

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

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

with

REPORT OF INDEPENDENT AUDITORS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees,
Choice Humanitarian:

We have audited the accompanying consolidated financial statements of Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian) (the Organization) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated 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 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 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 audits 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 Center for Humanitarian Outreach and Intercultural Exchange (d.b.a. Choice Humanitarian) as of December 31, 2013 and 2012, 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", with a stylized flourish at the end.

Huber, Erickson & Bowman, LLC

May 6, 2014

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

Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 629,687	\$ 395,143
Investments	34,532	-
Contributions receivable	16,111	13,752
Prepaid expenses	1,754	2,990
Deferred costs	1,948	-
Property and equipment, net	43,715	82,585
	<u> </u>	<u> </u>
Total Assets	<u>\$ 727,747</u>	<u>\$ 494,470</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,208	\$ 4,970
Accrued liabilities	26,688	15,256
Deferred revenues	109,076	18,294
	<u> </u>	<u> </u>
Total Liabilities	139,972	38,520
Net Assets		
Unrestricted	587,775	415,950
Temporarily restricted	-	40,000
	<u> </u>	<u> </u>
Total Net Assets	<u>587,775</u>	<u>455,950</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 727,747</u>	<u>\$ 494,470</u>

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

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

Consolidated Statements of Activities

For the Years ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Public Support and Revenue		
Expeditions	\$ 702,329	\$ 583,758
Contributions	1,269,075	1,136,341
Special event revenue, net	234,385	303,160
In-kind contributions	197,085	199,282
Investment return	4,891	-
Other income	2,040	3,142
Total Unrestricted Revenue	<u>2,409,805</u>	<u>2,225,683</u>
Expenses		
Program services	1,906,797	1,768,916
Management and general	165,083	119,144
Fundraising	166,100	143,862
Total Expenses	<u>2,237,980</u>	<u>2,031,922</u>
Increase in Unrestricted Net Assets	171,825	193,761
Temporarily Restricted Net Assets		
Contributions	<u>-</u>	<u>40,000</u>
Net Assets Released from Restriction		
Temporarily restricted contributions	<u>(40,000)</u>	<u>-</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(40,000)</u>	<u>40,000</u>
Increase in Net Assets	131,825	233,761
Net Assets at Beginning of Year	<u>455,950</u>	<u>222,189</u>
Net Assets at End of Year	<u><u>\$ 587,775</u></u>	<u><u>\$ 455,950</u></u>

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

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

Consolidated Statements of Functional Expenses

For the Years ended December 31, 2013 and 2012

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	December 31, 2013			
	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Depreciation expense	\$ -	\$ 41,070	\$ -	\$ 41,070
Expedition expenses	315,770	-	-	315,770
Field expenses	1,183,224	216	288	1,183,728
Marketing and public relations	4,225	225	300	4,750
Office expenses	106,669	33,104	44,139	183,912
Office supplies	13,417	4,164	5,551	23,132
Professional services	61,005	18,808	25,828	105,641
Rent	21,109	6,551	8,734	36,394
Salaries	198,955	60,193	80,257	339,405
Utilities	2,423	752	1,003	4,178
Total Expenses	\$ 1,906,797	\$ 165,083	\$ 166,100	\$ 2,237,980

	December 31, 2012			
	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
Total Expenses	\$ 1,768,916	\$ 119,144	\$ 143,862	\$ 2,031,922

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

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

Consolidated Statements of Cash Flows

For the Years ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 131,825	\$ 233,761
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	41,070	32,728
Contributed property and equipment	-	(64,582)
Contributed investments	(34,532)	-
Decrease (increase) in assets:		
Accounts receivable	(2,359)	17,732
Deferred expenses	(1,948)	3,075
Prepaid expenses	1,236	(1,757)
Increase (decrease) in liabilities:		
Accounts payable	(762)	2,674
Related party payable	-	-
Accrued liabilities	11,432	11,008
Deferred revenue	90,782	(7,537)
Total Adjustments	104,919	(6,659)
Net Cash Provided by Operating Activities	236,744	227,102
Cash Flows from Investing Activities		
Cash paid for furniture and equipment	(2,200)	-
Net Cash Used in Investing Activities	(2,200)	-
Net Increase in Cash and Cash Equivalents	234,544	227,102
Cash and Cash Equivalents, Beginning of Year	395,143	168,041
Cash and Cash Equivalents, End of Year	\$ 629,687	\$ 395,143

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

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.

