

COMMON HOPE

Saint Paul, Minnesota

Consolidated Financial Statements

December 31, 2013 and 2012

COMMON HOPE

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B O U L A Y

REPORT OF INDEPENDENT AUDITOR'S

Board of Directors
Common Hope
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of Common Hope (a nonprofit organization) and its Affiliate, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated 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 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 consolidated financial statements are free from 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 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 Common Hope and its Affiliate as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boulay PLLP

Certified Public Accountants

Minneapolis, Minnesota
June 17, 2014

COMMON HOPE

Consolidated Statement of Financial Position

	December 31	
ASSETS	2013	2012
Current Assets		
Cash and equivalents		
U.S.	\$ 2,185,228	\$ 1,883,716
Guatemala	6,937	5,819
Total cash and equivalents	<u>2,192,165</u>	<u>1,889,535</u>
Accounts receivable	2,370	7,589
Prepaid expenses	12,499	14,010
Investments, short-term	511	8,939
Other	15,930	22,756
Total current assets	<u>2,223,475</u>	<u>1,942,829</u>
Investments, net of short-term	473,587	314,182
Property, Plant and Equipment, Guatemala		
Land and land improvements	1,754,879	1,754,879
Buildings	3,925,644	3,920,543
Equipment	203,080	194,157
Vehicles	177,316	162,680
	<u>6,060,919</u>	<u>6,032,259</u>
Less accumulated depreciation	<u>2,301,867</u>	<u>2,133,889</u>
Net property, plant and equipment, Guatemala	<u>3,759,052</u>	<u>3,898,370</u>
Office Equipment, U.S.	62,782	148,691
Less accumulated depreciation	<u>36,526</u>	<u>114,499</u>
Net office equipment, U.S.	<u>26,256</u>	<u>34,192</u>
Long-term Assets		
Security deposit	<u>4,047</u>	<u>-</u>
Total assets	<u><u>\$ 6,486,417</u></u>	<u><u>\$ 6,189,573</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 377,920	\$ 338,691
Volunteer trip deposits	54,020	22,840
Total current liabilities	<u>431,940</u>	<u>361,531</u>
Net Assets		
Undesignated	5,257,882	5,244,555
Designated	72,313	66,183
Total unrestricted	<u>5,330,195</u>	<u>5,310,738</u>
Temporarily restricted	724,282	517,304
Total net assets	<u>6,054,477</u>	<u>5,828,042</u>
Total liabilities and net assets	<u><u>\$ 6,486,417</u></u>	<u><u>\$ 6,189,573</u></u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

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Consolidated Statement of Activities

	Year Ended December 31 2013			Year Ended December 31 2012		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenues and Other Support						
Contributions	\$ 4,095,689	\$ 1,246,445	\$ 2,849,244	\$ 4,126,497	\$ 1,235,858	\$ 2,890,639
Interest and dividend income	2,450	2,450	-	1,592	1,592	-
Unrealized and realized gain (loss) on investments	127,158	127,158	-	17,143	17,143	-
Program fees	56,182	56,182	-	40,712	40,712	-
Miscellaneous income, net of expenses of \$91,895 in 2013, and \$42,409 in 2012	104,565	104,565	-	1,582	1,582	-
Net assets released from restrictions:						
Satisfaction of program restrictions	-	2,642,266	(2,642,266)	-	2,515,260	(2,515,260)
Total revenues and other support	<u>4,386,044</u>	<u>4,179,066</u>	<u>206,978</u>	<u>4,187,526</u>	<u>3,812,147</u>	<u>375,379</u>
Expenses						
Program operating expenses						
Health care	495,654	495,654	-	518,161	518,161	-
Family & community development	870,801	870,801	-	861,877	861,877	-
Housing improvement	202,483	202,483	-	202,428	202,428	-
Education	1,831,878	1,831,878	-	1,766,708	1,766,708	-
General and administrative	466,031	466,031	-	384,523	384,523	-
Fundraising	292,762	292,762	-	266,882	266,882	-
Total expenses	<u>4,159,609</u>	<u>4,159,609</u>	<u>-</u>	<u>4,000,579</u>	<u>4,000,579</u>	<u>-</u>
Change in Net Assets	226,435	19,457	206,978	186,947	(188,432)	375,379
Net Assets - Beginning of year	5,828,042	5,310,738	517,304	5,641,095	5,499,170	141,925
Net Assets - End of year	<u>\$ 6,054,477</u>	<u>\$ 5,330,195</u>	<u>\$ 724,282</u>	<u>\$ 5,828,042</u>	<u>\$ 5,310,738</u>	<u>\$ 517,304</u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

