



**WORLD HOPE INTERNATIONAL, INC.
AND AFFILIATE**

**Consolidated Financial Statements
and Supplemental Information**

For the Year Ended December 31, 2013

**and
Report Thereon**



WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

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For the Year Ended December 31, 2013

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
World Hope International, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of World Hope International, Inc. and Affiliate (collectively known as WHI), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 World Hope International, Inc. and Affiliate as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplemental schedules is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it 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.

Raffa, P.C.

Raffa, P.C.

Washington, DC
May 30, 2014

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 919,273
Cash and cash equivalents - field offices	160,949
Cash and cash equivalents - restricted	150,233
Grants and accounts receivable, net	33,123
Pledges receivable - current portion	159,600
Notes receivable - current portion	35,320
Prepaid expenses	60,780
Inventory	<u>90,678</u>
Total Current Assets	<u>1,609,956</u>

Noncurrent Assets

Pledges receivable - net of current portion	143,116
Notes receivable - net of current portion	75,946
Investments	1,146,715
Property and equipment, net	1,329,694
Deposits and other noncurrent assets	<u>66,080</u>
Total Noncurrent Assets	<u>2,761,551</u>

TOTAL ASSETS

\$ 4,371,507

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 255,576
Refundable advances	12,338
Deferred leasehold incentive - current portion	18,673
Note payable - current portion	<u>199,249</u>
Total Current Liabilities	<u>485,836</u>

Noncurrent Liabilities

Deferred rent	81,411
Deferred leasehold incentive - net of current portion	155,609
Note payable - net of current portion	491,080
Charitable gift annuities	<u>108,130</u>
Total Noncurrent Liabilities	<u>836,230</u>

TOTAL LIABILITIES

1,322,066

Net Assets

Unrestricted

Undesignated	656,864
Noncontrolling interest	<u>695,028</u>
Total Unrestricted Net Assets	1,351,892

Temporarily restricted	1,084,603
Permanently restricted	<u>612,946</u>

TOTAL NET ASSETS

3,049,441

TOTAL LIABILITIES AND NET ASSETS

\$ 4,371,507

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

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 1,610,397	\$ 2,794,132	\$ 125,000	\$ 4,529,529
Grants - international sources	304,398	-	-	304,398
Federal grants and contracts	144,046	-	-	144,046
Program income	102,345	-	-	102,345
Investment income	17,957	9,510	1,671	29,138
Other income	40,190	-	-	40,190
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>2,573,902</u>	<u>(2,573,902)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,793,235</u>	<u>229,740</u>	<u>126,671</u>	<u>5,149,646</u>
EXPENSES				
Program Services:				
Anti-trafficking	1,131,824	-	-	1,131,824
Economic development	1,084,115	-	-	1,084,115
Education	904,864	-	-	904,864
Health, volunteer and other initiatives	824,328	-	-	824,328
Clean water wells and sanitation	434,117	-	-	434,117
Public awareness	<u>331,085</u>	<u>-</u>	<u>-</u>	<u>331,085</u>
Total Program Services	<u>4,710,333</u>	<u>-</u>	<u>-</u>	<u>4,710,333</u>
Supporting Services:				
General and administrative	652,702	-	-	652,702
Fundraising	<u>398,144</u>	<u>-</u>	<u>-</u>	<u>398,144</u>
Total Supporting Services	<u>1,050,846</u>	<u>-</u>	<u>-</u>	<u>1,050,846</u>
TOTAL EXPENSES	<u>5,761,179</u>	<u>-</u>	<u>-</u>	<u>5,761,179</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(967,944)</u>	<u>229,740</u>	<u>126,671</u>	<u>(611,533)</u>
NONOPERATING ACTIVITIES				
Other than temporary impairment on investments	<u>(143,038)</u>	<u>-</u>	<u>-</u>	<u>(143,038)</u>
TOTAL NONOPERATING ACTIVITIES	<u>(143,038)</u>	<u>-</u>	<u>-</u>	<u>(143,038)</u>
CHANGE IN NET ASSETS	<u>(1,110,982)</u>	<u>229,740</u>	<u>126,671</u>	<u>(754,571)</u>
Net loss attributable to noncontrolling interest	<u>(228,579)</u>	<u>-</u>	<u>-</u>	<u>(228,579)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC.	<u>(882,403)</u>	<u>229,740</u>	<u>126,671</u>	<u>(525,992)</u>
NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC., BEGINNING OF YEAR	<u>1,539,267</u>	<u>854,863</u>	<u>486,275</u>	<u>2,880,405</u>
NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC., END OF YEAR	<u>656,864</u>	<u>1,084,603</u>	<u>612,946</u>	<u>2,354,413</u>
NONCONTROLLING INTEREST IN NET ASSETS, BEGINNING OF YEAR	614,318	-	-	614,318
Additional paid-in capital	309,289	-	-	309,289
Net losses attributable to noncontrolling interest	<u>(228,579)</u>	<u>-</u>	<u>-</u>	<u>(228,579)</u>
NONCONTROLLING INTEREST IN NET ASSETS, END OF YEAR	<u>695,028</u>	<u>-</u>	<u>-</u>	<u>695,028</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 1,351,892</u>	<u>\$ 1,084,603</u>	<u>\$ 612,946</u>	<u>\$ 3,049,441</u>

