

FINANCIAL STATEMENTS



Shining Hope
for Communities

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

SHINING HOPE FOR COMMUNITIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shining Hope for Communities, Inc.
New York, New York

We have audited the accompanying financial statements of Shining Hope for Communities, Inc. (SHOFCO), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SHOFCO as of December 31, 2015 and 2014, 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.

Gelman Rosenberg & Freedman

October 17, 2016

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SHINING HOPE FOR COMMUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS			
		<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	6,510,029	\$ 4,155,723
Grants and other receivables		756,337	132,620
Prepaid expenses and other assets		<u>53,564</u>	<u>19,910</u>
Total current assets		<u>7,319,930</u>	<u>4,308,253</u>
PROPERTY AND EQUIPMENT			
Land		222,220	145,455
Buildings and improvements		672,623	594,864
Furniture and equipment		<u>385,507</u>	<u>91,470</u>
		1,280,350	831,789
Less: Accumulated depreciation		<u>(175,471)</u>	<u>(92,054)</u>
Net property and equipment		<u>1,104,879</u>	<u>739,735</u>
NONCURRENT ASSETS			
Security deposits		<u>8,800</u>	<u>4,117</u>
TOTAL ASSETS	\$	<u>8,433,609</u>	<u>5,052,105</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>62,778</u>	\$ <u>57,400</u>
NET ASSETS			
Unrestricted		5,761,837	3,879,772
Temporarily restricted		<u>2,608,994</u>	<u>1,114,933</u>
Total net assets		<u>8,370,831</u>	<u>4,994,705</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>8,433,609</u>	<u>5,052,105</u>

SHINING HOPE FOR COMMUNITIES, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 2,553,258	\$ 822,630	\$ 3,375,888
Individual contributions	784,168	1,358,651	2,142,819
Corporate contributions	42,492	582,681	625,173
Project income	16,360	-	16,360
In-kind contributions	40,344	120,300	160,644
Interest income	504	-	504
Net assets released from donor restrictions	<u>1,390,201</u>	<u>(1,390,201)</u>	<u>-</u>
Total support and revenue	<u>4,827,327</u>	<u>1,494,061</u>	<u>6,321,388</u>
EXPENSES			
Program Services:			
Kenya Program Operations	329,476	-	329,476
Johanna Justin-Jinich Community Clinic	528,990	-	528,990
Kibera School for Girls	617,258	-	617,258
Shining Hope Community Center	425,443	-	425,443
Water and Sanitation Project	140,445	-	140,445
Metrics and Evaluation	138,164	-	138,164
Margaret's Safe Place Project	18,809	-	18,809
Mathare School for Girls	107,782	-	107,782
Mathare Clinic	108,046	-	108,046
Mathare Community Center	<u>134,516</u>	<u>-</u>	<u>134,516</u>
Total program services	<u>2,548,929</u>	<u>-</u>	<u>2,548,929</u>
Supporting Services:			
General and Administrative	207,441	-	207,441
Fundraising	<u>188,892</u>	<u>-</u>	<u>188,892</u>
Total supporting services	<u>396,333</u>	<u>-</u>	<u>396,333</u>
Total expenses	<u>2,945,262</u>	<u>-</u>	<u>2,945,262</u>
Changes in net assets before other item	1,882,065	1,494,061	3,376,126
OTHER ITEM			
Reclassification of net assets	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	1,882,065	1,494,061	3,376,126
Net assets at beginning of year	<u>3,879,772</u>	<u>1,114,933</u>	<u>4,994,705</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,761,837</u>	<u>\$ 2,608,994</u>	<u>\$ 8,370,831</u>

See accompanying notes to financial statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 1,232,531	\$ 830,620	\$ 2,063,151
948,008	404,108	1,352,116
138,269	-	138,269
13,653	-	13,653
-	-	-
599	-	599
<u>708,108</u>	<u>(708,108)</u>	<u>-</u>
<u>3,041,168</u>	<u>526,620</u>	<u>3,567,788</u>
293,427	-	293,427
348,154	-	348,154
335,483	-	335,483
259,824	-	259,824
106,477	-	106,477
103,792	-	103,792
32,620	-	32,620
80,065	-	80,065
-	-	-
<u>85,453</u>	<u>-</u>	<u>85,453</u>
<u>1,645,295</u>	<u>-</u>	<u>1,645,295</u>
203,268	-	203,268
<u>57,293</u>	<u>-</u>	<u>57,293</u>
<u>260,561</u>	<u>-</u>	<u>260,561</u>
<u>1,905,856</u>	<u>-</u>	<u>1,905,856</u>
1,135,312	526,620	1,661,932
<u>(385,250)</u>	<u>385,250</u>	<u>-</u>
750,062	911,870	1,661,932
<u>3,129,710</u>	<u>203,063</u>	<u>3,332,773</u>
<u>\$ 3,879,772</u>	<u>\$ 1,114,933</u>	<u>\$ 4,994,705</u>

