

COMMON HOPE

Saint Paul, Minnesota

Consolidated Financial Statements

December 31, 2015 and 2014

COMMON HOPE

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B O U L A Y

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Common Hope and Affiliate
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, 2015 and 2014, 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 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 Common Hope and its Affiliate as of December 31, 2015 and 2014, 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 21, 2016

COMMON HOPE

Consolidated Statements of Financial Position

ASSETS	December 31	
	2015	2014
Current Assets		
Cash and cash equivalents		
U.S.	\$ 2,366,573	\$ 2,123,859
Guatemala	15,660	68,221
Total cash and cash equivalents	<u>2,382,233</u>	<u>2,192,080</u>
Accounts receivable	25,210	11,379
Prepaid expenses	49,461	19,006
Investments, short-term	759	2,526
Other	5,332	10,943
Total current assets	<u>2,462,995</u>	<u>2,235,934</u>
Investments, net of short-term	523,678	526,313
Property, Plant and Equipment, Guatemala		
Land and land improvements	1,755,579	1,753,392
Buildings	4,061,948	4,060,464
Equipment	125,238	153,754
Vehicles	153,159	153,159
	<u>6,095,924</u>	<u>6,120,769</u>
Less: accumulated depreciation	2,586,474	2,429,300
Net property, plant and equipment, Guatemala	<u>3,509,450</u>	<u>3,691,469</u>
Office Equipment, U.S.	61,333	61,333
Less: accumulated depreciation	51,051	43,368
Net office equipment, U.S.	<u>10,282</u>	<u>17,965</u>
Long-term Assets		
Security deposit	4,047	4,047
Total assets	<u>\$ 6,510,452</u>	<u>\$ 6,475,728</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 505,554	\$ 410,518
Volunteer trip deposits	70,470	52,095
Total current liabilities	<u>576,024</u>	<u>462,613</u>
Net Assets		
Undesignated	5,400,719	5,268,257
Designated	108,939	108,932
Total unrestricted	<u>5,509,658</u>	<u>5,377,189</u>
Temporarily restricted	424,770	635,926
Total net assets	<u>5,934,428</u>	<u>6,013,115</u>
Total liabilities and net assets	<u>\$ 6,510,452</u>	<u>\$ 6,475,728</u>

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

COMMON HOPE

Consolidated Statements of Activities

	Year Ended December 31 2015			Year Ended December 31 2014		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenues and Other Support						
Contributions	\$ 4,166,953	\$ 1,322,226	\$ 2,844,727	\$ 4,133,982	\$ 1,240,743	\$ 2,893,239
Interest and dividend income	3,296	3,296	-	2,738	2,738	-
Unrealized and realized gain on investments	21,705	21,705	-	8,861	8,861	-
Program fees	41,851	41,851	-	52,805	52,805	-
Miscellaneous income, net of expenses of \$88,079 in 2015 and \$46,669 in 2014	84,077	84,077	-	48,610	48,610	-
Net assets released from restrictions:						
Satisfaction of program restrictions	-	3,055,883	(3,055,883)	-	2,981,595	(2,981,595)
Total revenues and other support	<u>4,317,882</u>	<u>4,529,038</u>	<u>(211,156)</u>	<u>4,246,996</u>	<u>4,335,352</u>	<u>(88,356)</u>
Expenses						
Program operating expenses						
Health care	560,543	560,543	-	509,713	509,713	-
Family & community development	940,099	940,099	-	915,989	915,989	-
Housing improvement	180,832	180,832	-	213,010	213,010	-
Education	1,887,020	1,887,020	-	1,892,094	1,892,094	-
General and administrative	543,239	543,239	-	476,478	476,478	-
Fundraising	284,836	284,836	-	281,074	281,074	-
Total expenses	<u>4,396,569</u>	<u>4,396,569</u>	<u>-</u>	<u>4,288,358</u>	<u>4,288,358</u>	<u>-</u>
Change in Net Assets	(78,687)	132,469	(211,156)	(41,362)	46,994	(88,356)
Net Assets - Beginning of year	<u>6,013,115</u>	<u>5,377,189</u>	<u>635,926</u>	<u>6,054,477</u>	<u>5,330,195</u>	<u>724,282</u>
Net Assets - End of year	<u>\$ 5,934,428</u>	<u>\$ 5,509,658</u>	<u>\$ 424,770</u>	<u>\$ 6,013,115</u>	<u>\$ 5,377,189</u>	<u>\$ 635,926</u>