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

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Services						Supporting Services			
	Anti-Trafficking	Economic Development	Education	Health, Volunteer and Other Initiatives	Clean Water Wells and Sanitation	Public Awareness	Total Program Services	General and Administrative	Fundraising	Total
Direct program support	\$ 378,856	\$ 358,066	\$ 669,352	\$ 347,603	\$ 243,542	\$ 160	\$ 1,997,579	\$ -	\$ -	\$ 1,997,579
Salaries, taxes and benefits - headquarters	119,482	72,974	101,273	192,437	66,155	171,778	724,099	358,306	156,012	1,238,417
Salaries, taxes and benefits - field offices	297,699	408,209	27,599	111,288	47,214	-	892,009	-	-	892,009
Occupancy	142,358	24,545	49,820	51,610	14,299	13,793	296,425	29,090	13,216	338,731
Depreciation and amortization	52,083	99,684	6,664	18,720	29,633	9,173	215,957	19,344	8,788	244,089
Professional fees	9,697	22,751	4,583	2,493	901	42,836	83,261	118,589	49,989	251,839
Office expenses	48,090	11,776	21,431	32,363	12,837	6,023	132,520	48,044	69,655	250,219
Information technology	39,843	13,455	16,839	27,245	9,588	14,076	121,046	40,532	13,729	175,307
Travel	17,796	6,178	3,212	26,139	5,741	10,336	69,402	3,179	37,613	110,194
Advertising and promotion	1,959	1,077	689	2,086	1,868	59,102	66,781	4,110	42,250	113,141
Other expenses	15,289	65,027	2,952	10,540	2,208	3,388	99,404	6,087	5,987	111,478
Insurance	675	186	138	346	125	190	1,660	14,925	185	16,770
Conferences, conventions and meetings	7,997	187	312	1,458	6	230	10,190	967	720	11,877
Interest	-	-	-	-	-	-	-	9,529	-	9,529
TOTAL EXPENSES	\$ 1,131,824	\$ 1,084,115	\$ 904,864	\$ 824,328	\$ 434,117	\$ 331,085	\$ 4,710,333	\$ 652,702	\$ 398,144	\$ 5,761,179

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

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (754,571)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Other than temporary impairment on investments	143,038
Contributed cash restricted for long-term purposes	(125,000)
Interest and dividends restricted for long-term investment	(1,671)
Depreciation and amortization	244,089
Amortization of leasehold incentive	(12,448)
Loss on disposal of property and equipment	10,370
Discount on pledges receivable	6,884
Changes in assets and liabilities:	
Grants and accounts receivable	105,401
Pledges receivable	(309,600)
Prepaid expenses	(2,202)
Deposits and other noncurrent assets	(3,249)
Accounts payable and accrued expenses	101,408
Refundable advances	12,338
Deferred rent	71,969
	<u>(513,244)</u>
NET CASH USED IN OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(64,584)
Proceeds from disposal of property and equipment	22,600
Repayment of notes receivable	108,253
Purchase of investments	(126,671)
	<u>(60,402)</u>
NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Investment in permanent endowment	126,671
Payments of notes payable	(196,971)
Proceeds from additional paid-in capital	309,289
	<u>238,989</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(334,657)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,565,112</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,230,455</u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	\$ 919,273
Cash and cash equivalents - field offices	160,949
Cash and cash equivalents - restricted	150,233
	<u>1,230,455</u>
Total Cash and Cash Equivalents	<u>\$ 1,230,455</u>

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

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

Increase (Decrease) in Cash and Cash Equivalents

Continued

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid \$ 9,529

NONCASH INVESTING ACTIVITIES:

