ended June 30, 2009 and 2008 totaled \$843 and \$432, respectively.

Note 17. Concentrations and Risk

Concentrations - The Organization's cash is comprised of amounts held in several financial institutions. While the amount at times may exceed the amounts guaranteed by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investors Protection Corporation (SIPC) and therefore bear some risk, the Organization has not experienced nor does it anticipate any loss of funds. At June 30, 2009, all cash funds held were covered by FDIC or SIPC insurance.

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.

SUPPLEMENTAL INFORMATION

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2009

	<u>Shared Hope International</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash	\$ 344,342	\$ 5,637	\$ -	\$ 349,979
Investments	7,687	4,903	-	12,590
Intercompany receivable	1,265	-	(1,265)	-
Grants receivable	80,541	-	-	80,541
Pledges receivable, net	55,402	-	-	55,402
Prepaid expenses	9,729	-	-	9,729
Inventory	145,820	-	-	145,820
Other assets held for sale	500	-	-	500
Deposits and other assets	5,673	-	-	5,673
Total Current Assets	<u>650,959</u>	<u>10,540</u>	<u>(1,265)</u>	<u>660,234</u>
Property and Equipment, net	65,706	-	-	65,706
Foundation Investments	-	71,419	-	71,419
Investment in Subsidiary	-	-	-	-
Total Assets	<u>\$ 716,665</u>	<u>\$ 81,959</u>	<u>\$ (1,265)</u>	<u>\$ 797,359</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 95,132	\$ -	\$ -	\$ 95,132
Intercompany payable	-	1,265	(1,265)	-
Accrued payroll taxes	13,434	-	-	13,434
Accrued vacation	31,349	-	-	31,349
Current maturities of capital lease payable	3,033	-	-	3,033
Total Current Liabilities	<u>142,948</u>	<u>1,265</u>	<u>(1,265)</u>	<u>142,948</u>
Capital lease payable, net	<u>1,931</u>	<u>-</u>	<u>-</u>	<u>1,931</u>
Total Liabilities	<u>144,879</u>	<u>1,265</u>	<u>(1,265)</u>	<u>144,879</u>
Net Assets				
Unrestricted				
Operations	394,324	-	-	394,324
Property and equipment	60,742	-	-	60,742
Total Unrestricted	<u>455,066</u>	<u>-</u>	<u>-</u>	<u>455,066</u>
Temporarily restricted	116,720	9,275	-	125,995
Permanently restricted	-	71,419	-	71,419
Total Net Assets	<u>571,786</u>	<u>80,694</u>	<u>-</u>	<u>652,480</u>
Total Liabilities and Net Assets	<u>\$ 716,665</u>	<u>\$ 81,959</u>	<u>\$ (1,265)</u>	<u>\$ 797,359</u>

See independent auditor's report.

SHARED HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2008

	Shared Hope International	Trafficking Markets	Shared Hope Foundation	Consolidation Adjustments	Total
ASSETS					
Current Assets					
Cash	\$ 354,688	\$ 1,000	\$ 55,003	\$ -	\$ 410,691
Investments	6,664	-	-	-	6,664
Intercompany receivable	50,540	-	-	(50,540)	-
Grants receivable	138,203	-	-	-	138,203
Pledges receivable, net	47,437	-	-	-	47,437
Prepaid expenses	57,079	-	-	-	57,079
Inventory	11,521	-	-	-	11,521
Other assets held for sale	7,100	-	-	-	7,100
Deposits and other assets	5,547	-	-	-	5,547
Total Current Assets	678,779	1,000	55,003	(50,540)	684,242
Property and Equipment, net	88,225	-	-	-	88,225
Foundation Cash	-	-	71,419	-	71,419
Investment in Subsidiary	1,000	-	-	(1,000)	-
Total Assets	<u>\$ 768,004</u>	<u>\$ 1,000</u>	<u>\$ 126,422</u>	<u>\$ (51,540)</u>	<u>\$ 843,886</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 73,945	\$ -	\$ -	\$ -	\$ 73,945
Intercompany payable	-	-	50,540	(50,540)	-
Accrued payroll taxes	18,366	-	-	-	18,366
Accrued vacation	16,696	-	-	-	16,696
Current maturities of capital lease payable	2,700	-	-	-	2,700
Total Current Liabilities	111,707	-	50,540	(50,540)	111,707
Capital Lease Payable, less current maturities	5,197	-	-	-	5,197
Total Liabilities	116,904	-	50,540	(50,540)	116,904
Net Assets					
Unrestricted					
Member net assets	-	1,000	-	(1,000)	-
Operations	382,393	-	630	-	383,023
Property and equipment	80,328	-	-	-	80,328
Total Unrestricted	462,721	1,000	630	(1,000)	463,351
Temporarily restricted	188,379	-	3,833	-	192,212
Permanently restricted	-	-	71,419	-	71,419
Total Net Assets	651,100	1,000	75,882	(1,000)	726,982
Total Liabilities and Net Assets	<u>\$ 768,004</u>	<u>\$ 1,000</u>	<u>\$ 126,422</u>	<u>\$ (51,540)</u>	<u>\$ 843,886</u>

See independent auditor's report.

