

CITHOPE INTERNATIONAL, INC.
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
AND FOR THE YEARS THEN ENDED

CITIHOPE INTERNATIONAL, INC.

JUNE 30, 2014 AND 2013

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CitiHope International, Inc.

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, 2014 and 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014 and 2013, 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, CPA's, P.C.

Hudson, New York
December 22, 2016

CITIHOPE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash - unrestricted	\$ 10,780	\$ 234,105
Receivables		
Grant receivable	75,632	-
Note receivable - related party, current portion	-	40,423
Employee advances	6,050	3,874
Inventory	<u>40,094</u>	<u>104,300</u>
TOTAL CURRENT ASSETS	<u>132,556</u>	<u>382,702</u>
OTHER ASSETS		
Other assets	<u>1,972</u>	<u>10,909</u>
TOTAL OTHER ASSETS	<u>134,528</u>	<u>393,611</u>
PROPERTY AND EQUIPMENT		
Furniture and fixtures	13,261	13,261
Machinery and equipment	180,709	183,805
Vehicles	<u>40,629</u>	<u>40,629</u>
	234,599	237,695
Less: accumulated depreciation	<u>(200,261)</u>	<u>(190,080)</u>
PROPERTY AND EQUIPMENT, NET	<u>34,338</u>	<u>47,615</u>
	<u>\$ 168,866</u>	<u>\$ 441,226</u>

See accompanying notes and independent auditor's report

CITIHOPPE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Current portion of long term debt	\$ 5,561	\$ 7,104
Accounts payable	49,079	40,171
Accrued payroll and payroll taxes	8,215	15,090
Accrued expenses	<u>4,650</u>	<u>91,741</u>
TOTAL CURRENT LIABILITIES	<u>67,505</u>	<u>154,106</u>
LONG TERM DEBT, NET OF CURRENT PORTION	<u>21,317</u>	<u>26,907</u>
NET ASSETS		
Unrestricted net assets		
Operations	5,612	108,298
Fixed assets	34,338	47,615
Inventory in-kind	<u>40,094</u>	<u>104,300</u>
Total unrestricted net assets	<u>80,044</u>	<u>260,213</u>
	 \$ <u>168,866</u>	 \$ <u>441,226</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, AND GAINS						
Public support						
Contributions	\$ 33,869	\$ 338,632	\$ 372,501	\$ 22,829	\$ 185,695	\$ 208,524
Donated materials, food and services	84,242,513	5,818,557	90,061,070	49,434,527	6,689,771	56,124,298
Other grants	-	555,864	555,864	-	1,049,500	1,049,500
Government grants						
United States Department of State	-	-	-	-	-	-
United States Agency for International Development	140,268	-	140,268	148,725	-	148,725
Interest income	811	-	811	1,423	-	1,423
Miscellaneous income	42,677	-	42,677	2,571	-	2,571
Gain (Loss) on disposal of assets	(1,367)	-	(1,367)	(21,510)	-	(21,510)
Net assets released from restrictions	<u>6,713,053</u>	<u>(6,713,053)</u>	<u>-</u>	<u>7,924,966</u>	<u>(7,924,966)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE AND GAINS	<u>91,171,824</u>	<u>-</u>	<u>91,171,824</u>	<u>57,513,531</u>	<u>-</u>	<u>57,513,531</u>
EXPENSES						
Program services	90,757,668	-	90,757,668	59,359,173	-	59,359,173
Support services	558,112	-	558,112	483,894	-	483,894
Fundraising	<u>36,213</u>	<u>-</u>	<u>36,213</u>	<u>71,668</u>	<u>-</u>	<u>71,668</u>
TOTAL EXPENSES	<u>91,351,993</u>	<u>-</u>	<u>91,351,993</u>	<u>59,914,735</u>	<u>-</u>	<u>59,914,735</u>
CHANGE IN NET ASSETS	(180,169)	-	(180,169)	(2,401,204)	-	(2,401,204)
NET ASSETS, beginning	<u>260,213</u>	<u>-</u>	<u>260,213</u>	<u>2,661,417</u>	<u>-</u>	<u>2,661,417</u>
NET ASSETS, ending	\$ <u>80,044</u>	\$ <u>-</u>	\$ <u>80,044</u>	\$ <u>260,213</u>	\$ <u>-</u>	\$ <u>260,213</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Total <u>Program</u>	Support Services		Total <u>2014</u>
		<u>Management & General</u>	<u>Fund Raising</u>	
Salaries and wages	\$ 186,494	\$ 287,302	\$ 30,242	\$ 504,038
Fringe benefits/payroll taxes	36,819	57,722	5,971	100,512
Advertising and promotion	-	640	-	640
Board member compensation	-	888	-	888
Casual labor	-	1,988	-	1,988
Contributions	450	216	-	666
Dues and subscriptions	440	6,884	-	7,324
Equipment lease and maintenance	-	2,305	-	2,305
Fees	3,086	1,683	-	4,769
Insurance	-	12,220	-	12,220
Interest	-	1,491	-	1,491
Miscellaneous expense	-	-	-	-
Office expense	6,474	4,359	-	10,833
Overseas personnel consultants	34,216	39,363	-	73,579
Professional fees	1,170	31,482	-	32,652
Procurement medical supplies	21,075	-	-	21,075
Repairs & maintenance	2,196	4,286	-	6,482
Rent and other occupancy costs	11,050	14,255	-	25,305
Shipping	241,419	10,409	-	251,828
Supplies	7,903	19,844	-	27,747
Training	520	-	-	520
Travel and meals	71,211	34,978	-	106,189
Telephone	1,884	11,039	-	12,923
Utilities	4,578	1,901	-	6,479
Vehicles	-	127	-	127
Subtotal	630,985	545,382	36,213	1,212,580
Depreciation and amortization	-	12,730	-	12,730
Donated materials and food shipped	90,125,276	-	-	90,125,276
Outdated inventory scrapped	1,407	-	-	1,407
Total expenses	\$ <u>90,757,668</u>	\$ <u>558,112</u>	\$ <u>36,213</u>	\$ <u>91,351,993</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2013