In 2013, the Organization started Choice Ventures, LLC, a wholly owned and operated company. The LLC was organized to invest in for-profit businesses that will produce a positive economic impact on local communities, generate additional investment capital for the LLC, and provide program funds for CHOICE Humanitarian. As of December 31, 2013, the Organization had transferred \$500 to a bank account held by Choice Ventures, LLC.

Principles of Consolidation

Choice Humanitarian represents the consolidated financial statements and accounts of The Center for Humanitarian Outreach and Intercultural Exchange and its wholly owned subsidiary, Choice Ventures, LLC. All significant inter-company accounts and transactions have been eliminated.

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.

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

Basis of Accounting (Continued)

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.

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, 2013 and 2012.

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.

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

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.

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, property, and investments in debt and equity securities are recorded at their estimated fair value at the date of donation. The Organization reports in-kind contributions as unrestricted revenue in the accompanying statements of activities.

If the fair value of in-kind contributions 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.

Choice Ventures, LLC, is taxed as a C-Corp for tax purposes, per the Operating Agreement.

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

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, 2013 and 2012, the Company had \$381,135 and \$0 in deposits, respectively, in excess of federally insured limits. However, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 3 INVESTMENTS

During 2013, the Organization obtained marketable securities which were to be sold, and the proceeds to be used for a specific project. Rather than sell the securities, management used undesignated funds held by the Organization, equal to the fair market value of the contributed securities, in the amount of \$29,701 for the donor's intended purposes and held the securities to be sold at a later date. The income for this contribution is netted in special event revenue.

Investments are held at fair market value and consist of the following:

	Fair Value
Corporate Stocks	\$ 34,001
Cash management fund	<u>531</u>
	<u>\$ 34,532</u>

These investments represent unrestricted assets to be used for general operations.

Investment return is summarized as follows:

Dividend income	\$ 591
Unrealized gains	<u>4,300</u>
Total unrestricted investment income	<u>\$ 4,891</u>

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

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NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment by major classifications are as follows:

	<u>2013</u>	<u>2012</u>
Furniture	\$ 17,115	\$ 17,715
Equipment	61,506	60,906
Computers and servers	183,664	181,464
	<u>262,285</u>	<u>260,085</u>
Accumulated depreciation	<u>(218,570)</u>	<u>(177,500)</u>
Net property and equipment	<u>\$ 43,715</u>	<u>\$ 82,585</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$41,070 and \$32,728, respectively.

NOTE 5 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, 2013 and 2012, totaled \$197,085 and \$199,282, respectively. Contributed assets included office equipment and software, vacation packages, collectibles and other miscellaneous items sold at auction by the Organization for cash.

NOTE 6 RELATED PARTY LEASE

The organization leases its office space from a related party. The lease requires monthly payments of \$2,403 for the first twelve months and \$2,475 for the second twelve months. The lease expires on September 30, 2015, at which point the lease is converted to a month-to-month lease. Future lease payments for the years ended December 31, 2014 and 2015, will be \$29,056 and \$22,279, respectively.

Lease expense for the office space totaled \$36,394 and \$36,184 for the years ended December 31, 2013 and 2012, respectively.

