
**CHILDREN'S HOPE INTERNATIONAL AND
AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2010



Mueller Prost PC
CPAs + Business Advisors

Main tel +1 314 862 2070 | Main fax +1 314 862 1549 | www.muellerprost.com
St. Louis | 7733 Forsyth Blvd. | Suite 1200 | St. Louis | MO | 63105
St. Charles | 2460 Executive Drive | St. Charles | MO | 63303

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To the Board of Directors of
Children's Hope International,
Children's Hope International Foundation, and
Children's Hope Foundation Henan
St. Louis, Missouri

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of financial position of Children's Hope International and Children's Hope International Foundation (nonprofit organizations) (the "Organizations") as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Children's Hope Foundation Henan, a controlled affiliate, which statement reflects total assets of \$758,484 as of December 31, 2010, and total revenues of \$654,711 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Children's Hope Foundation Henan, is based solely on the report of the other auditors.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Hope International, Children's Hope International Foundation, and Children's Hope Foundation Henan as of December 31, 2010, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses, as shown in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

August 12, 2011
St. Louis, Missouri

Mueller Prost PC

Certified Public Accountants

Main tel +1 314 862 2070 | Main fax +1 314 862 1549 | www.muellerprost.com
St. Louis | 7733 Forsyth Blvd. | Suite 1200 | St. Louis | MO | 63105
St. Charles | 2460 Executive Drive | St. Charles | MO | 63303

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CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

<u>ASSETS</u>	Children's Hope International	Children's Hope International Foundation	Children's Hope Foundation Henan	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 209,803	\$ 185,662	\$ 758,484	\$ -	\$ 1,153,949
Accounts receivable	1,050	-	-	-	1,050
Prepaid expenses	29,285	-	-	-	29,285
Investments	1,057,864	-	-	-	1,057,864
Promises to give - short-term	-	4,500	-	-	4,500
Total Current Assets	<u>1,298,002</u>	<u>190,162</u>	<u>758,484</u>	<u>-</u>	<u>2,246,648</u>
Noncurrent Assets					
Fixed assets	5,081,463	747	-	-	5,082,210
Less: accumulated depreciation	(1,552,213)	(497)	-	-	(1,552,710)
Net Fixed Assets	<u>3,529,250</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>3,529,500</u>
Cash surrender value of life insurance policies	123,332	-	-	-	123,332
Total Noncurrent Assets	<u>3,652,582</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>3,652,832</u>
Total Assets	<u>\$ 4,950,584</u>	<u>\$ 190,412</u>	<u>\$ 758,484</u>	<u>\$ -</u>	<u>\$ 5,899,480</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities					
Current portion of capital lease	\$ 14,756	\$ -	\$ -	\$ -	\$ 14,756
Accounts payable	14,653	-	318,597	-	333,250
Accrued vacation and payroll	46,821	-	-	-	46,821
Deferred revenue	347,346	-	-	-	347,346
Total Current Liabilities	<u>423,576</u>	<u>-</u>	<u>318,597</u>	<u>-</u>	<u>742,173</u>
Long-Term Liabilities					
Capital lease, net current portion	3,117	-	-	-	3,117
Total Long-Term Liabilities	<u>3,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,117</u>
Total Liabilities	<u>426,693</u>	<u>-</u>	<u>318,597</u>	<u>-</u>	<u>745,290</u>
Net Assets					
Unrestricted	4,523,891	162,025	438,746	-	5,124,662
Temporarily restricted	-	28,387	1,141	-	29,528
Total Net Assets	<u>4,523,891</u>	<u>190,412</u>	<u>439,887</u>	<u>-</u>	<u>5,154,190</u>
Total Liabilities and Net Assets	<u>\$ 4,950,584</u>	<u>\$ 190,412</u>	<u>\$ 758,484</u>	<u>\$ -</u>	<u>\$ 5,899,480</u>