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Consolidated Statement of Cash Flows

For the years ended December 31,	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 226,435	\$ 186,947
Adjustments to reconcile change in net assets to net cash		
from operating activities		
Depreciation	227,597	238,804
Unrealized and realized gain on investments	(127,158)	(17,143)
Gain on disposal of assets	(4,945)	-
Donated investments	(70,796)	(96,542)
Proceeds from sale of donated stock	70,359	87,603
Change in assets and liabilities		
Accounts receivable	5,219	(1,126)
Prepaid expenses	1,511	(824)
Other current assets	6,826	8,533
Lease security deposit	(4,047)	-
Accounts payable and accrued liabilities	39,229	29,336
Volunteer trip deposits	31,180	(33,362)
Net cash from operating activities	<u>401,410</u>	<u>402,226</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	91,527	137,216
Purchase of investments	(114,909)	(162,036)
Purchase of property and equipment	(88,696)	(22,915)
Proceeds from sale of equipment	13,298	-
Net cash used for investing activities	<u>(98,780)</u>	<u>(47,735)</u>
Net Increase in Cash and Equivalents	302,630	354,491
Cash and Equivalents - Beginning of Year	<u>1,889,535</u>	<u>1,535,044</u>
Cash and Equivalents - End of Year	<u>\$ 2,192,165</u>	<u>\$ 1,889,535</u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

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Consolidated Statement of Functional Expenses

Year Ended December 31							
2013							
	Program Operating Expenses					Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	General and Administrative	Fundraising
Specific assistance	\$ 1,040,959	\$ 183,504	\$ 175,116	\$ 47,652	\$ 631,162	\$ 966	\$ 2,559
Salaries, wages, and benefits	2,213,964	225,620	545,731	64,849	845,919	306,711	225,134
Supplies and travel	157,340	15,660	38,635	7,614	70,516	15,218	9,697
Services and professional fees	38,167	25	35	7	95	38,004	1
Office and occupancy	388,106	41,576	86,529	12,095	169,309	30,397	48,200
Depreciation	227,597	25,153	20,615	64,544	101,661	11,212	4,412
Other	93,476	4,116	4,140	5,722	13,216	63,523	2,759
Total expenses	<u>\$ 4,159,609</u>	<u>\$ 495,654</u>	<u>\$ 870,801</u>	<u>\$ 202,483</u>	<u>\$ 1,831,878</u>	<u>\$ 466,031</u>	<u>\$ 292,762</u>

Year Ended December 31							
2012							
	Program Operating Expenses					Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	General and Administrative	Fundraising
Specific assistance	\$ 1,057,396	\$ 190,073	\$ 173,180	\$ 39,969	\$ 650,763	\$ 195	\$ 3,216
Salaries, wages, and benefits	2,061,371	232,830	545,705	66,462	755,410	268,456	192,508
Supplies and travel	163,124	18,376	36,439	5,792	75,764	16,030	10,723
Services and professional fees	49,452	560	789	170	2,139	45,162	632
Office and occupancy	391,857	46,576	81,821	12,964	176,885	21,207	52,404
Depreciation	238,804	27,047	23,446	65,198	104,418	12,959	5,736
Other	38,575	2,699	497	11,873	1,329	20,514	1,663
Total expenses	<u>\$ 4,000,579</u>	<u>\$ 518,161</u>	<u>\$ 861,877</u>	<u>\$ 202,428</u>	<u>\$ 1,766,708</u>	<u>\$ 384,523</u>	<u>\$ 266,882</u>

Notes to Consolidated Financial Statements are an integral part of this Statement.

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Notes to Consolidated Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activity

Common Hope and its affiliate, Fundacion Familias de Esperanza (Fundacion), collectively, the "Organization," are nonprofit organizations devoted to aiding the poor of Guatemala living in and around Antigua, the outskirts of Guatemala City, and the village of San Rafael. Common Hope and its affiliate promote hope and opportunity in Guatemala, partnering with children, families and communities who want to participate in a process of development to improve their lives through education, health care and housing. The programs presently conducted by Common Hope and its affiliate include the following:

Education - The Organization provided education for approximately 3,300 and 3,100 children at the pre-primary, primary, secondary and university levels, including tuition, books, supplies and tutoring during 2013 and 2012, respectively. The Organization operates one school and also provides teacher support and skill building through a partnership with the public school system. The Organization has six partner schools and believes they have been a great use of educational dollars since their beginning in 2011 (Note 3).

