

CITHOPE INTERNATIONAL, INC.

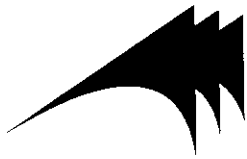
FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
AND FOR THE YEARS THEN ENDED

CITIHOPE INTERNATIONAL, INC.

JUNE 30, 2013 AND 2012

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2 - 3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15



**Sickler, Torchia  
Allen & Churchill, CPA's, PC**  
*Your Partner When It Counts*

Robert J. Allen, CPA  
Lindley H. Churchill, CPA  
Victor V. Churchill, CPA  
Craig R. Sickler, CPA  
Michael A. Torchia, Jr., CPA, CVA

**INDEPENDENT AUDITOR'S REPORT**

Edward J. Gower II, CPA  
Joseph J. Montalto, CPA

To the Board of Directors of  
CitiHope International, Inc.  
Andes, New York 13731

We have audited the accompanying financial statements of CitiHope International, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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 audit. 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 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 CitiHope International, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sickler, Torchia, Allen & Churchill, CPAs, P.C.*

Hudson, New York  
October 31, 2014

## CITIHOPE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

## ASSETS

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 234,105	\$ 26,695
Receivables		
Grant receivable	-	35,000
Note receivable - related party, current portion	40,423	69,010
Employee advances	3,874	-
Inventory	<u>104,300</u>	<u>2,695,461</u>
TOTAL CURRENT ASSETS	<u>382,702</u>	<u>2,826,166</u>
<b>OTHER ASSETS</b>		
Other assets	<u>10,909</u>	<u>1,494</u>
TOTAL OTHER ASSETS	<u>10,909</u>	<u>1,494</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and fixtures	13,261	13,911
Machinery and equipment	183,805	197,844
Vehicles	<u>40,629</u>	<u>15,242</u>
	237,695	226,997
Less: accumulated depreciation	<u>(190,080)</u>	<u>(192,648)</u>
PROPERTY AND EQUIPMENT, NET	<u>47,615</u>	<u>34,349</u>
	<u>\$ 441,226</u>	<u>\$ 2,862,009</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
 JUNE 30, 2013 AND 2012

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long term debt	\$ 7,104	\$ 2,923
Short term notes payable	0	78,063
Accounts payable	40,171	36,317
Accrued payroll and payroll taxes	15,090	13,884
Accrued expenses	<u>91,741</u>	<u>69,405</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>154,106</u>	<u>200,592</u>
<b>LONG TERM DEBT, NET OF CURRENT PORTION</b>	<u>26,907</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>260,213</u>	<u>2,661,417</u>
	<u>\$ 441,226</u>	<u>\$ 2,862,009</u>

See accompanying notes and independent auditor's report

CITHOPE INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>						
Public support						
Contributions	\$ 22,829	185,695	208,524	\$ 18,174	23,534	\$ 41,708
Donated materials, food and services	49,434,527	6,689,771	56,124,298	91,509,880	3,900,852	95,410,732
Other grants	-	1,049,500	1,049,500	-	1,041,901	1,041,901
Government grants						
United States Department of State	-	-	-	133,517	-	133,517
United States Agency for International Development	148,725	-	148,725	297,906	-	297,906
Interest income	1,423	-	1,423	2,613	-	2,613
Miscellaneous income	2,571	-	2,571	8,848	-	8,848
Gain (Loss) on disposal of assets	(21,510)	-	(21,510)	252,035	-	252,035
Net assets released from restrictions	7,924,966	(7,924,966)	-	4,966,287	(4,966,287)	-
<b>TOTAL SUPPORT, REVENUE AND GAINS</b>	<b>57,513,531</b>	<b>-</b>	<b>57,513,531</b>	<b>97,189,260</b>	<b>-</b>	<b>97,189,260</b>
<b>EXPENSES</b>						
Program services	59,359,173	-	59,359,173	102,933,303	-	102,933,303
Support services	483,894	-	483,894	356,211	-	356,211
Fundraising	71,668	-	71,668	109,802	-	109,802
<b>TOTAL EXPENSES</b>	<b>59,914,735</b>	<b>-</b>	<b>59,914,735</b>	<b>103,399,316</b>	<b>-</b>	<b>103,399,316</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,401,204)</b>	<b>-</b>	<b>(2,401,204)</b>	<b>(6,210,056)</b>	<b>-</b>	<b>(6,210,056)</b>
<b>NET ASSETS, beginning</b>	<b>2,661,417</b>	<b>-</b>	<b>2,661,417</b>	<b>8,871,473</b>	<b>-</b>	<b>8,871,473</b>
<b>NET ASSETS, ending</b>	<b>\$ 260,213</b>	<b>\$ -</b>	<b>\$ 260,213</b>	<b>\$ 2,661,417</b>	<b>\$ -</b>	<b>\$ 2,661,417</b>