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services							
	Johanna							
	Kenya	Justin-Jinich	Kibera	Shining Hope	Water and		Margaret's	Mathare
	Program	Community	School for	Community	Sanitation	Metrics and	Safe Place	School for
	Operations	Clinic	Girls	Center	Project	Evaluation	Project	Girls
Salaries with benefits and taxes	\$ 300,580	\$ 225,708	\$ 234,410	\$ 183,749	\$ 52,651	\$ 94,185	\$ 4,384	\$ 52,058
Professional fees	-	34,430	74,231	24,728	16,384	4,709	1,990	7,044
Repair and maintenance	-	17,823	29,266	35,521	2,201	480	216	9,050
Rent	-	9,303	26,275	6,809	1,620	1,636	4,252	1,980
Program supplies	-	25,360	31,583	33,279	2,045	7,868	1,222	5,150
Medical supplies	-	90,414	2,852	379	-	24	53	1,235
Program food	-	2,578	38,016	33,385	541	3,865	3,810	3,687
Staff travel	-	11,528	7,435	8,653	2,094	1,575	662	2,354
Service fees	-	13,533	24,343	12,488	23,496	7,008	1,144	1,737
Classroom supplies	-	-	32,744	734	-	-	-	-
Bank charges	-	4,120	7,897	2,963	599	574	247	831
Events and training	-	4,184	24,695	16,098	74	294	34	1,772
Transportation	-	4,523	14,804	7,292	1,312	1,239	138	2,437
Marketing and promotions	-	11	7	8	2	1	1	2
Staff development	-	1,919	10,003	1,407	267	287	129	357
Printing	-	227	3,249	15,895	2	1,238	2	363
Telecom and communications	-	2,386	9,594	4,530	411	1,387	128	480
Program equipment and rentals	7,023	49,866	22,972	26,992	3,660	8,436	-	2,084
Utilities	-	788	1,935	896	7,589	114	90	502
Uniforms	-	906	8,132	1,691	102	49	22	2,243
Miscellaneous	-	836	4,407	3,629	387	361	88	140
In-kind contributions	7,562	5,216	3,135	3,717	1,651	1,794	197	1,408
Total expense before depreciation	315,165	505,659	611,985	424,843	117,088	137,124	18,809	96,914
Depreciation	14,311	23,331	5,273	600	23,357	1,040	-	10,868
TOTAL	\$ 329,476	\$ 528,990	\$ 617,258	\$ 425,443	\$ 140,445	\$ 138,164	\$ 18,809	\$ 107,782

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services (Continued)			Supporting Services			
	Mathare Clinic	Mathare Community Center	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries with benefits and taxes	\$ 35,561	\$ 74,447	\$ 1,257,733	\$ 106,003	\$ 155,091	\$ 261,094	\$ 1,518,827
Professional fees	7,440	5,431	176,387	51,362	1,660	53,022	229,409
Repair and maintenance	1,033	6,016	101,606	-	-	-	101,606
Rent	1,831	1,518	55,224	5,253	1,964	7,217	62,441
Program supplies	729	5,852	113,088	1,714	-	1,714	114,802
Medical supplies	27,001	176	122,134	240	-	240	122,374
Program food	261	6,817	92,960	2,745	375	3,120	96,080
Staff travel	2,468	1,692	38,461	15,749	5,549	21,298	59,759
Service fees	741	2,469	86,959	(15,146)	20	(15,126)	71,833
Classroom supplies	-	-	33,478	-	-	-	33,478
Bank charges	818	648	18,697	3,410	225	3,635	22,332
Events and training	569	1,286	49,006	4,250	1,107	5,357	54,363
Transportation	675	1,595	34,015	6,533	3,439	9,972	43,987
Marketing and promotions	2	2	36	9,528	13,439	22,967	23,003
Staff development	208	256	14,833	925	25	950	15,783
Printing	535	65	21,576	289	-	289	21,865
Telecom and communications	339	892	20,147	1,098	73	1,171	21,318
Program equipment and rentals	25,015	20,198	166,246	1,362	-	1,362	167,608
Utilities	83	1,948	13,945	-	-	-	13,945
Uniforms	36	576	13,757	5	1	6	13,763
Miscellaneous	75	1,271	11,194	1,536	195	1,731	12,925
In-kind contributions	878	1,361	26,919	7,696	5,729	13,425	40,344
Total expense before depreciation	106,298	134,516	2,468,401	204,552	188,892	393,444	2,861,845
Depreciation	1,748	-	80,528	2,889	-	2,889	83,417
TOTAL	\$ 108,046	\$ 134,516	\$ 2,548,929	\$ 207,441	\$ 188,892	\$ 396,333	\$ 2,945,262