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Children's Hope International	Children's Hope International Foundation	Children's Hope Foundation Henan	Eliminations	Consolidated
Changes in Unrestricted Net Assets					
Unrestricted Revenues, Support and Gains					
Adoption fees	\$ 3,286,830	\$ -	\$ -	\$ -	\$ 3,286,830
Home study and post-placement fees	101,444	-	-	-	101,444
Other	101,925	-	-	-	101,925
Contributions	-	195,938	651,914	-	847,852
Net investment income	148,976	49	2,797	-	151,822
Loss on disposal of property and equipment	(4,620)	-	-	-	(4,620)
Total Unrestricted Revenues, Support and Gains Before Net Assets Released From Restrictions	<u>3,634,555</u>	<u>195,987</u>	<u>654,711</u>	<u>-</u>	<u>4,485,253</u>
Net Assets Released from Restrictions	<u>-</u>	<u>206,520</u>	<u>-</u>	<u>-</u>	<u>206,520</u>
Total Unrestricted Revenues, Support and Gains	<u>3,634,555</u>	<u>402,507</u>	<u>654,711</u>	<u>-</u>	<u>4,691,773</u>
Expenses					
Program services	2,545,373	396,255	131,805	-	3,073,433
Management and general	1,078,147	7,454	83,019	-	1,168,620
Fundraising	66,087	29,472	-	-	95,559
Total Expenses	<u>3,689,607</u>	<u>433,181</u>	<u>214,824</u>	<u>-</u>	<u>4,337,612</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(55,052)</u>	<u>(30,674)</u>	<u>439,887</u>	<u>-</u>	<u>354,161</u>
Changes in Temporarily Restricted Net Assets					
Contributions	-	184,649	-	-	184,649
Net assets released from restrictions	-	(206,520)	-	-	(206,520)
Decrease In Temporarily Restricted Net Assets	<u>-</u>	<u>(21,871)</u>	<u>-</u>	<u>-</u>	<u>(21,871)</u>
Increase (Decrease) in Net Assets	<u>(55,052)</u>	<u>(52,545)</u>	<u>439,887</u>	<u>-</u>	<u>332,290</u>
Net Assets - Beginning of the Year, as Previously Stated	4,653,175	242,957	-	-	4,896,132
Prior period adjustment	(74,232)	-	-	-	(74,232)
Net Assets - Beginning of the Year, as Restated	<u>4,578,943</u>	<u>242,957</u>	<u>-</u>	<u>-</u>	<u>4,821,900</u>
Net Assets - End of the Year	<u>\$ 4,523,891</u>	<u>\$ 190,412</u>	<u>\$ 439,887</u>	<u>\$ -</u>	<u>\$ 5,154,190</u>

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows From Operating Activities	
Increase in net assets	\$ <u>332,290</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	154,919
Realized gains on investments	38,049
Unrealized gains on investments	(170,022)
Unrealized loss on cash surrender value of life insurance policies	(13,726)
Loss on disposal of fixed assets	4,620
Change in assets - (increase) decrease	
Accounts receivable	(1,050)
Prepaid expenses	(9,099)
Promises to give - short-term	54,500
Change in liabilities - increase (decrease)	
Accounts payable	323,111
Accrued vacation and payroll	(171)
Deferred revenue	(67,305)
Total Adjustments	<u>313,826</u>
Net Cash Provided by Operating Activities	<u>646,116</u>
Cash Flows From Investing Activities	
Proceeds from sales of investments	250,000
Purchase of investments	(918,227)
Purchase of property and equipment	(1,371)
Proceeds from sale of property and equipment	936,984
Net Cash Provided by Investing Activities	<u>267,386</u>
Cash Flows From Financing Activities	
Principal payments on capital lease obligations	(26,447)
Net Cash Used by Financing Activities	<u>(26,447)</u>
Net Increase In Cash and Cash Equivalents	887,055
Cash and Cash Equivalents - Beginning of Year	<u>266,894</u>
Cash and Cash Equivalents - End of Year	\$ <u>1,153,949</u>
Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ <u>2,905</u>
Noncash investing and financing activities	\$ <u>-</u>

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organizations

Children's Hope International ("CHI") is a nonprofit Missouri Corporation that was founded in 1992. CHI provides adoption services for children in China, Colombia, Russia, and Ethiopia. The majority of CHI's revenue is derived from families seeking adoption. CHI's program expenses include all of CHI's adoption offices, including its foreign offices in China, Ethiopia, and Russia. In 2010, CHI completed 276 adoptions.