See accompanying notes and independent auditor's report

## CITIHOPE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	Total <u>Program</u>	Support Services		Total <u>2013</u>
		<u>Management &amp; General</u>	<u>Fund Raising</u>	
Salaries and wages	\$ 286,963	177,395	57,393	\$ 521,751
Fringe benefits/payroll taxes	71,373	74,122	14,275	159,770
Advertising and promotion	-	724	-	724
Casual labor	464	2,493	-	2,957
Contributions	330	1,200	-	1,530
Dues and subscriptions	444	8,121	-	8,565
Equipment lease and maintenance	-	2,596	-	2,596
Fees	2,774	3,354	-	6,128
Insurance	-	12,798	-	12,798
Interest	-	3,134	-	3,134
Office expense	1,778	5,247	-	7,025
Overseas personnel consultants	49,308	69,920	-	119,228
Professional fees	909	16,923	-	17,832
Procurement medical supplies	28,592	-	-	28,592
Repairs & maintenance	5,241	4,564	-	9,805
Rent and other occupancy costs	12,266	7,500	-	19,766
Shipping	85,963	5,234	-	91,197
Supplies	10,653	17,322	-	27,975
Travel and meals	78,724	30,581	-	109,305
Telephone	3,005	17,151	-	20,156
Utilities	4,928	11,289	-	16,217
Vehicles	-	627	-	627
Subtotal	643,715	472,295	71,668	1,187,678
Depreciation and amortization	-	11,599	-	11,599
Donated materials and food shipped	58,715,446	-	-	58,715,446
Outdated inventory scrapped	12	-	-	12
Total expenses	\$ <u>59,359,173</u>	\$ <u>483,894</u>	\$ <u>71,668</u>	\$ <u>59,914,735</u>

See accompanying notes and independent auditor's report

## CITIHOPE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2012

	Total <u>Program</u>	Support Services		Total <u>2012</u>
		<u>Management &amp; General</u>	<u>Fund Raising</u>	
Salaries and wages	\$ 414,116	\$ 90,815	\$ 73,660	\$ 578,591
Fringe benefits/payroll taxes	88,287	38,268	31,039	157,594
Advertising and promotion	-	162	-	162
Contributions	166	2,436	-	2,602
Dues and subscriptions	982	5,244	81	6,307
Equipment lease and maintenance	-	3,015	-	3,015
Fees	4,786	3,380	-	8,166
Insurance	-	11,717	-	11,717
Interest	-	23,704	-	23,704
Miscellaneous expense	-	-	-	-
Office expense	3,050	3,418	85	6,553
Overseas personnel consultants	127,477	2,034	-	129,511
Professional fees	-	37,122	-	37,122
Procurement medical supplies	81,458	1,800	-	83,258
Repairs & maintenance	8,385	12,002	-	20,387
Rent and other occupancy costs	15,799	7,500	-	23,299
Shipping	144,274	962	-	145,236
Supplies	16,366	20,487	-	36,853
Training	2,931	-	-	2,931
Travel and meals	60,167	36,162	4,937	101,266
Telephone	4,151	23,587	-	27,738
Utilities	5,579	10,654	-	16,233
Vehicles	-	8,516	-	8,516
Subtotal	977,974	342,985	109,802	1,430,761
Depreciation and amortization	-	13,226	-	13,226
Donated materials and food shipped	101,502,178	-	-	101,502,178
Outdated inventory scrapped	453,151	-	-	453,151
Total expenses	\$ <u>102,933,303</u>	\$ <u>356,211</u>	\$ <u>109,802</u>	\$ <u>103,399,316</u>