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Program Services

	Kenya Program Operations	Johanna Justin-Jinich Community Clinic	Kibera School for Girls	Shining Hope Community Center	Water and Sanitation Project	Metrics and Evaluation	Margaret's Safe Place Project	Mathare School for Girls
Salaries and related benefits	\$ 267,748	\$ 163,022	\$ 141,074	\$ 127,430	\$ 49,533	\$ 78,482	\$ 7,013	\$ 32,358
Professional fees	-	19,232	27,829	12,801	9,422	3,225	1,674	6,676
Repair and maintenance	3,674	6,016	11,638	3,732	5,811	354	273	905
Rent	-	12,310	14,068	10,801	3,680	2,817	5,569	5,832
Program supplies	-	17,866	12,580	22,638	3,173	4,318	3,386	3,547
Medical supplies	-	58,372	3,400	558	144	110	71	245
Program food	-	5,320	21,304	13,485	2,164	1,052	4,444	1,846
Staff travel	-	10,146	8,861	6,671	2,273	1,740	903	3,601
Service fees	971	15,761	6,841	10,412	14,795	2,172	529	1,602
Classroom supplies	-	-	30,180	-	-	-	-	-
Bank charges	-	2,038	1,746	1,340	457	350	181	724
Events and training	-	7,703	15,098	9,294	1,378	747	7,108	2,305
Transportation	-	6,827	10,139	8,914	2,090	1,079	605	2,096
Marketing and promotions	28	25	61	17	6	4	2	9
Staff development	-	448	413	1,415	100	77	40	159
Printing	-	611	783	7,098	506	537	43	374
Telecom and communications	-	4,457	3,939	4,228	1,201	1,109	384	1,538
Program equipment and rentals	15,724	12,781	2,358	15,679	3,479	5,142	67	3,677
Utilities	-	1,701	1,457	1,354	516	292	273	604
Uniforms	-	68	10,943	408	-	-	-	1,171
Miscellaneous	-	477	1,240	1,301	89	185	55	146
Total expense before depreciation	288,145	345,181	325,952	259,576	100,817	103,792	32,620	69,415
Depreciation	5,282	2,973	9,531	248	5,660	-	-	10,650
TOTAL	\$ 293,427	\$ 348,154	\$ 335,483	\$ 259,824	\$ 106,477	\$ 103,792	\$ 32,620	\$ 80,065

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services (Continued)		Supporting Services			
	Mathare Community Center	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and related benefits	\$ 31,625	\$ 898,285	\$ 98,029	\$ 38,083	\$ 136,112	\$ 1,034,397
Professional fees	4,812	85,671	42,803	884	43,687	129,358
Repair and maintenance	6,346	38,749	-	-	-	38,749
Rent	4,449	59,526	8,938	507	9,445	68,971
Program supplies	4,427	71,935	999	-	999	72,934
Medical supplies	287	63,187	-	-	-	63,187
Program food	4,940	54,555	1,802	24	1,826	56,381
Staff travel	2,511	36,706	10,648	3,478	14,126	50,832
Service fees	5,407	58,490	17,418	15	17,433	75,923
Classroom supplies	-	30,180	-	-	-	30,180
Bank charges	507	7,343	587	33	620	7,963
Events and training	3,195	46,828	1,271	749	2,020	48,848
Transportation	3,352	35,102	4,623	1,864	6,487	41,589
Marketing and promotions	6	158	6,410	11,574	17,984	18,142
Staff development	111	2,763	2,608	-	2,608	5,371
Printing	186	10,138	293	-	293	10,431
Telecom and communications	1,124	17,980	1,202	66	1,268	19,248
Program equipment and rentals	11,286	70,193	793	16	809	71,002
Utilities	421	6,618	-	-	-	6,618
Uniforms	-	12,590	-	-	-	12,590
Miscellaneous	461	3,954	105	-	105	4,059
Total expense before depreciation	85,453	1,610,951	198,529	57,293	255,822	1,866,773
Depreciation	-	34,344	4,739	-	4,739	39,083
TOTAL	\$ 85,453	\$ 1,645,295	\$ 203,268	\$ 57,293	\$ 260,561	\$ 1,905,856

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,376,126	\$ 1,661,932
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,417	39,083
Donated equipment	(120,300)	-
(Increase) decrease in:		
Grants and other receivables	(623,717)	106,318
Prepaid expenses and other assets	(33,654)	(3,244)
Security deposits	(4,683)	(4,117)
Increase in:		
Accounts payable and accrued liabilities	<u>5,378</u>	<u>47,650</u>
Net cash provided by operating activities	<u>2,682,567</u>	<u>1,847,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(328,261)</u>	<u>(473,359)</u>
Net cash used by investing activities	<u>(328,261)</u>	<u>(473,359)</u>
Net increase in cash and cash equivalents	2,354,306	1,374,263
Cash and cash equivalents at beginning of year	<u>4,155,723</u>	<u>2,781,460</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,510,029</u>	<u>\$ 4,155,723</u>

