

HOPE ABIDES

Audited Financial Statements

December 31, 2013

Richardson & Company

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope Abides
Mount Vernon, Washington

We have audited the accompanying financial statements of Hope Abides, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Hope Abides

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Abides as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Richardson & Company

May 13, 2014

HOPE ABIDES

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 28,642	\$ 21,475
Other assets	400	
Other receivables		8
TOTAL CURRENT ASSETS	<u>29,042</u>	<u>21,483</u>
TOTAL ASSETS	<u><u>\$ 29,042</u></u>	<u><u>\$ 21,483</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 821	
Payable to other organizations	5,100	\$ 3,900
TOTAL LIABILITIES	<u>5,921</u>	<u>3,900</u>
NET ASSETS		
Temporarily restricted	823	1,065
Unrestricted	22,298	16,518
TOTAL NET ASSETS	<u>23,121</u>	<u>17,583</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 29,042</u></u>	<u><u>\$ 21,483</u></u>

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

HOPE ABIDES

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Contributions	\$ 28,902	\$ 24,109
Donated materials and services	3,162	4,226
Grants	4,500	8,748
Fundraising event	3,508	4,693
Net assets released from restriction	1,065	397
TOTAL SUPPORT AND REVENUES	<u>41,137</u>	<u>42,173</u>
EXPENSES		
Program services:		
Grants to orphanages	28,484	26,701
Supporting services:		
Auditing services	3,158	4,061
Fundraising expenses	2,468	1,749
Miscellaneous expense	1,247	632
Amortization		397
Total Supporting Services	<u>6,873</u>	<u>6,839</u>
TOTAL EXPENSES	<u>35,357</u>	<u>33,540</u>
CHANGE IN UNRESTRICTED NET ASSETS	5,780	8,633
TEMPORARILY RESTRICTED NET ASSETS		
Unexpended sponsorships	823	1,065
Net assets released from restriction	<u>(1,065)</u>	<u>(397)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(242)</u>	<u>668</u>
CHANGE IN NET ASSETS	5,538	9,301
Net assets at beginning of year	<u>17,583</u>	<u>8,282</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,121</u>	<u>\$ 17,583</u>

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

HOPE ABIDES

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,538	\$ 9,301
Adjustments to reconcile change in net assets from continuing operations to net cash provided by operating activities:		
Amortization expense		397
Changes in assets and liabilities:		
Other receivables	8	(8)
Other assets	(400)	
Promises to give		1,637
Accounts payable and other liabilities	821	(100)
Payable to other organizations	1,200	(1,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,167</u>	<u>10,227</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 7,167	 10,227
 Cash and cash equivalents at beginning of year	 <u>21,475</u>	 <u>11,248</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 28,642</u></u>	 <u><u>\$ 21,475</u></u>

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

HOPE ABIDES

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Hope Abides (Organization) is a nonprofit public benefit corporation whose purpose is to provide assistance to orphaned and destitute children in India. Donations are solicited to achieve the Organization's goals and objectives.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets. The Organization uses the accrual basis of accounting.

Use of Estimates: The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 reported as released from restriction.

It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of software, property, equipment and prepaid advertising that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of amortization expense relating to the donated assets.

Fundraising revenue is recognized in the period in which the event takes place.

Donated Equipment, Materials and Services: Donated equipment and materials are recorded as contributions at their estimated value at date of receipt. Donations of equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income Taxes: The Organization is a tax exempt organization under the Internal Revenue Service Section 501(c)(3). Under this Code section, the Organization is subject to federal and state taxes only on unrelated business income earned. There was no income from such activities during the years ended December 31, 2013 and 2012. The Organization is not a private foundation.

HOPE ABIDES

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization's federal returns for the years ended December 31, 2013, 2012, and 2011 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended December 31, 2013, 2012, 2011, and 2010 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Statement of Cash Flows: For the purpose of presentation in the statement of cash flows, the Organization considers investments with a maturity at purchase of three months or less to be cash equivalents.

Subsequent events: The Organization evaluated all events or transactions that occurred after December 31, 2013 and up to May 13, 2014, the date the financial statements were issued. During this period, the Organization did not have any recognizable or nonrecognizable subsequent events.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012, represent contributions to sponsor children in India that have not yet been paid to the donee orphanages at December 31, 2013 and 2012.

NOTE C – DONATED MATERIALS AND SERVICES

The amount of donated materials and services included in the financial statements for the years ended December 31, 2013 and 2012 totaling \$3,162 and \$4,226, respectively, represent the value of donated software and audit services. Expenses include \$3,162 and \$4,226 for the years ended December 31, 2013 and 2012, respectively, and are included in the auditing services and miscellaneous expense line items in the Statement of Activities.

NOTE D – RELATED PARTY TRANSACTIONS

The Organization received donations of \$12,640 and \$4,894 from Board members for the years ended December 31, 2013 and 2012, respectively.