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

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Consolidated Statements of Cash Flows

For the Years Ended December 31,	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (78,687)	\$ (41,362)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	199,010	210,463
Unrealized and realized gain on investments	(21,705)	(8,861)
Loss on disposal of assets	-	2,598
Donated investments	(75,570)	(39,032)
Proceeds from sale of donated stock	74,971	37,096
Donations of land	-	1,487
Change in assets and liabilities:		
Accounts receivable	(13,831)	(9,009)
Prepaid expenses	(30,455)	(6,507)
Other current assets	5,611	4,987
Accounts payable and accrued liabilities	106,007	21,627
Volunteer trip deposits	18,375	(1,925)
Net cash from operating activities	<u>183,726</u>	<u>171,562</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	173,830	149,861
Purchase of investments	(147,124)	(193,805)
Purchase of property and equipment	(20,279)	(127,703)
Net cash from (used for) investing activities	<u>6,427</u>	<u>(171,647)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	190,153	(85)
Cash and Cash Equivalents - Beginning of Year	<u>2,192,080</u>	<u>2,192,165</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,382,233</u>	<u>\$ 2,192,080</u>
Supplemental Disclosure of Non-cash Investing Activities	2015	2014
Fixed asset purchases included in accounts payable	\$ -	\$ 10,971

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

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Consolidated Statements of Functional Expenses

	Year Ended December 31						
	2015						
	Program Operating Expenses					Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	General and Administrative	Fundraising
Specific assistance	\$ 1,068,963	\$ 220,347	\$ 198,325	\$ 33,210	\$ 615,098	\$ 334	\$ 1,649
Salaries, wages, and benefits	2,440,860	252,200	592,704	68,554	934,126	384,693	208,583
Supplies and travel	164,756	16,025	40,184	6,071	67,961	22,327	12,188
Services and professional fees	51,537	634	829	150	2,137	47,762	25
Office and occupancy	389,167	43,326	85,034	10,670	160,948	30,440	58,749
Depreciation	199,010	21,180	18,420	51,577	96,564	9,316	1,953
Other	82,276	6,831	4,603	10,600	10,186	48,367	1,689
Total expenses	<u>\$ 4,396,569</u>	<u>\$ 560,543</u>	<u>\$ 940,099</u>	<u>\$ 180,832</u>	<u>\$ 1,887,020</u>	<u>\$ 543,239</u>	<u>\$ 284,836</u>

	Year Ended December 31						
	2014						
	Program Operating Expenses					Supporting Services	
	Total	Health Care	Family & Community Development	Housing Improvement	Education	General and Administrative	Fundraising
Specific assistance	\$ 1,080,201	\$ 191,842	\$ 188,460	\$ 50,766	\$ 648,839	\$ 259	\$ 35
Salaries, wages, and benefits	2,340,509	234,916	562,117	70,856	907,530	342,180	222,910
Supplies and travel	170,120	15,000	45,342	8,355	71,726	18,071	11,626
Services and professional fees	61,911	3,399	4,868	1,077	13,395	38,944	228
Office and occupancy	386,273	37,044	82,916	10,630	168,261	42,281	45,141
Depreciation	210,463	23,982	32,626	62,826	81,303	8,589	1,137
Other	38,881	3,530	(340)	8,500	1,040	26,154	(3)
Total expenses	<u>\$ 4,288,358</u>	<u>\$ 509,713</u>	<u>\$ 915,989</u>	<u>\$ 213,010</u>	<u>\$ 1,892,094</u>	<u>\$ 476,478</u>	<u>\$ 281,074</u>

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

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activity

Common Hope and its affiliate, Fundación Familias de Esperanza (Fundación), 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 3,500 and 3,300 children at the pre-primary, primary, secondary and university levels, including tuition, books, supplies and tutoring during 2015 and 2014, 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 school programs and believes it has been a great use of educational dollars since its 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 long-term relationships with Common Hope social workers, 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 school, water system, a community center, and a sewage treatment plant.