Health Care - Medical staff and volunteers provide preventative and curative care in a clinic that Common Hope owns and operates, and supports two other clinics which provide preventative and curative care to our families. This medical care includes examinations, medications, surgeries, x-rays, lab work, nutritional counseling, pre-natal care and dental care. Health education is provided at outreach programs in local schools and communities.

Family & Community Development - Through a long-term relationship with a Common Hope social worker, families identify goals, obstacles and establish their own individualized development plan. Social workers connect families to resources for dealing with issues such as abuse, alcoholism, legal problems, job placement, and health and educational concerns.

Housing Improvement - The Organization constructs new homes, roofs, stoves and floors as well as installs plumbing and electrical services in existing homes. This work is done in partnership with families who perform community service hours to earn the materials and the construction support.

Housing Improvement - New Hope Site - The Organization operates a site in Tres Sabanas, San Pedro Ayampuc, Guatemala, which is on the outskirts of Guatemala City, where it has developed land and provides housing for 41 families. The Organization currently supports the community with a water system, a community center, and a sewage treatment plant.

Common Hope operated as "The Godchild Sponsorship Corporation" from its inception in 1986 until March 2001, when it adopted the name Common Hope.

Basis of Presentation

The consolidated financial statements include the accounts of Common Hope, a nonprofit organization incorporated in Minnesota, and its affiliate, a related nonprofit organization incorporated in Guatemala, Central America, under the name of Fundacion Familias de Esperanza (Fundacion). All significant intercompany balances and transactions are eliminated in consolidation. The two entities are collectively referred to as the "Organization" in these financial statements. Fundacion is the entity that carries out the mission of Common Hope in Guatemala.

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The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The Organization reports its financial position and activities according to three classes of net assets as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted net assets - net assets that are not subject to donor-imposed stipulations
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets

At December 31, 2013 and 2012, the Organization had no permanently restricted net assets.

Accounting Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include the value of in-kind donations, depreciable lives of property and equipment, the value of the land donated to New Hope Village residents, and the allocation of the functional expenses. Actual results could differ from those estimates.

Foreign Currency Translation

The functional currency used by Fundacion is the U.S. Dollar. As funds are transferred from Common Hope to Fundacion, they are converted to Guatemalan Quetzals, and expended for the programs in Guatemala.

There are no material translation adjustments or material exchange rate differences in these financial statements. The difference in the exchange rates between the statement of financial position date and the date of the audit report would not materially affect these financial statements.

Cash and Equivalents

The Organization considers certain money market funds and certificates of deposit with initial maturities of three months or less to be cash equivalents. At times throughout the year, the Organization's cash and equivalents deposited in financial institutions in the United States of America may exceed FDIC insurance limits. Investment cash and cash equivalents designated for the Organization's endowment program (Note 9) is classified within long-term investments. Money market funds totaled \$1,451,527 and \$1,353,157 at December 31, 2013 and 2012, respectively, and these funds are not insured by the FDIC. At December 31, 2012, \$1,314,157 of these money market funds were included in cash and equivalents and \$39,000 was classified with long-term investments due to the board designated endowment program. The \$39,000 classified with long-term investments in the prior year was transferred out of cash equivalents and into the endowment fund during 2013. At December 31, 2013, the money market funds were classified solely within cash and cash equivalents.

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Notes to Consolidated Financial Statements

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Investments

Investments in money market funds and marketable equity securities are stated at fair market value, based on quoted values. Donated investments are initially recorded at fair market value on the date of donation and thereafter reported in accordance with the Organization's aforementioned investment valuation policy. Realized and unrealized gains and losses on investments are recorded in the statement of activities. Investment income is generally absent donor restriction and is therefore unrestricted.

Certificates of deposit are recognized at cost plus accrued interest, which approximates fair value, and are included in short-term investments when their original maturity date exceeds three months. Certificates of deposit totaled \$27,288 and \$27,183 at December 31, 2013 and 2012, respectively.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Property, Plant and Equipment

Property, plant and equipment, which are primarily located in Guatemala, are stated at cost. Donated property, plant and equipment are stated at estimated fair value on the date of contribution. Depreciation is recognized over the estimated useful lives of the assets by use of the straight-line and accelerated methods as follows:

Description	Estimated Useful Lives (Years)
Land and improvements	5 – 20
Buildings	10 – 40
Equipment	3 – 10
Vehicles	5 – 10

Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. Common Hope holds title to substantially all property, plant and equipment located in Guatemala, except the New Hope Village land and land improvements, which are owned by Common Hope's affiliate, Fundacion.