	Total	Support Services		Total
		<u>Program</u>	<u>Management & General</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.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (180,169)	\$ (2,401,204)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	12,730	11,599
(Gain) loss on disposal of assets	1,367	21,510
Note receivable reclassified and expensed	1,000	30,000
(Increase) decrease in		
Note receivable	39,423	(1,413)
Grant receivable	(75,632)	35,000
Inventory	64,206	2,591,161
Increase (decrease) in		
Accounts payable	8,908	3,854
Payroll tax liabilities	(6,875)	1,206
Accrued expenses	(87,091)	22,336
	<u>(222,133)</u>	<u>314,049</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Employee advances	(2,176)	(3,874)
Purchase of property and equipment	(820)	(10,698)
Other assets	8,937	(9,415)
	<u>5,941</u>	<u>(23,987)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term notes payable	-	(78,063)
Principal payments on long-term debt	(7,133)	(4,589)
	<u>(7,133)</u>	<u>(82,652)</u>
NET CASH USED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(223,325)	207,410
CASH, BEGINNING	<u>234,105</u>	<u>26,695</u>
CASH, ENDING	\$ <u>10,780</u>	\$ <u>234,105</u>

See accompanying notes and independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

The provision for depreciation was \$12,730 and \$11,599, respectively for years ended June 30, 2014 and 2013.

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, 2014 AND 2013

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, 2010 through 2013.

Subsequent Events

The Organization has evaluated events and transactions that occurred between July 1, 2014 and December 22, 2016 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

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>2014</u>	<u>2013</u>
Medical inventory - unrestricted	\$ 40,094	\$ 104,300
Medical inventory - restricted	<u>-</u>	<u>-</u>
 Total medical inventory	 \$ <u>40,094</u>	 \$ <u>104,300</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, all portions of the loan was considered paid by CitiHope and treated as retirement expense for Paul Moore Sr.