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 Fundación Familias de Esperanza (Fundación). Fundación is the entity that carries out the mission of Common Hope in Guatemala. All significant intercompany balances and transactions are eliminated in consolidation.

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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, certain payroll liabilities and the allocation of the functional expenses. Actual results could differ from those estimates.

Foreign Currency Translation

The functional currency used by Fundación is the U.S. Dollar. As funds are transferred from Common Hope to Fundación, 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 Cash 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 cash equivalents deposited in financial institutions in the United States of America may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). Money market funds totaled approximately \$1,895,000 and \$1,518,000 at December 31, 2015 and 2014, respectively, and these funds are not insured by the FDIC. At December 31, 2015 and 2014, the money market funds were classified solely within cash and cash equivalents.

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 consolidated statement of activities. Investment income is generally absent donor restriction and is therefore unrestricted.

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 approximately \$27,000 at both December 31, 2015 and 2014.

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 is primarily located in Guatemala, is stated at cost. Donated property, plant and equipment is 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 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 and the vehicles, which are owned by Common Hope's affiliate, Fundación.

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 potentially donating the land currently functioning as community green space and roadways to the new association. During 2015, no New Hope homeowners earned title to their independent parcel. During 2014, six 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 29 as of December 31, 2015 and 2014. 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, community building and wastewater treatment facility at New Hope Village. In addition, the Organization continues to own approximately 132,000 square meters of partially developed land with a book value of approximately \$264,000, 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 consolidated financial statements on a recurring or nonrecurring basis adheres 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: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs 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: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

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 consolidated 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 \$34,000 for the years ended December 31, 2015 and 2014, respectively, and is recognized as contributions (revenue) and services and professional fees and other (expense) in the accompanying consolidated financial statements.

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

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Notes to Consolidated Financial Statements

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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 2012.

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective annually beginning after December 15, 2019. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Association's consolidated financial statements.

In May 2014 and amended in August 2015, the FASB issued ASU No. 2014-09 which amended the Revenue from Contracts with Customers (Topic 606) of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through June 21, 2016, the date which the consolidated 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 2016. Management intends to renew this line of credit. Outstanding borrowings are due on demand. The line of credit currently bears interest at prime (3.50% and 3.25% at December 31, 2015 and 2014, respectively). The line of credit was not used in 2015 or 2014.

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. With this initiative, the Organization intended to partner with 7 schools in total. Partnerships were formed with 7 schools; however, one school did not fulfill its requirements, thus the agreement with this school was not renewed after its first year. The Organization was seeking to raise \$2.8 million for the Initiative from 2011 to 2015, however, with the change to only 6 schools, the goal was reduced to \$2.4 million. As of December 31, 2015, donors had committed approximately \$2,354,000 and approximately \$2,080,000 of the total commitment had been received and recognized. The Partner School Campaign was concluded in 2015. Subsequent to 2015, any money received for this program will be used in education programming unless restricted by the donor to the partner schools, specifically.

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Notes to Consolidated Financial Statements

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4. INVESTMENTS

Investments consist of the following instruments at December 31:

	<u>2015</u>	<u>2014</u>
Short-term investments:		
U.S. equity securities	\$ 759	\$ 2,526
Total short-term investments	<u>759</u>	<u>2,526</u>
Long-term investments:		
U.S. equity securities	387,259	361,739
International securities	-	28,258
Certificate of deposit	27,480	27,384
Mutual funds (endowment fund, Note 9)	108,939	108,932
Total long-term investments	<u>523,678</u>	<u>526,313</u>
Total investments	<u>\$ 524,437</u>	<u>\$ 528,839</u>

As of December 31, 2015 and 2014, the Organization recorded unrealized and realized net gains on its investments of approximately \$22,000 and \$9,000, respectively, which are recognized in unrestricted net assets.