See accompanying notes and independent auditor's report



## CITIHOPE INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,401,204)	\$ (6,210,056)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	11,599	13,226
(Gain) loss on disposal of assets	21,510	(252,035)
Note receivable reclassified and expensed	30,000	30,000
(Increase) decrease in		
Note receivable	(1,413)	(2,573)
Grant receivable	35,000	(35,000)
Inventory	2,591,161	6,544,596
Temporarily restricted cash	-	38,617
Increase (decrease) in		
Accounts payable	3,854	(49,581)
Payroll tax liabilities	1,206	(27,179)
Grant advances	-	(92,716)
Accrued expenses	<u>22,336</u>	<u>(16,015)</u>
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<u>314,049</u>	<u>(58,716)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Employee advances	(3,874)	243
Purchase of property and equipment	(10,698)	(2,290)
Proceeds from sale of assets	-	383,269
Other assets	<u>(9,415)</u>	<u>6,973</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(23,987)</u>	<u>388,195</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term notes payable	(78,063)	(21,937)
Principal payments on long-term debt	<u>(4,589)</u>	<u>(280,847)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(82,652)</u>	<u>(302,784)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	207,410	26,695
<b>CASH, BEGINNING</b>	<u>26,695</u>	<u>-</u>
<b>CASH, ENDING</b>	\$ <u>234,105</u>	\$ <u>26,695</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

ORGANIZATION

Nature of Business

CitiHope International, Inc. (CitiHope) is a not-for-profit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code. CitiHope was formed and began operations on August 9, 1977 as The Lamb's Ministries, Inc., changing its name to CitiHope International, Inc. in 1992. CitiHope conducts humanitarian relief operations in the Caribbean and Africa, as well as various other countries throughout the world. CitiHope distributes pharmaceuticals, medical supplies and food to these countries. These supplies are mostly donated items. The major sources of grants and contributions are the Coca-Cola Africa Foundation, U.S. Agency for International Development and various foundations and pharmaceutical companies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In accordance with generally accepted accounting principles, CitiHope is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

CitiHope uses the accrual method of accounting, recognizing revenues as earned and expenses as incurred, and conforms to standards of accounting and reporting appropriate to not-for-profit organizations.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Donated equipment is initially recorded at fair market value. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is included in income. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	5 - 7
Machinery and equipment	5 - 10
Vehicles	5

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

The provision for depreciation was \$11,599 and \$13,226, respectively for years ended June 30, 2013 and 2012.

Donated Materials and Services (In-Kind)

Donated materials are shown at their estimated value at the date of receipt. Donated medical supplies are valued at "Red Book" value which is published by Medical Economics Co., Inc. If there is no "Red Book" value available, the value assigned by the donor is used. Personal services are valued in accordance with the cost of similar services. Food donations are valued at the donor's market value at the time of shipment.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Grant support is recorded as revenue in the year in which it is received by CitiHope unless the grantor specifies that it is to be used in another year. In such instances, CitiHope records deferred support and does not recognize income until the time or purpose restrictions are met. During the current year, CitiHope received grant monies to be expended for specific costs. The amounts expended are reflected in program functional expenses.

Program income is recorded in accordance with the grant contracts. Adjustments to these contracts can be made retroactively by the various funding agencies. Any such adjustments would be recorded by CitiHope in the year of notification.

Interest Income

Interest income earned is allocated to restricted and/or unrestricted net assets by designation of the donor or grantor.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of donated pharmaceuticals, medical supplies, and non-medical assets. Medical inventories are valued at "Red Book" value when received or donor's value if not available. CitiHope uses specific identification to value ending inventory. Non-medical inventory is valued at net realizable value.

Advertising

CitiHope expenses advertising costs as incurred.

Shipping

CitiHope has adopted the policy of charging costs related to shipping to expense as incurred.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

CitiHope is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, CitiHope is not liable for Federal or New York State corporate income taxes or for Federal unemployment insurance.

Generally accepted accounting principles contain a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. CitiHope considers many factors when evaluating and estimating its tax positions, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Based on guidance set forth in professional standards, CitiHope has not recorded any liabilities for uncertain tax positions or any related interest and penalties. CitiHope's tax returns are open to audit for years ending June 30, 2009 through 2012.

