

**CENTER FOR HUMANITARIAN OUTREACH  
AND INTERCULTURAL EXCHANGE  
(d.b.a. CHOICE HUMANITARIAN)**

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**FINANCIAL STATEMENTS**

For the Years Ended December 31, 2012 and 2011

with

**REPORT OF INDEPENDENT AUDITORS**

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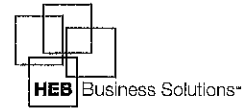
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## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees,  
Choice Humanitarian:

We have audited the accompanying financial statements of Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian) (the Organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian) as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Huber, Erickson & Bowman". The signature is written in a cursive, flowing style.

Huber, Erickson & Bowman, LLC  
March 21, 2013

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**Center for Humanitarian Outreach and Intercultural  
Exchange (d.b.a. Choice Humanitarian)**

**Statements of Financial Position**

**As of December 31, 2012 and 2011**

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 395,143	\$ 168,041
Contributions receivable	13,752	31,484
Prepaid expenses	2,990	1,233
Deferred costs	-	3,075
Property and equipment, net	82,585	50,344
<b>Total Assets</b>	<u><u>\$ 494,470</u></u>	<u><u>\$ 254,177</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,970	\$ 1,986
Accrued liabilities	15,256	4,558
Deferred revenues	18,294	25,444
<b>Total Liabilities</b>	<b>38,520</b>	<b>31,988</b>
<b>Net Assets</b>		
Unrestricted	415,950	222,189
Temporarily restricted	40,000	-
<b>Total Net Assets</b>	455,950	222,189
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 494,470</u></u>	<u><u>\$ 254,177</u></u>

**Center for Humanitarian Outreach and Intercultural  
Exchange (d.b.a. Choice Humanitarian)**

**Statements of Activities**

**For the Years ended December 31, 2012 and 2011**

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	<u>2012</u>	<u>2011</u>
<b>Unrestricted Net Assets</b>		
<b>Public Support and Revenue</b>		
Expeditions	\$ 583,758	\$ 388,378
Contributions	1,130,371	779,409
Special event revenue, net	309,130	277,323
In-kind contributions	199,282	160,486
Other income	3,142	8,867
	<hr/>	<hr/>
<b>Total Unrestricted Revenue</b>	<b>2,225,683</b>	<b>1,614,463</b>
<b>Expenses</b>		
Program services	1,768,916	1,500,273
Management and general	119,144	83,530
Fundraising	143,862	155,218
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>2,031,922</b>	<b>1,739,021</b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>193,761</b>	<b>(124,558)</b>
<b>Temporarily Restricted Net Assets</b>		
<b>Contributions</b>	<hr/> 40,000	<hr/> -
<b>Net Assets Released from Restriction</b>		
Temporarily restricted contributions	<hr/> -	<hr/> -
<b>Increase in Temporarily Restricted Net Assets</b>	<hr/> 40,000	<hr/> -
<b>Increase (decrease) in Net Assets</b>	<b>233,761</b>	<b>(124,558)</b>
<b>Net Assets at Beginning of Year</b>	<hr/> 222,189	<hr/> 346,747
<b>Net Assets at End of Year</b>	<hr/> <u>\$ 455,950</u>	<hr/> <u>\$ 222,189</u>

**Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian)**

**Statements of Functional Expenses**

**For the Years ended December 31, 2012 and 2011**

	<b>December 31, 2012</b>			
	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Depreciation expense	\$ -	\$ 32,728	\$ -	\$ 32,728
Expedition expenses	263,733	-	-	263,733
Field expenses	1,087,624	-	-	1,087,624
Marketing and public relations	1,227	548	2,385	4,160
Office expenses	138,059	16,538	29,532	184,129
Office supplies	6,707	1,539	2,749	10,995
Professional services	35,735	15,577	14,645	65,957
Rent	22,072	5,066	9,046	36,184
Salaries	212,848	46,638	83,282	342,768
Utilities	911	510	2,223	3,644
<b>Total Expenses</b>	<b>\$ 1,768,916</b>	<b>\$ 119,144</b>	<b>\$ 143,862</b>	<b>\$ 2,031,922</b>