Accounts and note receivable converted into equity investment :

Accounts receivable and accrued interest converted into an equity investment \$ 127,210

Note receivable converted into an equity investment 150,000

Purchase of shares in equity investment (277,210)

NET CASH OUTLAY \$ -

Deposit payable applied to building sales proceeds \$ 635,000

NONCASH FINANCING ACTIVITIES

Deferred leasehold improvement allowance included in operating lease \$ 186,730

Leasehold improvements acquired under operating lease (186,730)

NET CASH OUTLAY \$ -

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

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

1. Organization and Summary of Significant Accounting Policies

Organization

World Hope International, Inc. (World Hope) is a not-for-profit organization incorporated under the Indiana Non-Profit Corporation Act. World Hope's mission is to alleviate suffering, injustice and poverty. World Hope pursues this mission by identifying and equipping field-based leadership and, with them, implementing responses that are positive and sustainable. These responses address health, volunteer and other initiatives, anti-trafficking, clean water wells and sanitation initiatives, education, public awareness and economic development. The consolidated financial statements include the accounts of World Hope, but do not include the various foreign locations where World Hope may provide some support but over which it has no legal or direct control.

First Step Economic Opportunity Zone, Inc. (First Step) was incorporated in the State of Delaware in June 2009. World Hope has a 65.42% ownership in First Step. The remaining 34.58% is owned by related parties (see Note 13). First Step was established to help bring ethical foreign direct investment to Sierra Leone. First Step is leveraging the substantial presence and experience of World Hope in Sierra Leone to reduce the risks and costs for international business to establish export processing activity in Sierra Leone.

Principles of Consolidation

The accompanying consolidated financial statements reflect the activities of World Hope and First Step (collectively known as WHI). The financial statements of the organizations have been consolidated because they are under common control and there is an economic interest. All material intercompany balances and transactions have been eliminated during consolidation.

Basis of Accounting and Presentation

The accompanying consolidated financial statements of WHI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

WHI considers all highly liquid investments, other than amounts held as part of the short-term or long-term investment portfolios, with purchased maturities of three months or less to be cash equivalents. Cash and cash equivalents include amounts in checking accounts and money market funds. Restricted cash relates to WHI's split interest agreements.

Pledges Receivable

Promises to give are recognized as revenue when the donor has made an unconditional promise to contribute funds to WHI in future periods. Promises to give are recorded at their net realizable value if expected to be collected in one year or at their present value if expected to be collected in more than one year. Conditional promises to give are recognized

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

when the conditions on which they depend are substantially met. WHI provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Notes Receivable

Notes receivable represent micro-finance loans issued to provide sources of funding to micro-finance institutions (MFI). Notes receivable are recorded when the funds are disbursed. A loan loss reserve is estimated and recorded based on prior collection experience and management's judgment. Interest income is recognized on the accrual basis. A loan becomes overdue when a scheduled payment is missed.

Investments

Investments consist of money market funds and an equity investment in a program-related entity. The money market fund investments are recorded at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The equity investment in Africa Felix Juice, LLP (AFJ) is carried at the lower of cost or estimated fair value based on recent discussions with potential investors. In accordance with Accounting Standards Codification (ASC) 325-20, *Cost Method Investments*, WHI performs an impairment analysis of its investment in AFJ if factors are observed that may indicate that a decrease in the value of the investment has occurred that is other than temporary, and if necessary, records an impairment loss to the carrying value of the investment.

Fair Value of Financial Instruments

Accounting Standards Codification (ASC) defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The three levels of fair value hierarchy are described as follows:

Level 1 – Based on unadjusted, quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Based on unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining fair value.

As of December 31, 2013, WHI's investments, with the exception of its equity investment in Africa Felix Juice, LLP, and its split-interest agreements were measured at fair value on a recurring basis.

Property and Equipment

Office and other equipment, furniture and fixture, vehicles and software are stated at cost and are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years, with no salvage value. Leasehold improvements are stated at cost and are amortized using the straight-line method over the remaining life of the lease. Buildings and improvements are recorded at cost and depreciated over 27.5 years. Expenditures for minor repairs and maintenance costs are expensed when incurred. World Hope capitalizes all property and equipment purchased with a cost of \$5,000 or more, while First Step capitalizes all property and equipment purchased with a cost of \$1,000 or more. Upon retirement or disposal of assets, costs and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenue or expenses.