In addition to adoptions, CHI also accepts donations through its Development-Aid Programs to improve the health and welfare of children at risk in China, Colombia, Vietnam, Russia, India, and Ethiopia. Children's Hope International Foundation ("CHIF") was formed to assume these charitable activities. In 2010, CHI and CHIF together distributed \$418,517 for humanitarian aid projects in these countries and for adoption grants to several families in need.

On March 29, 2010, the Organization registered in the Henan province of China. The Chinese humanitarian activities are primarily accounted for in Children's Hope Foundation Henan ("CH"), which has been consolidated.

Method of Accounting

The financial statements of CHI and CHIF have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

The financial statements of CH have been prepared on the accrual basis using the accounting system issued by the department of commerce of People's Republic of China for non-profit organizations.

Principles of Consolidation

The consolidated financial statements include the accounts of CHI, CHIF, and CH (the "Organizations").

CHIF and CH are controlled by CHI resulting in consolidation of these financial statements. All transactions between CHI, CHIF, and CH have been eliminated in consolidation.

Consolidated Financial Statement Presentation

The Organizations follow the provisions of the Financial Accounting Standards Board ("FASB") in regard to financial statements of not-for-profit organizations as discussed under ASC 958-210, Financial Statements of Not-For-Profit Organizations. This provision requires the reporting of total assets, liabilities and net assets in a statement of financial position, and reporting the change in net assets in a statement of activities. This provision also requires that net assets, revenue, expenses, gains and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT 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 revenue and expenses during the reporting period. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

The Organizations consider all short-term investments with original maturities of less than three months from the date of purchase to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organizations maintain their cash balances at multiple financial institutions, including foreign institutions. The balances in US institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000, per financial institution. CHI and CHIF file form TD F 90-22.1 for their foreign bank accounts.

Investments

Investments are comprised of certificates of deposit, mutual funds, bonds, cash equivalents, and common and preferred stock and are reported at fair value, which is based on the criteria in Note 2. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end market fluctuations.

Promises To Give

Promises to give are recognized as support in the period the promise is received. Unconditional promises to give amounted to \$4,500 as of December 31, 2010. There are no conditional promises to give as of December 31, 2010. All promises to give are classified as current. The Organizations use the direct write-off method, which for the Organizations, is not considered to be materially different from the allowance method.

Fixed Assets

Property and equipment are stated at cost, or if received by gift, at fair value at the date of gift. Gifts of long-lived assets received without stipulations are recorded as unrestricted support. It is the Organizations' policy to capitalize assets over \$250. Depreciation is recorded on a straight-line basis, with a half year of depreciation recognized in the years of acquisition and disposal, over the estimated useful lives of the assets as follows:

Buildings and apartments	30 years
Building improvements	10 years
Equipment and furniture	3-10 years
Vehicles	5 years

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists of cash received prior to December 31, 2010 for post-placement and re-adoption services to be provided by CHI subsequent to December 31, 2010.

Restricted and Unrestricted Revenue

All contributions received by CHI and CHIF are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. It is the policy of CHI and CHIF to show restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of directly identifiable costs. Management and general expenses includes those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organizations.

Leased Employees

Because of the use of an outsource payroll service company, CHI and CHIF employees were considered "leased" employees until September 30, 2010. Since that time, employees are considered employees of the Organizations. CHI and CHIF are ultimately responsible for payment of all salaries, benefits, and applicable taxes relating to the employees.

Tax Status

Both CHI and CHIF are organizations described in Internal Revenue Code Section 501(c)(3). Both have received Internal Revenue Service (IRS) determination letters stating that they are exempt from federal tax on income from related, exempt activities.

CH is a Chinese non-profit organization.

Income Tax Uncertainties

The CHI and CHIF follow "FASB Accounting Standards Codification 740-10, Income Taxes – Overall." CHI and CHIF have assessed their federal, state, and local tax positions and determined that there were no unrelated business income taxes and no uncertainties or possible related effects that need to be recorded as of or for the year ended December 31, 2010. The 2008, 2009, and 2010 returns of CHI and CHIF are subject to examination by the respective taxing authorities generally for three years after they were filed.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2010 were \$57,622.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Adoption – Encompasses all aspects of CHI's adoption activities.

Humanitarian Aid – Encompasses all aspects of charitable and humanitarian aid for children.

Management and General – Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation for the Organizations' program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organizations.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals and organizations through general fundraising activities.