	<b>December 31, 2011</b>			
	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Depreciation expense	\$ -	\$ 25,488	\$ -	\$ 25,488
Expedition expenses	220,853	-	-	220,853
Field expenses	954,062	-	-	954,062
Marketing and public relations	-	245	152	397
Office expenses	70,946	12,402	37,904	121,252
Office supplies	5,170	917	2,252	8,339
Professional services	33,448	7,993	25,355	66,796
Rent	22,434	3,980	9,770	36,184
Salaries	191,140	32,111	78,818	302,069
Utilities	2,220	394	967	3,581
<b>Total Expenses</b>	<b>\$ 1,500,273</b>	<b>\$ 83,530</b>	<b>\$ 155,218</b>	<b>\$ 1,739,021</b>

**Center for Humanitarian Outreach and Intercultural  
Exchange (d.b.a. Choice Humanitarian)**

**Statements of Cash Flows**

**For the Years ended December 31, 2012 and 2011**

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	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 233,761</b>	<b>\$ (124,558)</b>
<b>Adjustments to Reconcile Change in Net Assets     to Net Cash (Used in) Provided by Operating Activities:</b>		
Depreciation	32,728	25,488
Contributed property & equipment	(64,582)	-
Decrease (increase) in assets:		
Accounts receivable	17,732	(10,940)
Deferred expenses	3,075	6,914
Prepaid expenses	(1,757)	(260)
Increase (decrease) in liabilities:		
Accounts payable	2,674	(13,499)
Accrued liabilities	11,008	(6,385)
Deferred revenue	(7,537)	(47,508)
<b>Total Adjustments</b>	<u><b>(6,659)</b></u>	<u><b>(46,190)</b></u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><b>227,102</b></u>	<u><b>(170,748)</b></u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>227,102</b>	<b>(170,748)</b>
Cash and Cash Equivalents, Beginning of Year	<u>168,041</u>	<u>338,789</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u><b>\$ 395,143</b></u></u>	<u><u><b>\$ 168,041</b></u></u>



**Center for Humanitarian Outreach and Intercultural  
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**Notes to Financial Statements**

**For the Years Ended December 31, 2012 and 2011**

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**NOTE 1 ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization**

The Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian) (the Organization), was incorporated as a not-for-profit organization in 1988. The purpose of the Organization is the assistance of disadvantaged rural village people in undeveloped countries through the establishment of programs for better health and education. This purpose is fulfilled through the organization of expeditions of volunteers who contribute services and the cost of travel and supplies to complete specific projects or goals related to each expedition. Some of the projects include building schoolhouses, health posts, greenhouses, wells, pumps, and water cisterns. The Organization also provides training in literacy, healthcare, agriculture, and small-scale enterprises. These services are performed primarily in the countries of Kenya, Bolivia, Mexico, Guatemala, Nepal and Vietnam with expeditions to other countries on a periodic basis.

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

Support and other gifts are recorded as restricted if they are received with donor stipulation that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated long-lived assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Restricted funds may only be utilized in accordance with the purpose established by the source of such funds. The Board of Directors in achieving its purposes and continuing the operations of the Organization may utilize unrestricted funds.

**Center for Humanitarian Outreach and Intercultural  
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Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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**NOTE 1 ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

**(CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. When cash is wire transferred to a foreign bank account to be used for a project, it is immediately expensed as a field expense.

**Allowance for Doubtful Accounts**

The Organization has determined that the potential loss from accounts receivable is not material and has elected not to record an allowance for doubtful accounts as of December 31, 2012 and 2011.

**Property and Equipment**

Property and equipment consists of office furniture and equipment that are carried at cost. Donated assets are recorded at their estimated fair market value at the time of contribution. Expenditures for maintenance and repairs are charged against income and expenditures for major purchases and improvements are capitalized. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income. The Organization generally capitalizes land, buildings, and equipment expenditures in excess of \$500. Purchases of property and equipment in foreign countries are recorded as field expense and are not capitalized.

Depreciation of property and equipment is provided on a straight-line method over estimated useful lives of 3-5 years.

**Deferred Revenue and Expenses**

Occasionally, expeditions are billed to volunteers in advance of the period in which the related expenses are to be incurred. Cash received from advance billings are shown in the accompanying financial statements as deferred revenue. The revenue is recognized when the expedition occurs. Costs incurred by the Organization for future expeditions are capitalized and are expensed when the related revenue is earned.

**Fair Value of Financial Instruments**

The Organization's financial instruments consist of cash and cash equivalents, investments, receivables, and payables. The carrying amount of cash and cash equivalents, receivables, and payables approximates fair value because of the short-term nature of these items. The carrying amount of investments is based on readily determinable market values.