Split-Interest Agreements

WHI's split interest agreements with donors consist of a charitable gift annuity and an annuity receivable. WHI initially records revenue from charitable gift annuity contributions in the year in which the agreement is executed. The amount of the revenue recognized in the first year is the difference between the amount of the assets received and the fair value of the future cash flows expected to be paid to the designated beneficiaries. In succeeding years, revenue is recorded for the reduction in the present value of future cash payments to the beneficiaries. The charitable gift annuity assets are included in restricted cash and the liabilities are included in charitable gift annuities in the accompanying consolidated statement of financial position.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Transactions in Foreign Currencies

WHI conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars using methods that make the rate used in the particular field office as close as possible to reality. Translations are made either using a monthly weighted average (based on rates for U.S. dollar-local currency conversions through the bank) or the spot rate (using the exact rate obtained at the bank when a check is cashed). The resulting gain or loss is reflected in expenses in the accompanying consolidated statement of activities. The U.S. dollar is considered the functional and reporting currency of WHI.

Classification of Net Assets

The net assets of WHI are reported as follows:

- Undesignated, unrestricted net assets represent the portion of expendable funds that are available for support of WHI's operations.
- The noncontrolling interest of unrestricted net assets represents the ownership interest held by related parties in First Step.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or periods of time.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

Revenue Recognition

WHI recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted and are available for operations unless specifically restricted by the donor. WHI reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. 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.

WHI has cost-reimbursable grants and contracts with U.S. government agencies and other organizations. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Direct and indirect expenses incurred but not reimbursed under these grants and contracts are reported as part of grants and accounts receivable in the accompanying consolidated statement of financial position.

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Program income represents rental and consulting income which is recognized by First Step when earned. Amounts which have not been collected as of year-end are included in grants and accounts receivable in the accompanying consolidated statement of financial position net of any anticipated losses due to uncollectible accounts.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Direct costs associated with specific programs are recorded as program expenses. Indirect costs are allocated to specific programs based on the lower of the provisional indirect cost rate or an estimate of the actual indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. WHI's current provisional indirect cost rate is computed based on modified direct costs, which excludes overhead, donations, in-kind contributions, program-funded vehicle and equipment purchases, all subgrants and sub-agreements.

Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

WHI adopted FASB ASU 2012-05, *Statement of Cash Flows: Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires the recognition of donated securities which have no donor-imposed restriction and that are nearly immediately converted into cash, as cash from operating activities. During the year ended December 31, 2013, WHI received \$29,771 of donated securities that were immediately converted into cash and recognized as cash from operating activities in the accompanying statement of cash flows. Further, \$1,226 of donated securities that had yet to be converted to cash as of December 31, 2012, were reclassified to cash and cash equivalents as of the beginning of the year for comparative reporting purposes as a result of this change in accounting principle.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

2. Pledges Receivable

For the year ended December 31, 2013, pledges receivable include unconditional promises to give from religious charities and individuals. All amounts are deemed fully collectible and are expected to be due as follows:

Due in less than one year	\$ 159,600
Due in one to five years	<u>150,000</u>
Total Pledges Receivable	309,600
Less: Discount to Present Value	<u>(6,884)</u>
Net Pledges Receivable	<u>\$ 302,716</u>

3. Notes Receivable

Notes receivable consisted of the following as of December 31, 2013:

Notes receivable issued to Kredit Microfinance Institution, Ltd., Cambodia, through August 2014, interest of 10.75% per annum	\$ 17,218
Notes receivable issued to Kredit Microfinance Institution, Ltd., Cambodia, through March 2014, interest of 4.75% per annum	8,391
Notes receivable issued to Koperasi Harapan Sejahtera, Indonesia, through September 2020, interest of 7.25% per annum	28,076
Notes receivable issued to Koperasi Harapan Sejahtera, Indonesia, through December 2020, interest of 7.25% per annum	28,912
Notes receivable issued to Koperasi Harapan Sejahtera, Indonesia, through April 2021, interest of 7.25% per annum	<u>28,669</u>
Total	111,266
Less: Current Portion	<u>(35,320)</u>
Long-Term Portion	<u>\$ 75,946</u>

Interest income earned on notes receivable was \$13,107 for the year ended December 31, 2013, and is reported as part of program income in the accompanying consolidated statement of activities.

During the year ended December 31, 2013, the shareholders of First Step and AFJ resolved to convert a \$150,000 note receivable due from AFJ to First Step into an additional equity investment in AFJ by First Step (see Note 4).