Subsequent Events

The Organization has evaluated events and transactions that occurred between July 1, 2013 and October 31, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

CitiHope entered into a lease for office space on October 1, 2013. The lease term is for one year with a monthly rental expense of \$1,000. The Lessor engages a CitiHope Board member as a pastor. The Lessor is governed by a Board of Elders.

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013 AND 2012

NOTE 2 - INVENTORY

The inventory is composed of donated pharmaceuticals and medical supplies that are both unrestricted and temporarily restricted until distributed for humanitarian purposes. Inventory as of June 30, consists of the following:

	<u>2013</u>	<u>2012</u>
Medical inventory - unrestricted	\$ 104,300	\$ 2,695,461
Medical inventory - restricted	<u>-</u>	<u>-</u>
Total medical inventory	\$ <u>104,300</u>	\$ <u>2,695,461</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

Retreat House

In January 2005, CitiHope's Board of Directors authorized the sale of a parcel of real property, known as the Retreat House, to CitiHope's founder and CEO, the Reverend Paul Moore, Sr. The carrying value of the house was \$316,830 and selling price was \$260,000.

The selling price consisted in part, of a note from the Reverend to CitiHope for \$150,000. The note was to be payable in five annual installments of \$30,000 each, plus interest at 4%. In addition to the \$150,000 note, the Reverend assumed CitiHope's mortgage on the property (then a balance of approximately \$90,000), plus a \$20,000 cash payment. As of June 30, 2013 and 2012 there was \$1,000 outstanding on the original \$20,000 cash payment. As of January 1, 2013 \$30,000 of the loan was considered paid by CitiHope and treated as retirement expense for Paul Moore Sr. The outstanding balance on the note receivable as of June 30, 2013 and 2012 was \$1,000 and \$31,000, respectively. The accrued interest on the note receivable as of June 30, 2013 and 2012 was \$39,423 and \$38,010, respectively.

Employee Advances

From time to time CitiHope will make advances to its employees. These advances carry no terms and are due on demand. The balance due CitiHope at June 30, 2013 and 2012 was \$3,874 and \$-0-, respectively.

Fringe Benefits

CitiHope has provided the CEO with a housing allowance. The housing allowance is included as part of fringe benefits on the statements of functional expenses. Expenditures for these costs totaled \$26,945 and \$33,166 for the years ending June 30, 2013 and 2012, respectively. Total amounts owed under this arrangement were \$81,252 and \$65,224 as of June 30, 2013 and 2012, respectively.

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013 AND 2012

NOTE 4 – SHORT TERM NOTES PAYABLE

Short term notes payable consist of the following:

	<u>2013</u>	<u>2012</u>
Due to McDonald Schauer Living Trust	\$ -	\$ 38,063
Due to Tom Harvey	<u>-</u>	<u>40,000</u>
Totals	\$ <u>-</u>	\$ <u>78,063</u>

The McDonald Schauer Living Trust loan repayment terms have been revised and as of June 30, 2012 call for three installments of \$12,941 including interest at 2% with payments beginning July 2012 and ending November 2012. As of June 30, 2013, this note has been fully satisfied.

The Tom Harvey loan repayment terms are for one installment of \$40,000 in August 2012. As of June 30, 2013, this note has been fully satisfied.

NOTE 5 - LONG TERM DEBT

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Note payable to Ford Credit, in monthly installments of \$333 including interest at 6.5% per annum, until February 2013, collateralized by a vehicle. This note has been fully satisfied in September 2012.	-	\$ 2,923
Note payable to Ford Credit, in monthly installments of \$621 including interest at 7.74% per annum, until September 2018. This note is collateralized by a vehicle.	<u>34,011</u>	<u>-</u>
Less current portion	<u>34,011</u> <u>7,104</u>	<u>2,923</u> <u>2,923</u>
	\$ <u>26,907</u>	\$ <u>-</u>

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013 AND 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

Maturity of long-term debt over the next five years and thereafter is as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$7,104
2015	5,561
2016	6,007
2017	6,489
2018	7,010
Thereafter	<u>1,840</u>
Total	<u>\$34,011</u>

NOTE 6 - DONATED MATERIAL AND SERVICES

Included in donated temporarily restricted revenue is the estimated value of pharmaceuticals and medical supplies of \$6,134,073 and \$3,900,852; \$555,698 and \$-0- for food products for the years ending June 30, 2013 and 2012, respectively.