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Shining Hope for Communities, Inc. (SHOFCO) is a non-profit organization, incorporated in the State of Connecticut, with offices located in New York and Kenya. SHOFCO's mission is to turn urban poverty into urban promise. SHOFCO combats gender inequality and extreme poverty in urban slums by linking tuition free schools for girls to holistic social services for all.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

SHOFCO considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts in the U.S. are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, SHOFCO maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

SHOFCO had approximately \$31,000 and \$18,000 in cash and cash equivalents held at one financial institution (and on hand) in Kenya as of December 31, 2015 and 2014, respectively. The majority of these funds invested in Kenya are uninsured.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment acquisitions in excess of \$1,000 for equipment and \$5,000 for buildings are capitalized and stated at cost. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 5 to 30 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$83,417 and \$39,083 during the years ended December 31, 2015 and 2014, respectively.

Income taxes -

SHOFCO is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. SHOFCO is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, SHOFCO has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of SHOFCO and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of SHOFCO and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consist of donated office space, program equipment and pro-bono legal services. In-kind contributions are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

2. BOARD DESIGNATED NET ASSETS

The Board of Directors of SHOFCO has designated a portion of the unrestricted net assets for the Shining Hope Fund for the primary purpose of ensuring continued growth of The Kibera School for Girls. It is also the objective of the Board of Directors to utilize these resources to ensure that SHOFCO will be able to uphold the commitments made to the students and Kibera community in a sustainable way.

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. BOARD DESIGNATED NET ASSETS (Continued)

As of December 31, 2015 and 2014, unrestricted net assets included \$750,000 of Board-designated net assets.

Following is a reconciliation of SHOFSCO's unrestricted net assets:

	<u>2015</u>	<u>2014</u>
Undesignated net assets	\$ 5,011,837	\$ 3,129,772
Board-designated net assets	<u>750,000</u>	<u>750,000</u>
TOTAL UNRESTRICTED NET ASSETS	<u>\$ 5,761,837</u>	<u>\$ 3,879,772</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Program	\$ 2,605,658	\$ 1,108,265
Time restricted	<u>3,336</u>	<u>6,668</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 2,608,994</u>	<u>\$ 1,114,933</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2015</u>	<u>2014</u>
Program	\$ 1,386,869	\$ 704,776
Passage of time	<u>3,332</u>	<u>3,332</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,390,201</u>	<u>\$ 708,108</u>

4. LEASE COMMITMENTS

SHOFSCO leases its headquarters office space in New York City under a month-to-month agreement. Base rent varies depending on the number of offices/desks rented. Additionally, the lease may be terminated with 30 days notice. During 2015, SHOFSCO received substantial discounted rent from this landlord, which is included in in-kind contributions in the accompanying Statements of Activities and Changes in Net Assets.

SHOFSCO currently leases a multi-use building in Nairobi, Kenya, under a two-year lease, which terminates on January 31, 2018. The lease commenced on January 15, 2016, and requires a monthly payment of Ksh 180,000 (roughly \$1,820); effective January 15, 2017 (the start of the second year of the lease), the monthly lease payment will increase by 7.5% (to Ksh 193,500, or roughly \$1,950).

Rent expense for the years ended December 31, 2015 and 2014 totaled \$62,441 and \$68,971, respectively, and is included in occupancy in the accompanying Statements of Functional Expenses.

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5. RETIREMENT PLAN

SHOFCO provides a 401(k) retirement plan to its employees through an employer defined contribution plan. Employees must be at least twenty one years of age and have worked for six months to be eligible for the employer discretionary contribution. SHOFCO did not, and was not required to, make any contributions to the plan during the years ended December 31, 2015 and 2014.

6. RECLASSIFICATION OF NET ASSETS

During the year ended December 31, 2014, management determined that its temporarily restricted net assets balance (as previously reported through December 31, 2013) was incorrectly stated and required reclassification.

In connection with its capital project activities, SHOFCO's accounting practice was to release donor funds from restrictions (for financial reporting purposes) based on the incurrence of capital costs and not based on the actual depreciation. All previously released funds related to the capital project have been transferred from unrestricted net assets to temporarily restricted net assets.

7. SUBSEQUENT EVENTS

In preparing these financial statements, SHOFCO has evaluated events and transactions for potential recognition or disclosure through October 17, 2016, the date the financial statements were issued.