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

3. Notes Receivable (continued)

The ending balances of notes receivable are individually evaluated for impairment. A loan loss reserve is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written-off only when they are deemed to be permanently uncollectible.

The change in the loan loss reserve on notes receivable for the year ended December 31, 2013 is as follows:

Beginning balance	\$ 173,644
Write-off of notes receivable	<u>(173,644)</u>
Total Loan Loss Reserve	<u>\$ -</u>

During the year ended December 31, 2013, the notes receivable from Hope Micro in Sierra Leone were written-off against the loan loss reserve. The credit quality indicator for notes receivable is determined by repayment status and delinquency status. As of December 31, 2013, all of WHI's notes receivable were in current payment status.

4. Investments

As of December 31, 2013, investments consisted of the following:

Money market funds – endowment funds and earnings	\$ 617,215
Equity investment in Africa Felix Juice, LLP (31.77% share)	<u>529,500</u>
Total	<u>\$ 1,146,715</u>

Investment income primarily consisted of interest and dividend income and totaled \$29,138 for the year ended December 31, 2013.

During the year ended December 31, 2013, the shareholders of First Step and AFJ resolved to convert a \$150,000 note receivable, as well as accounts receivable and accrued interest income totaling \$127,210, due from AFJ to First Step into an additional equity investment in AFJ by First Step. As a result, First Step's equity investment in AFJ increased from 25% to 31.77%, and its cost basis in its investment in AFJ increased to \$672,538.

As of December 31, 2013, WHI's management performed an impairment valuation on its AFJ investment and recorded an impairment loss on the carrying value in the amount of \$143,038.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

5. Fair Value Measurements

The following table summarizes WHI's assets and liabilities measured at fair value on a recurring basis as of December 31, 2013, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Money market funds	\$ 617,215	\$ 617,215	\$ -	\$ -
Deposits and other noncurrent assets:				
Annuity receivable	<u>10,018</u>	<u>-</u>	<u>10,018</u>	<u>-</u>
Total Assets	<u>\$ 627,233</u>	<u>\$ 617,215</u>	<u>\$ 10,018</u>	<u>\$ -</u>
Liabilities:				
Charitable gift annuities	<u>\$ 108,130</u>	<u>\$ -</u>	<u>\$ 108,130</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 108,130</u>	<u>\$ -</u>	<u>\$ 108,130</u>	<u>\$ -</u>

WHI used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market funds – Valued using quoted prices available in an active market.

Annuity receivable and charitable gift annuity – Revalued annually by calculating the present value based on the current appraised value of the investments, the donor's life expectancy and a discount rate.

A rollforward of the fair value measurements using unobservable inputs (Level 3) was as follows:

Balance, December 31, 2012	\$ 15,876
Transfer to level 2	<u>(15,876)</u>
Balance, December 31, 2013	<u>\$ -</u>

Effective January 1, 2013, WHI transferred its annuity receivable from level 3 to level 2 based upon a reassessment of the underlying observable inputs for valuing the annuity receivable.

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

6. Property and Equipment and Accumulated Depreciation and Amortization

WHI held the following property and equipment as of December 31, 2013:

Land and improvements	\$ 519,067
Buildings and improvements	388,583
Software	301,110
Vehicles	304,569
Leasehold improvements	225,149
Office and other equipment	91,830
Furniture and fixture	<u>34,862</u>
Total Property and Equipment	1,865,170
Less: Accumulated Depreciation and Amortization	<u>(561,118)</u>
	1,304,052
Construction in progress	<u>25,642</u>
Property and Equipment, Net	<u><u>\$ 1,329,694</u></u>

Depreciation and amortization expense amounted to \$244,089 for the year ended December 31, 2013.

7. Note Payable

As of December 31, 2013, WHI had an unsecured note payable that is non-interest bearing and carries an imputed interest rate of 1.15%. The note is due in 60 monthly installments of \$17,208 starting June 1, 2012. The balance due on the note payable was \$690,329 as of December 31, 2013.

As of December 31, 2013, the scheduled maturities, including the imputed interest payments, are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2014	\$ 206,500
2015	206,500
2016	206,500
2017	<u>86,040</u>
Total	705,540
Less: Imputed interest	<u>(15,211)</u>
Total	<u><u>\$ 690,329</u></u>

Interest expense for this note payable totaled \$9,529 for the year ended December 31, 2013.