CitiHope receives donated services from a variety of unpaid volunteers assisting CitiHope in the distribution of aid to foreign countries. These amounts have not been recognized in the accompanying statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

NOTE 7 - MAJOR SOURCES OF SUPPORT AND REVENUE

CitiHope received approximately 13% and 30% of its total cash support during the years ended June 30, 2013 and 2012, respectively, from the United States Department of State and the United States Agency for International Development.

Additionally, CitiHope received approximately 84% and 63% of its total cash support during the years ended June 30, 2013 and 2012, respectively, from two private foundations.

Citihope received approximately 89% of its medical inventory donations from two pharmaceutical companies during the year ended June 30, 2013. Citihope received approximately 97% of its medical inventory donations from five pharmaceutical companies during the year ended June 30, 2012.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

See independent auditor's report

CITIHOPÉ INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013 AND 2012

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

Purpose Restrictions Accomplished:

	<u>2013</u>	<u>2012</u>
Individual/Business contributions expenses	\$ 1,235,195	\$ 1,065,435
Donated materials	<u>6,689,771</u>	<u>3,900,852</u>
	\$ <u>7,924,966</u>	\$ <u>4,966,287</u>

NOTE 9 - SUPPLEMENTAL DISCLOSURES OF CASH FLOWS

Interest Paid

Cash paid for interest for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Interest	\$ <u>3,134</u>	\$ <u>23,704</u>

Noncash Items from Financing for the years ended June 30, 2013 and 2012

Reduction on note receivable – related party		
Receivables – related property	\$ (30,000)	\$ (30,000)
Reflected as retirement expense	<u>30,000</u>	<u>30,000</u>
Net cash paid	\$ <u>-</u>	\$ <u>-</u>
Purchase of a Vehicle	\$ <u>35,664</u>	\$ <u>-</u>

See independent auditor's report



CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013 AND 2012

NOTE 10 - CONTINGENCIES

CitiHope receives much of its cash revenue from government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by government agencies. Until such audits have been completed and final settlements reached, there exists a contingency to refund any amount received in excess of allowable costs.

CitiHope had been in non-compliance with its New York State Workers' Compensation insurance policy since April 2002. The New York State Workers' Compensation Board had agreed to settle the issue of non-compliance for a nominal penalty if CitiHope were to provide proof of current workers' compensation insurance coverage. During the year ended June 30, 2009 CitiHope obtained workers' compensation insurance. As of April 30, 2014, it is still unclear as to the potential penalty, if any, CitiHope may incur.

NOTE 11 - CONCENTRATION OF CREDIT RISK

CitiHope maintains cash balances at one financial institution located in Delhi, New York. Accounts at this institution are insured by the Deposit Insurance Corporation up to \$250,000. At the years ended June 30, 2013 and 2012 there were no uninsured cash balances.

NOTE 12 - OPERATING LEASE

Beginning in April 2013, CitiHope entered into an operating lease agreement for a copier through April 2018. Expenses under this lease totaled \$2,596 and \$3,015 for the years ended June 30, 2013 and 2012, respectively.

CitiHope entered into a lease for office and warehouse space on January 1, 2013, and ending December 31, 2013. The lease term was for s for one year with a monthly rental expense of \$500. Rental expense under this lease for the year ended June 30, 2013 was \$2,500.

Minimum future lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 5,838
2015	2,338
2016	2,338
2017	2,338
2018	<u>1,940</u>
Total minimum future rental payments	\$ <u>14,792</u>

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013 AND 2012

NOTE 13 – WAREHOUSE STORAGE AND SHIPPING

On May 8, 2013 CitiHope entered into a relationship with the People-to-People Health Foundation, Inc. (Project HOPE) to receive, inventory, package and transport CitiHope's pharmaceuticals, medical supplies and food donations from Project HOPE's warehouse facility in Millwood, Virginia, to program sites worldwide directed by CitiHope. The arrangement calls for CitiHope to provide payment to Project HOPE for the administrative and logistical costs related to these activities and monthly storage costs. As of June 30, 2013, CitiHope did not incur any costs related to this agreement.