NOTE 2 FAIR VALUE MEASUREMENTS

"FASB Accounting Standards Codification 820-10, Fair Value Measurements and Disclosures" establishes a framework for measuring fair value and establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect management's assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. This hierarchy consists of three broad levels:

Level I – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organizations have the ability to access at the measurement date.

Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III – Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Organizations' own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The Organizations record marketable securities held at fair value on the statement of financial position with unrealized gains and losses reflected in the statement of activities. The degree of judgment used in measuring the fair value of investments held, generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of investment held, whether the investment held is new to the market and not yet established and the characteristics specific to the transaction. Investments held, with readily available active quoted prices for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and a lesser degree of judgment used in measuring fair value.

Conversely, investments held, rarely traded, or not quoted, will generally have less or no pricing observability and a higher degree of judgment used in measuring fair value.

The Organizations' investments are reported at fair value in the accompanying consolidated statement of financial position.

		<u>Fair Value Measurements Using:</u>		
<u>December 31, 2010</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>	<u>Quoted Prices in Active Markets for Similar Assets (Level II)</u>	<u>Significant Unobservable Inputs (Level III)</u>
Cash Equivalents	\$ 20,062	\$ 20,062	\$ -	\$ -
Certificates of Deposit	20,089	20,089	-	-
Bonds	17,878	17,878	-	-
Mutual Funds				
Growth funds	304,487	304,487	-	-
Emerging market funds	50,732	50,732	-	-
Large value funds	189,161	189,161	-	-
Large core funds	50,641	50,641	-	-
Large blend funds	3,808	3,808	-	-
Common and Preferred Stock	401,006	401,006	-	-
Total	\$ 1,057,864	\$ 1,057,864	\$ -	\$ -

Financial assets and liabilities valued using level I inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments cost basis consist of the following:

<u>December 31, 2010</u>	<u>Cost</u>
Cash Equivalents	\$ 20,062
Certificates of Deposit	19,960
Bonds	16,566
Mutual Funds	526,869
Common and Preferred Stocks	971,998
Total	\$ 1,555,455

Net unrealized gain of \$170,022 was recorded to adjust the investments to fair value at December 31, 2010, which is included in net investment income.

Investment income in 2010 includes \$17,051 of dividends and interest on investments and realized loss on the sale of investments of \$38,049.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment for CHI and CHIF consist of the following:

Land	\$ 1,268,757
Apartments in China	554,108
Buildings	2,226,966
Equipment	248,219
Furniture	636,887
Vehicles	23,002
Capital leases	124,271
Total	\$ 5,082,210

Depreciation expense for CHI and CHIF was \$154,919 for the year ended December 31, 2010.

NOTE 4 ACCOUNTS PAYABLE - CH

During 2010, CH was advanced \$303,408 from the former organization CHI was affiliated with through former common control, China Association of Social Work Save the Children Committee, for the establishment of CH.

NOTE 5 NET ASSETS

At December 31, 2010, temporarily restricted net assets of \$29,528 were restricted for humanitarian aid for various countries. Humanitarian aid in China, Kazakhstan, and Russia represented \$21,626, \$1,958, and \$4,869, respectively, of the balance in temporarily restricted net assets. The Haiti relief efforts represented \$1,075 of the balance in temporarily restricted net assets.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LEASES

The Organizations conducted a portion of their operations in a leased facility in Illinois with the lease term through August 31, 2012. The Illinois office was closed in 2008, and the Organizations subleased the space beginning in June 2009. The lease provides that the Organizations pay additional building expenses. Future minimum lease commitments at December 31, 2010 are as follows:

<u>Year</u>	<u>Amount</u>	<u>Subleases</u>	<u>Net</u>
2011	\$ 41,528	\$ 28,485	\$ 13,043
2012	27,883	7,121	20,762
2013 and thereafter	1,950	-	1,950
Total	<u>\$ 71,361</u>	<u>\$ 35,606</u>	<u>\$ 35,755</u>

Total rent expense for all operating leases was \$51,936 for the year ended December 31, 2010.

During 2006 and 2007, CHI entered into equipment leases, which are considered to be equivalent to installment purchases for purposes of accounting presentation. The assets under capital leases are capitalized using interest rates appropriate at the inception of the related lease and depreciated over the respective lives of the leases. Depreciation of such leases is included in depreciation expense. The gross amount of equipment recorded under the capital lease totaled \$124,271 at December 31, 2010. Accumulated depreciation on this equipment amounted to \$110,331 at December 31, 2010.