On March 15, 2009, the Organization was successful in organizing an association in New Hope Village as a separate legal entity, with the intention of donating the land currently functioning as community green space and roadways to the new association. During 2012 and 2013, no additional New Hope homeowners earned title to their independent parcel of land by completing certain program requirements and community service hours. The number of donated parcels totaled 23 as of December 31, 2013 and 2012. The Organization will continue the donations until all of the allotted parcels are donated to current residents of New Hope Village as they are earned. The Organization will continue to own the offices, school, and community building and wastewater treatment facility at New Hope Village. In addition, the Organization continues to own approximately 135,000 square meters of partially developed land with a book value of \$265,000, of which a portion may be available for donation to New Hope residents in future years.

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Notes to Consolidated Financial Statements

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Fair Value of Financial Instruments

The Organization's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adhere to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. With regard to gifts of property, plant and equipment or gifts of cash to be used to acquire such assets, absent specific donor stipulations, the Organization reports such gifts as net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

A significant portion of the Organization's functions are conducted by unpaid volunteers, the value of which is not recorded in the financial statements because these services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Various medical and other professionals also contribute their services to the Organization, the estimated value of which is approximately \$40,000 and \$36,000 for the years ended December 31, 2013 and 2012, respectively, and is recognized as contributions (revenue) and services and professional fees (expense) in the accompanying consolidated financial statements.

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Notes to Consolidated Financial Statements

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Basis of Allocating Functional Expenses

Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries
- All other expenses are directly allocable or allocated in a manner as considered practicable

Income Taxes

Common Hope is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Due to its exempt status, the Organization does not have any significant tax uncertainties that would require recognition or disclosure. However, income from activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization is no longer subject to income tax examinations for years before 2010.

Fundacion is a foundation operating under Guatemalan laws and is generally exempt from taxes based on income.

Subsequent Events

The Organization has evaluated subsequent events through June 17, 2014, the date which the financial statements were available to be issued.

2. LINE OF CREDIT

The Organization has a \$300,025 unsecured, working capital line of credit with its bank through April 2015. Outstanding borrowings are due on demand. The line of credit currently bears interest at 3.25% and the interest rate is variable based on the New York Prime index rate. The line of credit was not used in 2013 or 2012.

3. PARTNER SCHOOL INITIATIVE

In 2011, the Organization initiated a campaign to fund the Partner School Initiative ("the Initiative"). The Initiative is a pilot partnership, currently with six public primary schools in the Antigua area, designed to improve the quality of education that students receive. The Organization is seeking to raise \$2.8 million for the Initiative from 2011 to 2015. As of March 31, 2014, donors had committed approximately \$2,058,000. As of December 31, 2013, approximately \$1,399,000 of the total commitment had been received and recognized.

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

4. INVESTMENTS

Investments consist of the following instruments at December 31:

	2013	2012
Short-term investments:		
U.S. equity securities	\$ 511	\$ 8,939
Total short-term investments	511	8,939
Long-term investments:		
US. Equity securities	328,830	222,921
International securities	45,156	25,078
Money market funds (endowment fund, Note 9)	-	39,000
Certificate of deposit (endowment fund, Note 9)	27,288	27,183
Mutual funds (endowment fund, Note 9)	72,313	-
Total long-term investments	473,587	314,182
Total investments	\$ 474,098	\$ 323,121

As of December 31, 2013 and 2012, the Organization recorded unrealized and realized net gains/(losses) on its investments of approximately \$127,000 and \$17,000, respectively, which are recognized in unrestricted net assets.

5. OPERATING LEASE COMMITMENTS

The Organization moved into a new office location, effective October 1, 2013. The new lease contains escalating rental payments for 91 months, expiring on May 1, 2021. The prior office lease expired September 30, 2013. The Organization is obligated to pay costs of insurance, repairs and maintenance pursuant to the terms of the lease. Rent expense totaled \$35,027 and \$27,059 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease commitments for office space are as follows at December 31, 2013:

	Lease Commitments
2014	\$ 16,185
2015	24,764
2016	25,506
2017	26,272
2018	27,060
Thereafter(2019- April 2021)	66,242
Total	\$ 186,029

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Notes to Consolidated Financial Statements

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6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Family & Community Development	\$ 50,000	\$ 1,703
Health care programs	2,207	16,648
Education programs	<u>672,075</u>	<u>498,953</u>
Totals	<u>\$ 724,282</u>	<u>\$ 517,304</u>