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

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NOTE 7 SPECIAL EVENT REVENUE

In 2013 and 2012, 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, 2013 and 2012 are summarized as follows:

2013			
	Salt Lake Gala	Salt Lake Breakfast	Total
Contributions from participants	\$ 48,179	\$ 60,400	\$ 108,579
Ticket & auction sales	238,800	-	238,800
Less: costs of direct benefits to donors	(75,422)	(0)	(75,422)
Less: direct expenses	(20,897)	(16,675)	(37,572)
Net Revenues	<u>\$ 190,660</u>	<u>\$ 43,725</u>	<u>\$ 234,385</u>
2012			
	Salt Lake Gala	Salt Lake Breakfast	Total
Contributions from participants	\$ 62,528	\$ 122,603	\$ 185,131
Ticket & auction sales	217,010	-	217,010
Less: costs of direct benefits to donors	(57,164)	(10,394)	(67,558)
Less: direct expenses	(29,127)	(2,296)	(31,423)
Net Revenues	<u>\$ 193,247</u>	<u>\$ 109,913</u>	<u>\$ 303,160</u>

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

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

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NOTE 8 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 2010.

NOTE 9 RECLASSIFICATIONS

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 financial statement presentation.

NOTE 10 SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Company has evaluated subsequent events through May 6, 2014, which is the date these financial statements were issued. All subsequent events requiring recognition as of May 6, 2014, have been incorporated into these financial statements.

SUPPLEMENTARY INFORMATION

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

Consolidating Statements of Financial Position

As of December 31, 2013

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	Choice Humaitarian	Choice Ventures	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 629,187	\$ 500	\$ -	\$ 629,687
Investments	34,532	-	-	34,532
Investment in Choice Ventures	500	-	(500)	-
Contributions receivable	16,111	-	-	16,111
Prepaid expenses	1,754	-	-	1,754
Deferred costs	1,948	-	-	1,948
Property and equipment, net	43,715	-	-	43,715
Total Assets	\$ 727,747	\$ 500	\$ (500)	\$ 727,747
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 4,208	\$ -	\$ -	\$ 4,208
Accrued liabilities	26,688	-	-	26,688
Deferred revenues	109,076	-	-	109,076
Total Liabilities	139,972	-	-	139,972
Net Assets - CHOICE				
Unrestricted	587,775	-	-	587,775
Temporarily restricted	-	-	-	-
Net Assets - CHOICE Ventures				
Paid-in capital	-	500	(500)	-
Total Net Assets	587,775	500	(500)	587,775
Total Liabilities and Net Assets	\$ 727,747	\$ 500	\$ (500)	\$ 727,747

See report of independent auditors.

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

Consolidating Statements of Activities

For the Year ended December 31, 2013

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	Choice Humaitarian	Choice Ventures	Eliminating Entries	Total
Unrestricted Net Assets				
Public Support and Revenue				
Expeditions	\$ 702,329	\$ -	\$ -	\$ 702,329
Contributions	1,269,075	-	-	1,269,075
Special event revenue, net	234,385	-	-	234,385
In-kind contributions	197,085	-	-	197,085
Investment income	4,891	-	-	4,891
Other income	2,040	-	-	2,040
Total Unrestricted Revenue	2,409,805	-	-	2,409,805
Expenses				
Program services	1,906,797	-	-	1,906,797
Management and general	165,083	-	-	165,083
Fundraising	166,100	-	-	166,100
Total Expenses	2,237,980	-	-	2,237,980
Increase in Unrestricted Net Assets	171,825	-	-	171,825
Temporarily Restricted Net Assets				
Contributions	-	-	-	-
Net Assets Released from Restriction				
Temporarily restricted contributions	(40,000)	-	-	(40,000)
(Decrease) Increase in Temporarily Restricted Net Assets	(40,000)	-	-	(40,000)
Increase in Net Assets	131,825	-	-	131,825
Net Assets at Beginning of Year	455,950	-	-	455,950
Net Assets at End of Year	\$ 587,775	\$ -	\$ -	\$ 587,775

See report of independent auditors.