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

8. Commitments and Contingencies

Office Leases

WHI had a non-cancellable operating lease agreement for its headquarters office space in Alexandria, VA, that expired on March 31, 2013. In January 2013, World Hope entered into a non-cancellable 10-year lease agreement for its headquarters office space, commencing on May 1, 2013 and expiring on April 30, 2023. Under the terms of the lease, WHI is committed to annual rentals, adjusted for defined escalations of 2.5% annually, and its share of the building's operating expenses. As an inducement to this lease, the landlord provided WHI with a leasehold construction allowance of \$186,730.

Under GAAP, lease incentives and all rental payments, including fixed rent increases, are amortized over the life of the lease on a straight-line basis as a reduction to rent expense. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent liability in the accompanying consolidated statement of financial position.

Office rent expense for its headquarters amounted to \$147,238 for the year ended December 31, 2013, and is included as part of occupancy expense in the accompanying consolidated statement of functional expenses.

Total future minimum lease payments under the lease are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2014	\$ 110,745
2015	121,549
2016	124,584
2017	127,702
2018	130,894
Thereafter	<u>605,686</u>
Total	<u>\$ 1,221,160</u>

WHI also leases office space in various countries under short-term lease agreements that allow for cancellation with minimal cost and at WHI's discretion.

Facility Lease

First Step leases space to a related party tenant, Africa Felix Juice, LLP, under a non-cancellable operating lease agreement expiring in 2026. Contractual monthly payments were reduced to \$2,000 effective July 1, 2013.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

8. Commitments and Contingencies (continued)

Facility Lease (continued)

The aggregate minimum annual rental revenues are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2014	\$ 24,000
2015	24,000
2016	24,000
2017	24,000
2018	24,000
Thereafter	<u>180,000</u>
Total	<u>\$ 300,000</u>

Foreign Operations

WHI has or had field offices in Cambodia, Sierra Leone, Azerbaijan, Mozambique, and Bosnia during the year ended December 31, 2013. WHI maintains cash, accounts receivable, fixed assets and other assets in each of these countries. The future of these programs can be adversely affected by a number of potential factors, such as devaluations or changes in the political climate. As of December 31, 2013, WHI had assets in these countries totaling \$2,032,719, representing approximately 46% of WHI's total consolidated assets.

9. Pension Plan

WHI sponsors a defined contribution annuity retirement plan for all employees. If an employee is eligible to participate in the plan and elects to participate, WHI contributes 4% of the participating employee's annual compensation to the plan. Pension expense totaled \$39,790 for the year ended December 31, 2013, and is included as part of salaries, taxes and benefits in the accompanying consolidated schedule of functional expenses.

10. Temporarily Restricted Net Assets

As of December 31, 2013, temporarily restricted net assets are available for use in the following programs:

Education	\$ 327,818
Health, volunteer and other initiatives	312,367
Economic development	185,149
Anti-trafficking	20,000
Time restricted	<u>239,269</u>
Total	<u>\$ 1,084,603</u>

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

11. Endowment Funds

Permanently restricted net assets consist of two donor-restricted endowment funds. The income from the funds are to be used to fund specific donor purposes, to fund operations, or to be reinvested in the fund. As required by GAAP, net assets associated with donor-restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

WHI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to not limit spending from the endowment fund to “interest and dividends” earned, but to allow WHI to elect to spend a portion of the overall value of the fund after considering the factors listed below, keeping in mind the permanent duration of the fund. To date, WHI has not made such an election and has instead taken a very prudent and conservative approach. WHI has pursued a spending policy to not release more than the interest and dividend income annually on the original value of the gifts donated to start the permanent endowment and the original value of subsequent gifts to the permanent endowment. The realized and unrealized gains and losses, if any, are included in the temporarily restricted net assets of the endowment portfolio.

Section 55-268.14(A) of the Virginia UPMIFA eliminates the concept of historical dollar value and instead provides that an institution may adopt a spending policy that will preserve the purchasing power of the “principal” while distributing as “income” a reasonable amount in light of investment performance and general economic conditions. The statute lists a number of factors to be considered in adopting a spending policy:

- The duration and preservation of the fund.
- The purposes of WHI and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of WHI.
- The investment policies of WHI.

