

SHINING HOPE FOR COMMUNITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

SHINING HOPE FOR COMMUNITIES, INC.

CONTENTS

Independent Auditors' Report	1
Statements of Financial Position - December 31, 2011 and 2010	2
Statements of Activities for the Years Ended December 31, 2011 and 2010	3
Statement of Functional Expenses for the Year Ended December 31, 2011	4
Statement of Functional Expenses for the Year Ended December 31, 2010	5
Statement of Cash Flows for the Years Ended December 31, 2011 and 2010	6
Notes to Financial Statements	7-10



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Shining Hope for Communities, Inc. (the Organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 Organization's 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shining Hope for Communities, Inc., as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

November 14, 2012

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 945,264	\$ 390,579
Contributions receivable, net	242,519	31,239
Prepaid expenses	8,054	-
Total current assets	<u>1,195,837</u>	<u>421,818</u>
Property and Equipment, Net	<u>201,606</u>	<u>80,562</u>
Total Assets	<u>\$ 1,397,443</u>	<u>\$ 502,380</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued liabilities	\$ <u>8,153</u>	\$ <u>5,000</u>
Net Assets		
Unrestricted:		
Designated	750,000	375,000
Undesignated	503,015	102,469
Total unrestricted net assets	<u>1,253,015</u>	<u>477,469</u>
Temporarily restricted	136,275	19,911
Total net assets	<u>1,389,290</u>	<u>497,380</u>
Total Liabilities and Net Assets	<u>\$ 1,397,443</u>	<u>\$ 502,380</u>

The accompanying notes are an integral part of the financial statements

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	\$ 666,219	\$ 188,297
Foundation contributions	528,014	340,100
Sponsorships	41,428	18,425
Other income	10,369	5,373
Donated legal services	-	41,167
Net assets released from restriction	18,172	-
Total revenues, gains and other support	<u>1,264,202</u>	<u>593,362</u>
Expenses:		
Program services:		
Kibera School for Girls	125,144	22,183
Johanna Justin-Jinich Community Clinic	105,609	57,566
Shining Hope Community Center	70,738	10,417
Water and sanitation project	40,583	3,045
Research initiative project	31,588	4,978
Margaret's Safe Place Project	7,273	2,952
Total program services	<u>380,935</u>	<u>101,141</u>
Supporting services:		
General and administrative	66,865	64,540
Fund raising	40,856	8,277
Total supporting services	<u>107,721</u>	<u>72,817</u>
Total expenses	<u>488,656</u>	<u>173,958</u>
Increase in unrestricted net assets	<u>775,546</u>	<u>419,404</u>
Changes in Temporarily Restricted Net Assets		
Contributions	134,536	19,911
Net assets released from restriction	(18,172)	-
Total changes in temporarily restricted net assets	<u>116,364</u>	<u>19,911</u>
Increase in Net Assets	891,910	439,315
Net Assets - Beginning of Year	<u>497,380</u>	<u>58,065</u>
Net Assets - End of Year	<u><u>\$ 1,389,290</u></u>	<u><u>\$ 497,380</u></u>

