

HOPE ABIDES

Audited Financial Statements

December 31, 2011

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope Abides
Elk Grove, California

We have audited the accompanying statements of financial position of Hope Abides (the Organization) as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the year ended December 31, 2011 and for the period September 13, 2010 (date of inception) to December 31, 2010. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and 2010, the changes in its net assets and its cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

Richardson & Company

May 11, 2012

HOPE ABIDES

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,248	\$ 1,147
Promises to give	1,637	
Prepaid advertising		375
TOTAL CURRENT ASSETS	<u>12,885</u>	<u>1,522</u>
Software, net of accumulated amortization of \$556 and \$79 in 2011 and 2010	<u>397</u>	<u>874</u>
TOTAL ASSETS	<u><u>\$ 13,282</u></u>	<u><u>\$ 2,396</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 100	
Payable to other organizations	4,900	
TOTAL LIABILITIES	<u>5,000</u>	
NET ASSETS		
Temporarily restricted	397	\$ 1,249
Unrestricted	7,885	1,147
TOTAL NET ASSETS	<u>8,282</u>	<u>2,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,282</u></u>	<u><u>\$ 2,396</u></u>

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

HOPE ABIDES

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2011 and Period Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Contributions	\$ 15,176	\$ 1,600
Donated materials and services	4,731	114
Grants	3,000	
Fundraising revenue	2,475	
Other	42	
Net assets released from restriction	852	154
TOTAL SUPPORT AND REVENUES	<u>26,276</u>	<u>1,868</u>
EXPENSES		
Program services:		
Grants to orphanages	12,000	
Supporting services:		
Auditing services	3,518	
Fundraising expenses	1,754	
Advertising	1,275	75
Miscellaneous expense	514	122
Amortization	477	79
Start-up fees		445
Total Supporting Services	<u>7,538</u>	<u>721</u>
TOTAL EXPENSES	<u>19,538</u>	<u>721</u>
CHANGE IN UNRESTRICTED NET ASSETS	6,738	1,147
TEMPORARILY RESTRICTED NET ASSETS		
Donated materials and services		1,403
Net assets released from restriction	(852)	(154)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(852)</u>	<u>1,249</u>
CHANGE IN NET ASSETS	5,886	2,396
Net assets at beginning of year	<u>2,396</u>	
NET ASSETS AT END OF YEAR	<u>\$ 8,282</u>	<u>\$ 2,396</u>

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

HOPE ABIDES

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2011 and Period Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,886	\$ 2,396
Adjustments to reconcile change in net assets from continuing operations to net cash provided by operating activities:		
Amortization expense	477	79
Changes in assets and liabilities:		
Payable to other organizations	4,900	
Promises to give	(1,637)	
Donated advertising	375	(375)
Accounts payable and other liabilities	100	
Donated software costs		(953)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,101</u>	<u>1,147</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,101	1,147
Cash and cash equivalents at beginning of year	<u>1,147</u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 11,248</u></u>	<u><u>\$ 1,147</u></u>

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

HOPE ABIDES

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

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.

Software: Computer software is stated at cost, or if donated, fair market value at the time of the donation. Amortization is calculated using the straight-line method over its estimated useful life. The estimated useful life of the software is 2 years.

HOPE ABIDES

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year ended December 31, 2011 or the period ended December 31, 2010. The Organization is not a private foundation.

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, 2011 and up to May 11, 2012, 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, 2011 and 2010 represent donations of software and advertising for which the time restriction has not yet been met.

NOTE C – DONATED MATERIALS AND SERVICES

The amount of donated materials and services included in the financial statements for the year ended December 31, 2011 and period ended December 31, 2010, totaling \$4,731 and \$1,517, respectively, represent the value of donated stationery, postage, software, audit services, internet, and advertising. Donated software and advertising of \$1,403 are included as assets on the statement of financial position at December 31, 2010. Expenses include \$4,731 and \$114 for the year ended December 31, 2011 and period ended December 31, 2010, respectively.

NOTE D – RELATED PARTY TRANSACTIONS

The Organization received donations of \$6,270 and \$1,493 from Board members for the year ended December 31, 2011 and period ended December 31, 2010, respectively.