5. OPERATING LEASE COMMITMENTS

The Organization moved into their present St. Paul office location, effective October 1, 2013. The lease contains escalating rental payments for 91 months, expiring on May 1, 2021. The Organization is obligated to pay costs of insurance, repairs and maintenance pursuant to the terms of the lease. Rent expense, including executory costs, totaled approximately \$56,000 and \$58,000 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease commitments for office space are as follows at December 31, 2015:

	<u>Lease Commitments</u>
2016	\$ 25,506
2017	26,272
2018	27,060
2019	27,872
2020	28,708
Thereafter	<u>9,662</u>
Total	<u>\$ 145,080</u>

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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>2015</u>	<u>2014</u>
Family & Community Development	\$ -	\$ 9,828
Housing improvement programs	-	396
Health care programs	6,438	18,813
Education programs	418,332	606,889
	<hr/>	<hr/>
Totals	\$ 424,770	\$ 635,926

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>2015</u>	<u>2014</u>
Family & Community Development	\$ 1,980,939	\$ 1,994,948
Housing improvement programs	79,931	39,494
Health care programs	118,790	100,851
Education programs	876,223	846,302
	<hr/>	<hr/>
Total net assets released from restrictions	\$ 3,055,883	\$ 2,981,595

Child sponsorship funds can be released for expenses in any of the following programs: family & community development, housing improvement, health care and education programs.

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, 2015 and 2014. The Organization's matching contribution totaled approximately \$16,000 and \$17,000 for the years ended December 31, 2015 and 2014, respectively.

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Notes to Consolidated Financial Statements

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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.

	Fair Value & Carrying Amount	December 31, 2015		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Money market funds, classified as:				
Cash and equivalents	\$ 1,895,159	\$ 1,895,159	\$ -	\$ -
Short-term investments:				
U.S. equity securities	759	759	-	-
Long-term investments:				
U.S. equity securities	387,259	387,259	-	-
Mutual funds (endowment fund)	108,939	108,939	-	-
Total	<u>\$ 2,392,116</u>	<u>\$ 2,392,116</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value & Carrying Amount	December 31, 2014		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Money market funds, classified as:				
Cash and equivalents	\$ 1,518,143	\$ 1,518,143	\$ -	\$ -
Short-term investments:				
U.S. equity securities	2,526	2,526	-	-
Long-term investments:				
U.S. equity securities	361,739	361,739	-	-
International securities	28,258	28,258	-	-
Mutual funds (endowment fund)	108,932	108,932	-	-
Total	<u>\$ 2,019,598</u>	<u>\$ 2,019,598</u>	<u>\$ -</u>	<u>\$ -</u>

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

COMMON HOPE

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.

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 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 31.

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.

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Notes to Consolidated Financial Statements

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Endowment and Restricted Net Asset Composition by Type of Fund

	December 31, 2015			Total
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	
Board-designated endowment fund	\$ 108,939	\$ -	\$ -	\$ 108,939
Total funds	<u>\$ 108,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,939</u>

	December 31, 2014			Total
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	
Board-designated endowment fund	\$ 108,932	\$ -	\$ -	\$ 108,932
Total funds	<u>\$ 108,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,932</u>

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Changes in Endowment and Restricted Net Assets

	December 31, 2015			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 108,932	\$ -	\$ -	\$ 108,932
Investment income, net appreciation (realized and unrealized)	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Net assets, end of year	<u>\$ 108,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,939</u>

	December 31, 2014			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 72,313	\$ -	\$ -	\$ 72,313
Investment income, net appreciation (realized and unrealized)	3,179	-	-	3,179
Addition of board designated funds	<u>33,440</u>	<u>-</u>	<u>-</u>	<u>33,440</u>
Net assets, end of year	<u>\$ 108,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,932</u>