The accompanying notes are an integral part of the financial statements

**SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services							Supporting Services			
	Kibera School for Girls	Johanna Justin-Jinich Community Clinic	Shining Hope Community Center	Water and Sanitation Project	Research Initiative Project	Margaret's Safe Place Project	Total	General and Administrative	Fund Raising	Total	Grand Total
Salaries with benefits and taxes	\$ 37,352	\$ 56,962	\$ 35,184	\$ 14,317	\$ 18,212	\$ 875	\$ 162,902	\$ 25,467	\$ 21,197	\$ 46,664	\$ 209,566
Repairs and maintenance	53,480	638	1,941	10,730	-	-	66,789	1,998	-	1,998	68,787
Professional fees	4,142	4,095	4,095	4,095	4,095	-	20,522	4,964	4,095	9,059	29,581
Travel	2,675	2,675	2,675	2,675	2,675	-	13,375	2,628	2,675	5,303	18,678
Rent	-	2,109	2,109	2,109	2,109	2,804	11,240	2,094	2,109	4,203	15,443
Occupancy and services	2,141	2,154	2,154	2,154	2,154	13	10,770	2,139	2,154	4,293	15,063
Meals and entertainment	5,635	2,277	1,761	168	329	1,771	11,941	2,040	260	2,300	14,241
Medical supplies	52	12,023	-	-	-	-	12,075	-	-	-	12,075
Marketing and promotions	846	712	879	484	10	529	3,460	897	6,235	7,132	10,592
Bank charges	577	577	577	577	577	-	2,885	6,912	577	7,489	10,374
Transportation	1,099	1,085	1,305	28	21	373	3,911	5,369	9	5,378	9,289
Program supplies	758	908	5,181	784	471	-	8,102	541	-	541	8,643
Office supplies	292	795	711	-	-	-	1,798	5,093	269	5,362	7,160
Program food	1,471	2,112	1,274	4	-	164	5,025	1,542	95	1,637	6,662
Uniforms	1,726	405	894	-	-	-	3,025	-	-	-	3,025
Insurance	427	427	427	427	427	-	2,135	424	427	851	2,986
Event and training costs	168	164	1,874	164	-	164	2,534	164	164	328	2,862
Classroom supplies	1,771	207	85	-	-	-	2,063	-	-	-	2,063
Utilities	67	96	96	96	96	29	480	95	96	191	671
Organizational dues	44	48	48	48	48	4	240	47	48	95	335
Miscellaneous expenses	6,503	12,724	7,220	665	364	547	28,023	3,847	446	4,293	32,316
Total expenses before depreciation	121,226	103,193	70,490	39,525	31,588	7,273	373,295	66,261	40,856	107,117	480,412
Depreciation	3,918	2,416	248	1,058	-	-	7,640	604	-	604	8,244
Total	\$ 125,144	\$ 105,609	\$ 70,738	\$ 40,583	\$ 31,588	\$ 7,273	\$ 380,935	\$ 66,865	\$ 40,856	\$ 107,721	\$ 488,656

The accompanying notes are an integral part of the financial statements

**SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services							Supporting Services				
	Johanna Justin-Jinich Community Clinic	Kibera School for Girls	Shining Hope Community Center	Research Initiative Project	Margaret's Safe Place Project	Water and Sanitation Project	Total	General and Administrative	Fund Raising	Total	Grand Total	
Salaries with benefits and taxes	\$ 25,286	\$ 8,158	\$ 3,864	\$ 2,408	\$ 113	\$ 441	\$ 40,270	\$ 4,156	\$ 1,206	\$ 5,362	\$ 45,632	
Professional fees	-	-	-	-	-	-	-	5,413	-	5,413	5,413	
Travel	12,000	-	-	-	-	-	12,000	771	1,440	2,211	14,211	
Rent	-	-	-	-	1,213	-	1,213	85	-	85	1,298	
Occupancy and services	3,441	4,825	3,140	669	1,027	329	13,431	1,494	1,921	3,415	16,846	
Meals and entertainment	643	4,089	83	691	583	31	6,120	79	852	931	7,051	
Medical supplies	9,286	-	-	-	-	-	9,286	-	-	-	9,286	
Bank charges	-	-	-	-	-	-	-	1,239	-	1,239	1,239	
Transportation	231	524	467	985	16	134	2,357	580	429	1,009	3,366	
Office supplies	147	1,301	100	225	-	3	1,776	2,249	2,429	4,678	6,454	
Insurance	-	-	-	-	-	-	-	1,002	-	1,002	1,002	
Classroom supplies	-	2,580	-	-	-	-	2,580	-	-	-	2,580	
Organizational dues	6	64	525	-	-	131	726	923	-	923	1,649	
Legal in-kind	-	-	-	-	-	-	-	41,167	-	41,167	41,167	
Medications	5,148	383	-	-	-	-	5,531	-	-	-	5,531	
Other	91	84	-	-	-	-	175	5,382	-	5,382	5,557	
Total expenses before depreciation	56,279	22,008	8,179	4,978	2,952	1,069	95,465	64,540	8,277	72,817	168,282	
Depreciation	1,287	175	2,238	-	-	1,976	5,676	-	-	-	5,676	
Total	\$ 57,566	\$ 22,183	\$ 10,417	\$ 4,978	\$ 2,952	\$ 3,045	\$ 101,141	\$ 64,540	\$ 8,277	\$ 72,817	\$ 173,958	