Total net assets released from donor restrictions because the restricted purposes and occurrence of other events as specified by donors were satisfied as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Family & Community Development	\$ 1,939,600	\$ 1,800,016
Housing improvement programs	40,701	40,974
Health care programs	104,643	98,349
Education programs	<u>557,322</u>	<u>575,921</u>
Total net assets released from restrictions	<u>\$ 2,642,266</u>	<u>\$ 2,515,260</u>

7. RETIREMENT BENEFITS

The Organization has a SIMPLE IRA plan which is offered to all U.S. full-time employees and part-time employees working over 1,300 hours per year. The Organization matched employee contributions to a maximum of 3% of each covered employee's contribution to the plan as of December 31, 2013 and 2012. The Organization's matching contribution totaled \$14,558 and \$13,716 for the years ended December 31, 2013 and 2012, respectively.

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8. FAIR VALUE

The following table provides information on those assets that are measured at fair value on a recurring basis.

	December 31, 2013			
	Fair Value & Carrying Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Money market funds, classified as:				
Cash and equivalents	\$ 1,451,527	\$ 1,451,527	\$ -	\$ -
Short-term investments:				
U.S. equity securities	511	511	-	-
Long-term investments:				
U.S. equity securities	328,830	328,830	-	-
International securities	45,156	45,156	-	-
Mutual funds (endowment fund)	72,313	72,313		
Total	<u>\$ 1,898,337</u>	<u>\$ 1,898,337</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2012			
	Fair Value & Carrying Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Money market funds, classified as:				
Cash and equivalents	\$ 1,314,157	\$ 1,314,157	\$ -	\$ -
Long-term investments	39,000	39,000	-	-
	<u>1,353,157</u>	<u>1,353,157</u>	<u>-</u>	<u>-</u>
Short-term investments:				
U.S. equity securities	8,939	8,939	-	-
Long-term investments:				
U.S. equity securities	222,921	222,921	-	-
International securities	25,078	25,078	-	-
Total	<u>\$ 1,610,095</u>	<u>\$ 1,610,095</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of the money market funds and U.S. and international equity securities are based on quoted market prices in an active market.

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Notes to Consolidated Financial Statements

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9. ENDOWMENT FUND

In December 2012, the Organization established an endowment fund that consists of board designated funds established for the purpose of developing stable support for core programs that help poor families and promote child education. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Since the Organization's endowment fund currently consists of board designated funds rather than donor restricted amounts, such funds are classified within unrestricted net assets.

Return Objectives and Risk Parameters

The funds are managed according to the board of director's investment policies. These policies attempt to provide a consistent return on assets, preserve capital and the purchasing power of the endowment assets, while providing a predictable funding stream to support programs.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's policy requires targeting diversified asset allocations that seek to achieve its long-term return objectives within prudent risk constraints. The Organization targets a diversified asset allocation that places emphasis on equity and fixed income based investments to achieve its long-term objectives within prudent risk constraints. In 2013, a separate brokerage account was established for the purpose of segregating endowment assets and maintaining targeted asset composition. The Organization's policy is to have the earnings from this brokerage account added to the endowment fund balance each year. Endowment assets were held in a combination of money market funds and a certificate of deposit during the interim period between board approval of the endowment fund in December 2012 and the subsequent establishment of the separate brokerage account.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As approved by the Board of Directors, the Organization determines the amounts appropriated for expenditure from the investment funds. The Board of Directors will not distribute funds to programs until January 2016 or January of the year following the year the account reaches \$250,000. When the \$250,000 goal is attained, the Organization will manage the fund with a policy of distributing approximately 4% annually based on the average of the last three year-end valuations as of December 31st.

These spending policies are consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity, to provide a consistent and predictable funding stream to support the endowment purposes specified, as well as to provide additional growth through investment return.

COMMON HOPE

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Endowment and Restricted Net Asset Composition by Type of Fund

	December 31, 2013			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	\$ 72,313	\$ -	\$ -	\$ 72,313
Total funds	<u>\$ 72,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,313</u>

	December 31, 2012			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	\$ 66,183	\$ -	\$ -	\$ 66,183
Total funds	<u>\$ 66,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,183</u>

Changes in Endowment and Restricted Net Assets

	December 31, 2013			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 66,183	\$ -	\$ -	\$ 66,183
Investment income, net appreciation (realized and unrealized)	6,130	-	-	6,130
Addition of board designated funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 72,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,313</u>

COMMON HOPE

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

	December 31, 2012			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-
Addition of board designated funds	<u>66,183</u>	<u>-</u>	<u>-</u>	<u>66,183</u>
Net assets, end of year	<u>\$ 66,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,183</u>