Endowment Composition

As of December 31, 2013, WHI’s endowment had the following net asset composition:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ 4,269	\$ 612,946	\$ 617,215
Total Endowment Funds	<u>\$ 4,269</u>	<u>\$ 612,946</u>	<u>\$ 617,215</u>

Continued

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

11. Endowment Funds (continued)

Endowment Activity

Changes in endowment net assets were as follows for the year ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,286	\$ 486,275	\$ 490,561
Investment income	9,510	1,671	11,181
Contributions	-	125,000	125,000
Appropriations	(9,527)	-	(9,527)
Endowment net assets, end of year	\$ 4,269	\$ 612,946	\$ 617,215

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA

\$ 612,946

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

With purpose restrictions

\$ -

Without purpose restrictions

4,269

Total Endowment Funds Classified as Temporarily
Restricted Net Assets

\$ 4,269

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires WHI to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013.

Investment Objectives and Spending Policy

Endowment funds are invested in money market funds to protect the corpus of the gift and to ensure that there is a continuous annual stream of interest income to fund endowment spending. Currently, WHI does not have a spending policy. Spending is in accordance with the terms of the donor agreement and limited by the amount of investment income generated on an annual basis.

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

12. Income Taxes

World Hope is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes was required for the year ended December 31, 2013.

First Step is subject to federal and state income taxes. For the year ended December 31, 2013, First Step had a net operating loss and has a cumulative net operating loss carryforward from prior years that is available to offset taxable income through 2032. No deferred tax asset has been recorded related to the net operating loss carryforwards as management believes that the future taxable income required to realize the deferred tax asset is uncertain at this time.

WHI follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. WHI performed an evaluation of uncertain tax positions for the year ended December 31, 2013, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2013, the statute of limitations for tax years 2010 through 2012 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which WHI files tax returns. It is WHI's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2013, WHI had no accruals for interest and/or penalties.

13. Related Parties

Two of World Hope's board members own shares of First Step and control a combined 34.58% of First Step's shares as of December 31, 2013. World Hope and those board members of World Hope together own 100% of First Step.

As of December 31, 2013, First Step had a 31.77% equity investment in AFJ (see Note 4). In addition, First Step is committed to lease facilities in its enterprise zone to AFJ (see Note 8).

14. Subsequent Events

In preparing these consolidated financial statements, WHI has evaluated events and transactions for potential recognition or disclosure through May 30, 2014, the date the consolidated financial statements were available to be issued. There were no subsequent events identified required to be recognized or disclosed in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2013

	<u>World Hope International, Inc.</u>	<u>First Step Economic Opportunity Zone, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 909,680	\$ 9,593	\$ -	\$ 919,273
Cash and cash equivalents - field	160,114	835	-	160,949
Cash and cash equivalents - restricted	150,233	-	-	150,233
Grants and accounts receivable, net	17,464	22,381	(6,722)	33,123
Pledges receivable - current portion	159,600	-	-	159,600
Prepaid expenses	39,053	21,727	-	60,780
Notes receivable - current portion, net	35,320	-	-	35,320
Inventory	-	90,678	-	90,678
	<u>1,471,464</u>	<u>145,214</u>	<u>(6,722)</u>	<u>1,609,956</u>
Noncurrent Assets				
Pledges receivable - net of current portion	143,116	-	-	143,116
Notes receivable - net of current portion	75,946	-	-	75,946
Investments	1,399,195	529,500	(781,980)	1,146,715
Property and equipment, net	454,751	874,943	-	1,329,694
Deposits and other noncurrent assets	66,080	-	-	66,080
	<u>2,139,088</u>	<u>1,404,443</u>	<u>(781,980)</u>	<u>2,761,551</u>
	<u>\$ 3,610,552</u>	<u>\$ 1,549,657</u>	<u>\$ (788,702)</u>	<u>\$ 4,371,507</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 189,649	\$ 72,649	\$ (6,722)	\$ 255,576
Refundable advances	12,338	-	-	12,338
Deferred leasehold incentive - current portion	18,673	-	-	18,673
Note payable - current portion	199,249	-	-	199,249
	<u>419,909</u>	<u>72,649</u>	<u>(6,722)</u>	<u>485,836</u>
Noncurrent Liabilities				
Deferred rent	81,411	-	-	81,411
Deferred leasehold incentive - net of current portion	155,609	-	-	155,609
Note payable - net of current portion	491,080	-	-	491,080
Charitable gift annuities	108,130	-	-	108,130
	<u>836,230</u>	<u>-</u>	<u>-</u>	<u>836,230</u>
	<u>1,256,139</u>	<u>72,649</u>	<u>(6,722)</u>	<u>1,322,066</u>
Net Assets				
Unrestricted				
Undesignated	656,864	-	-	656,864
Noncontrolling interest	-	-	695,028	695,028
	<u>656,864</u>	<u>-</u>	<u>695,028</u>	<u>1,351,892</u>
Temporarily restricted	1,084,603	-	-	1,084,603
Permanently restricted	612,946	-	-	612,946
Common stock	-	1	(1)	-
Additional paid-in capital	-	3,498,287	(3,498,287)	-
Accumulated deficit	-	(2,021,280)	2,021,280	-
	<u>2,354,413</u>	<u>1,477,008</u>	<u>(781,980)</u>	<u>3,049,441</u>
	<u>\$ 3,610,552</u>	<u>\$ 1,549,657</u>	<u>\$ (788,702)</u>	<u>\$ 4,371,507</u>