**Center for Humanitarian Outreach and Intercultural  
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Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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**NOTE 1 ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Expense Allocations**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expenses studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**In-kind Contributions**

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Organization reports gifts of equipment, professional services, materials and other nonmonetary contributions as unrestricted revenue in the accompanying statements of activities.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

**Income Taxes**

The Organization has received a determination letter from the Internal Revenue Service that states the Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). A similar exemption applies for state income tax; therefore, no provision for income taxes has been recorded.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts could differ from those estimates.

**NOTE 2 CASH DEPOSITS IN EXCESS OF FEDERALLY INSURED AMOUNTS**

The Organization maintains its cash accounts in bank deposit accounts. At December 31, 2012 and 2011, the Company had no deposits in excess of federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**Center for Humanitarian Outreach and Intercultural  
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Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment by major classifications are as follows:

	<u>2012</u>	<u>2011</u>
Furniture	\$ 17,715	\$ 16,715
Equipment	60,906	58,674
Computers and servers	181,464	120,114
	<u>260,085</u>	<u>195,503</u>
Accumulated depreciation	<u>(177,500)</u>	<u>(145,159)</u>
Net property and equipment	<u>\$ 82,585</u>	<u>\$ 50,344</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$32,728 and \$25,488, respectively.

**NOTE 4 SPECIAL EVENT REVENUE**

In 2012 and 2011, the Organization sponsored two fundraising events in order to promote awareness of the Organization's mission. The first event is a Gala where participants purchase tickets to attend, are entertained and participate in various auctions. The second event is a casual breakfast by invitation where the Organization's mission is promoted and donations are received and pledged. The gross revenues and direct expenses associated with the events for the years ended December 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>		
	<u>Salt Lake Gala</u>	<u>Salt Lake Breakfast</u>	<u>Total</u>
Contributions from participants	\$ 68,498	\$ 122,603	\$ 191,101
Ticket & auction sales	217,010	-	217,010
Less: costs of direct benefits to donors	(57,164)	(10,394)	(67,558)
Less: direct expenses	<u>(29,127)</u>	<u>(2,296)</u>	<u>(31,423)</u>
Net Revenues	<u>\$ 199,217</u>	<u>\$ 109,913</u>	<u>\$ 309,130</u>

**Center for Humanitarian Outreach and Intercultural  
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Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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**NOTE 4 SPECIAL EVENT REVENUE (CONTINUED)**

2011

	<u>Salt Lake Gala</u>	<u>Salt Lake Breakfast</u>	<u>Total</u>
Contributions from participants	\$ 74,308	\$ 70,585	\$ 144,893
Ticket & auction sales	203,336	-	203,336
Less: costs of direct benefits to donors	(42,394)	(9,348)	(51,742)
Less: direct expenses	<u>(16,955)</u>	<u>(2,209)</u>	<u>(19,164)</u>
Net Revenues	<u>\$ 218,295</u>	<u>\$ 59,028</u>	<u>\$ 277,323</u>

**NOTE 5 RELATED PARTY LEASE**

The organization leases its office space from a related party. The lease requires monthly payments of \$2,333 and expires on September 30, 2013, at which point the lease is converted to a month-to-month lease. Lease payments for the period of January 1, 2013 through the expiration will be \$20,997.

Lease expense for the office space totaled \$36,184 and \$36,184 for the years ended December 31, 2012 and 2011, respectively.

**NOTE 6 IN-KIND DONATIONS**

The Organization recognizes contribution revenue for certain assets received at the fair value of such assets. Recognized asset contributions for the years ended December 31, 2012 and 2011, totaled \$199,282 and \$160,486, respectively. Contributed assets included office equipment and software, vacation packages, collectibles and other miscellaneous items sold at auction by the Organization for cash.

**Center for Humanitarian Outreach and Intercultural  
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Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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**NOTE 7 ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

The Organization adopted FASB Accounting Standards Codification (ASC) 740-10-25, Income Taxes – Overall Recognition, on January 1, 2009, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. The Organization adopted FASB Accounting Standards Codification (ASC) 740-10-25, Income Taxes – Overall Recognition, on January 1, 2009, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions.

The Organization must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Organization did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-25. The Organization is not subject to U.S. federal, state, and local, or non-U.S income tax examinations by tax authorities for years before 2009.

**NOTE 8 RECLASSIFICATIONS**

Certain reclassifications were made to the 2011 financial statements to conform to the 2012 financial statement presentation.

**NOTE 9 SUBSEQUENT EVENTS**

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Company has evaluated subsequent events through March 21, 2013, which is the date these financial statements were issued. All subsequent events requiring recognition as of March 21, 2013, have been incorporated into these financial statements herein.