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

Year Ended June 30, 2009

	<u>Shared Hope International</u>	<u>Trafficking Markets</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Support and Revenue					
Contributions and grants	\$ 1,765,596	\$ -	\$ -	\$ -	\$ 1,765,596
Government grants	338,528	-	-	-	338,528
Gifts-in-kind	182,488	-	-	-	182,488
Interest income	6,424	-	1,728	-	8,152
Investment gain (loss)	(41)	-	5,600	-	5,559
Write-down of assets held for sale	(6,400)	-	-	-	(6,400)
Loss on equipment disposition	(2,013)	-	-	-	(2,013)
Total Support and Revenue	<u>2,284,582</u>	<u>-</u>	<u>7,328</u>	<u>-</u>	<u>2,291,910</u>
Expenses					
Program Activities					
Domestic public education	619,120	-	-	-	619,120
Rescue/restoration	366,376	-	-	-	366,376
Domestic trafficking (grant)	338,888	-	-	-	338,888
Domestic trafficking (non-grant)	274,069	-	-	-	274,069
Domestic WIN program	128,667	-	-	-	128,667
International public education	114,001	-	-	-	114,001
Intervention/prevention	60,196	-	-	-	60,196
Total Program Activities	<u>1,901,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901,317</u>
Supporting Activities					
Administration	244,622	-	2,516	-	247,138
Fundraising	217,957	-	-	-	217,957
Total Supporting Activities	<u>462,579</u>	<u>-</u>	<u>2,516</u>	<u>-</u>	<u>465,095</u>
Total Expenses	<u>2,363,896</u>	<u>-</u>	<u>2,516</u>	<u>-</u>	<u>2,366,412</u>
Change in Net Assets	(79,314)	-	4,812	-	(74,502)
Net Assets, beginning of year	651,100	1,000	75,882	(1,000)	726,982
Capital Refund	-	(1,000)	-	1,000	-
Net Assets, end of year	<u>\$ 571,786</u>	<u>\$ -</u>	<u>\$ 80,694</u>	<u>\$ -</u>	<u>\$ 652,480</u>

See independent auditor's report.

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

Year Ended June 30, 2008

	<u>Shared Hope International</u>	<u>Trafficking Markets</u>	<u>Shared Hope Foundation</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Support and Revenue					
Contributions and grants	\$ 1,772,515	\$ -	\$ -	\$ -	\$ 1,772,515
Government grants	390,713	61,083	-	-	451,796
Gifts-in-kind	175,914	25,076	-	-	200,990
Interest income	5,739	16	3,670	-	9,425
Investment loss	(1,757)	-	-	-	(1,757)
Gain on equipment disposition	770	-	-	-	770
Total Support and Revenue	2,343,894	86,175	3,670	-	2,433,739
Expenses					
Program Activities					
Domestic public education	253,642	-	-	-	253,642
Rescue/restoration	431,460	-	-	-	431,460
Domestic trafficking (grant)	402,036	-	-	-	402,036
Domestic trafficking (non-grant)	181,067	-	-	-	181,067
Domestic WIN program	124,888	-	-	-	124,888
International public education	118,385	-	-	-	118,385
Intervention/prevention	74,270	-	-	-	74,270
Trafficking markets	-	86,125	-	-	86,125
Total Program Activities	1,585,748	86,125	-	-	1,671,873
Supporting Activities					
Administration	278,973	-	3,040	-	282,013
Fundraising	321,430	-	-	-	321,430
Total Supporting Activities	600,403	-	3,040	-	603,443
Total Expenses	2,186,151	86,125	3,040	-	2,275,316
Increase in Net Assets from Operations	157,743	50	630	-	158,423
Other Expense					
Increase in subsidiary net assets	50	-	-	(50)	-
Change in Net Assets	157,793	50	630	(50)	158,423
Net Assets, beginning of year	497,140	(63,028)	71,419	63,028	568,559
Capital transfer to Affiliate	(3,833)	-	3,833	-	-
Capital contributions	-	63,978	-	(63,978)	-
Net Assets, end of year	\$ 651,100	\$ 1,000	\$ 75,882	\$ (1,000)	\$ 726,982

See independent auditor's report.



The Board of Directors
SHARED HOPE INTERNATIONAL
AND AFFILIATES
Vancouver, Washington

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the consolidated financial statements of Shared Hope International (a nonprofit organization) and Affiliates (Shared Hope Foundation, a nonprofit corporation, and Trafficking Markets, LLC, a limited liability company), collectively referred to herein as the “Organization,” as of and for the year ended June 30, 2009, and have issued our report thereon dated October 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Organization’s consolidated financial statements that is more than inconsequential will not be prevented or detected by the Organization’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the Organization’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the Organization, in a separate letter dated November 10, 2009.

This report is intended solely for the information and use of the management, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kuenzi & Company LLC

Certified Public Accountants

Salem, Oregon
October 22, 2009