WORLD HOPE INTERNATIONAL, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	<u>World Hope International, Inc.</u>	<u>First Step Economic Opportunity Zone, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 4,529,529	\$ -	\$ -	\$ 4,529,529
Federal grants and contracts	144,046	-	-	144,046
Grants - international sources	304,398	-	-	304,398
Program income	28,521	73,824	-	102,345
Investment income (loss)	(403,298)	-	432,436	29,138
Other income	<u>15,518</u>	<u>24,672</u>	<u>-</u>	<u>40,190</u>
TOTAL REVENUE AND SUPPORT	<u>4,618,714</u>	<u>98,496</u>	<u>432,436</u>	<u>5,149,646</u>
EXPENSES				
Program Services:				
Health, volunteer and other initiatives	824,328	-	-	824,328
Anti-trafficking	1,131,824	-	-	1,131,824
Economic development	467,642	616,473	-	1,084,115
Education	904,864	-	-	904,864
Clean water wells and sanitation	434,117	-	-	434,117
Public awareness	<u>331,085</u>	<u>-</u>	<u>-</u>	<u>331,085</u>
Total Program Services	<u>4,093,860</u>	<u>616,473</u>	<u>-</u>	<u>4,710,333</u>
Supporting Services:				
General and administrative	652,702	-	-	652,702
Fundraising	<u>398,144</u>	<u>-</u>	<u>-</u>	<u>398,144</u>
Total Supporting Services	<u>1,050,846</u>	<u>-</u>	<u>-</u>	<u>1,050,846</u>
TOTAL EXPENSES	<u>5,144,706</u>	<u>616,473</u>	<u>-</u>	<u>5,761,179</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(525,992)</u>	<u>(517,977)</u>	<u>432,436</u>	<u>(611,533)</u>
NONOPERATING ACTIVITIES				
Other than temporary impairment on investments	<u>-</u>	<u>(143,038)</u>	<u>-</u>	<u>(143,038)</u>
TOTAL NONOPERATING ACTIVITIES	<u>-</u>	<u>(143,038)</u>	<u>-</u>	<u>(143,038)</u>
CHANGE IN NET ASSETS	<u>(525,992)</u>	<u>(661,015)</u>	<u>432,436</u>	<u>(754,571)</u>
Net loss attributable to noncontrolling interest	<u>-</u>	<u>-</u>	<u>(228,579)</u>	<u>(228,579)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC.	<u>(525,992)</u>	<u>(661,015)</u>	<u>661,015</u>	<u>(525,992)</u>
NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC., BEGINNING OF YEAR	<u>2,880,405</u>	<u>911,952</u>	<u>(911,952)</u>	<u>2,880,405</u>
NET ASSETS ATTRIBUTABLE TO WORLD HOPE INTERNATIONAL, INC., END OF YEAR	<u>2,354,413</u>	<u>250,937</u>	<u>(250,937)</u>	<u>2,354,413</u>
NONCONTROLLING INTEREST IN NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>886,782</u>	<u>(272,464)</u>	<u>614,318</u>
Additional paid-in capital	<u>-</u>	<u>339,289</u>	<u>(30,000)</u>	<u>309,289</u>
Net losses attributable to noncontrolling interest	<u>-</u>	<u>-</u>	<u>(228,579)</u>	<u>(228,579)</u>
NONCONTROLLING INTEREST IN NET ASSETS, END OF YEAR	<u>-</u>	<u>1,226,071</u>	<u>(531,043)</u>	<u>695,028</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 2,354,413</u>	<u>\$ 1,477,008</u>	<u>\$ (781,980)</u>	<u>\$ 3,049,441</u>