Future minimum lease payments related to this equipment as of December 31, 2010 are as follows:

<u>Year</u>	
2011	\$ 14,756
2012	3,117
Total minimum lease payments	<u>17,873</u>
Less: current portion	(14,756)
Capital lease, less current portion	<u>\$ 3,117</u>

Interest expense of \$2,905 was incurred in 2010.

NOTE 7 RETIREMENT PLANS

401(k) Plan

All employees who have worked for three months or more are eligible to participate in the CHI 401(k) Plan. Employees may contribute an amount of 1% to 15% of compensation. The amount of the CHI match is discretionary. CHI's matching contribution was \$7,943 for 2010.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 RETIREMENT PLANS (CONTINUED)

Nonqualified Pension Plans

CHI provides nonqualified pension benefits to its executives.

Cash Surrender Insurance Policies

The two policies are split interest policies on officers. The officers have assigned rights to CHI for the policies' cash surrender values in the case of termination other than death. Upon death of the insured, CHI will receive the total premiums paid by CHI under the policies.

The premiums for these policies were \$9,400 for 2010.

The cash surrender value of the policies as of December 31, 2010 was \$123,332.

NOTE 8 FOREIGN OPERATIONS

In connection with CHI's international adoption services, CHI maintains offices in China, Russia, and Ethiopia. Humanitarian activity in China is accounted for in CH, which is consolidated in the financial statements.

All activity and account balances representing amounts due to or from international offices are reflected in the financial statements in United States dollars.

NOTE 9 RELATED PARTY TRANSACTIONS

Two apartments and land have been purchased and leased by the Associate Executive Director. Any ownership in China is required to be held by a Chinese citizen. Management has an agreement with the Associate Executive Director that the building purchased and land leased in her name are to be used exclusively for use by CHI, CHIF, and CH. The land for both apartments is on a long-term land lease through May 27, 2071, signed by the Associate Executive Director, which will ultimately revert to the Chinese government, including all items located on the leased land.

NOTE 10 PRIOR PERIOD ADJUSTMENT

Prior period adjustment was made to correct accumulated depreciation, whereby depreciation was incorrectly calculated on the fixed asset system. The correction resulted in a decrease in fixed assets and unrestricted net assets in the amount of \$74,232.

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2011, the date the financial statements were available to be issued.

CHILDREN'S HOPE INTERNATIONAL AND AFFILIATES
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

2010

	Supporting Activities				Total
	Program	Management	Fundraising	Eliminations	
Salaries - including leased employees	\$ 541,551	\$ 388,572	\$ 66,621	-	\$ 996,744
Payroll taxes - including leased employees	52,597	33,002	-	-	85,599
Other employee benefits - including leased employees	27,181	55,052	-	-	82,233
Adoption expenses	948,215	-	-	-	948,215
Advertising	-	57,622	-	-	57,622
Bank charges	7,730	8,712	-	-	16,442
Contract labor	124,735	5,196	-	-	129,931
Depreciation	17,195	137,724	-	-	154,919
Fundraising office expense	-	-	28,938	-	28,938
Helping Hands humanitarian aid	418,517	-	-	-	418,517
Insurance	-	46,809	-	-	46,809
Interest	-	2,905	-	-	2,905
Meetings and conferences	-	62	-	-	62
Miscellaneous	85	13,534	-	-	13,619
Newsletter	-	17,249	-	-	17,249
Postage	29,234	24,180	-	-	53,414
Property tax	-	12,408	-	-	12,408
Professional fees	-	43,500	-	-	43,500
Rent	62,759	48,709	-	-	111,468
Repairs and maintenance	-	72,528	-	-	72,528
Supplies	6,203	13,837	-	-	20,040
Telephone	1,735	43,665	-	-	45,400
Travel	701,474	20,926	-	-	722,400
Utilities	2,417	39,409	-	-	41,826
Children's Hope Foundation Henan	131,805	83,019	-	-	214,824
Total Functional Expenses	<u>\$ 3,073,433</u>	<u>\$ 1,168,620</u>	<u>\$ 95,559</u>	<u>-</u>	<u>\$ 4,337,612</u>