On February 4, 2016 the Board of Directors approved the balance of receivable in the amount of \$40,232 be offset by the outstanding liability for CitiHope to provide housing to the same related party in the amount of \$81,252 as of June 30, 2014. The accrued interest on the note receivable as of June 30, 2014 and 2013 was \$-0- and \$39,423, 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, 2014 and 2013 was \$6,050 and \$3,874, 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 \$-0- and \$26,945 for the years ending June 30, 2014 and 2013, respectively. On February 4, 2016 the Board of Directors approved the balance of the outstanding liability to provide housing in the amount of \$81,252 be written offset and offset by the receivable in the amount of \$40,232 due from the same related party as of June 30, 2014. Total amounts owed under this arrangement were \$-0- and \$81,252 as of June 30, 2014 and 2013, respectively.

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

NOTE 4 - LONG TERM DEBT

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
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>26,878</u>	\$ <u>34,011</u>
Less current portion	<u>(5,561)</u>	<u>(7,104)</u>
	\$ <u><u>21,317</u></u>	\$ <u><u>26,907</u></u>

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$5,561
2016	6,007
2017	6,489
2018	7,010
2019	<u>1,811</u>
Total	<u><u>\$26,878</u></u>

NOTE 5 - DONATED MATERIAL AND SERVICES

Included in donated temporarily restricted revenue is the estimated value of pharmaceuticals and medical supplies of \$4,177,500 and \$6,134,073; \$1,641,058 and \$555,698 for food products for the years ending June 30, 2014 and 2013, 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 6 - MAJOR SOURCES OF SUPPORT AND REVENUE

CitiHope received approximately 13% and 13% of its total cash support during the years ended June 30, 2014 and 2013, respectively, from the United States Agency for International Development.

Additionally, CitiHope received approximately 60% and 84% of its total cash support during the years ended June 30, 2014 and 2013, respectively, from two private foundations.

CitiHope received approximately 84% and 89% of its medical inventory donations from two pharmaceutical companies during the year ended June 30, 2014 and 2013, respectively.

See independent auditor's report

CITIHOPÉ INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Purpose Restrictions Accomplished:

	<u>2014</u>	<u>2013</u>
Individual/Business contributions expenses	\$ 894,496	\$ 1,235,195
Donated materials	<u>5,818,557</u>	<u>6,689,771</u>
	\$ <u>6,713,053</u>	\$ <u>7,924,966</u>

NOTE 8 - SUPPLEMENTAL DISCLOSURES OF CASH FLOWS

Interest Paid

Cash paid for interest for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Interest	\$ <u>1,491</u>	\$ <u>3,134</u>

Inventory

Noncash donations for pharmaceuticals, food and supplies received for the year ended June 30, 2014 and 2013 the amount of \$90,061,070 and \$56,124,298, respectively.

Noncash Items from Financing for the years ended June 30, 2014 and 2013

Reduction on note receivable – related party		
Receivables – related property	\$ (1,000)	\$ (30,000)
Reflected as retirement expense	<u>1,000</u>	<u>30,000</u>
Net cash paid	\$ _____	\$ _____
Purchase of a Vehicle	\$ _____	\$ <u>35,664</u>

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

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 December 22, 2016, 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, 2014 and 2013 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, 2014 and 2013, 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 one year with a monthly rental expense of \$500. Rental expense under this lease for the year ended June 30, 2013 was \$2,500.

CitiHope entered into a lease for office space on October 1, 2013 and ending September 30, 2013. The lease term is for one year with a monthly rental expense of \$1,000. The lease agreement for the premises was renewed beginning October 1, 2014 and ending September 30, 2015, in the amount of \$1,250 per month. The total lease expense for June 30, 2014 and 2013 was \$10,000 and \$-0-, respectively. The Lessor engages a CitiHope Board member as a pastor. The Lessor is governed by a Board of Elders.

Minimum future lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 16,588
2016	6,088
2017	2,338
2018	<u>779</u>
Total minimum future rental payments	\$ <u>25,793</u>

See independent auditor's report

CITIHOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

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. CitiHope incurred \$8,031 and \$-0- in costs related to this agreement as of June 30, 2014 and 2013, respectively.