The accompanying notes are an integral part of the financial statements

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 891,910	\$ 439,315
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	8,244	5,676
(Increase) decrease in operating assets:		
Contributions receivable	(211,280)	(31,239)
Prepaid expenses	(8,054)	-
Other assets	-	3,667
Increase in operating liabilities:		
Accrued liabilities	3,153	5,000
Net cash provided by operating activities	<u>683,973</u>	<u>422,419</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(129,288)</u>	<u>(51,412)</u>
Net cash used in investing activities	<u>(129,288)</u>	<u>(51,412)</u>
Net Increase in Cash and Cash Equivalents	554,685	371,007
Cash and Cash Equivalents - Beginning of Year	<u>390,579</u>	<u>19,572</u>
Cash and Cash Equivalents - End of Year	<u>\$ 945,264</u>	<u>\$ 390,579</u>

The accompanying notes are an integral part of the financial statements

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Shining Hope for Communities, Inc. (the Organization) was incorporated in 2009 as a not-for-profit organization with the primary mission to empower local, marginalized communities throughout the world to formulate their own solutions by providing those communities with the skills, tools and resources necessary for sustainable solutions. The Organization combats intergenerational cycles of poverty and gender inequality by linking tuition-free schools for girls to essential social services for all through a holistic, community-driven approach in the Kibera slum of Nairobi, Kenya.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Organization's undesignated net assets are primarily available for support of general operations. The Board of Directors has designated 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 the Organization will be able to uphold the commitments made to the students and Kibera community in a sustainable way.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. The Organization maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Organization's deposits are not subject to significant credit risk.

Property and Equipment - Property and equipment acquisitions and improvements thereon that exceed \$300 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Unconditional contributions, including foundation grants, are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor 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. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Services - Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes - The Organization is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Organization's informational returns for the years ended December 31, 2009 through December 31, 2011 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through November 14, 2012, which represents the date the financial statements were available to be issued.

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of December 31, 2011 and 2010, are expected to be collected as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 213,719	\$ 31,239
Receivable in one to five years	30,000	-
Total contributions receivable	<u>243,719</u>	<u>31,239</u>
Less discounts to net present value	<u>1,200</u>	<u>-</u>
Net Contributions Receivable	\$ <u>242,519</u>	\$ <u>31,239</u>

Contributions receivable in more than one year are discounted at 2% as of December 31, 2011.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,537	\$ 2,537
Furniture and fixtures	4,591	-
Equipment	23,904	16,028
Buildings and improvements	68,073	68,072
Construction in progress	116,820	-
	<u>215,925</u>	<u>86,637</u>
Less accumulated depreciation	<u>14,319</u>	<u>6,075</u>
Net Property and Equipment	\$ <u>201,606</u>	\$ <u>80,562</u>

Depreciation expense for the years ended December 31, 2011 and 2010, totaled \$8,244 and \$5,676, respectively. Total capital outlay for the purchase of property and equipment for the years ended December 31, 2011 and 2010, was \$129,288 and \$51,412, respectively.

Construction in progress as of December 31, 2011 relates to the construction of a new building for the Kibera School for Girls as well as a safe drinking water tower and kiosk. It is anticipated that the projects will be completed by December 31, 2012.

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010, are available for the following purposes or time periods:

	<u>2011</u>	<u>2010</u>
Sustainable growth and expansion	\$ 128,800	\$ -
Disaster relief	5,736	-
Other projects	1,739	963
Kibera School for Girls	-	14,124
Margaret's Safe Place Project	-	4,048
Community health workers	<u>-</u>	<u>776</u>
Total Temporarily Restricted Net Assets	\$ <u>136,275</u>	\$ <u>19,911</u>

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Kibera School for Girls	\$ 14,124	\$ -
Margaret's Safe Place Project	<u>4,048</u>	<u>-</u>
	\$ <u>18,172</u>	\$ <u>-</u>

NOTE 6 - DONATED LEGAL SERVICES

Donated legal services with an estimated value of \$41,167 were used in connection with drafting and reviewing the Organization's governing documents as of December 31, 2010. There were no services of this nature received as of December 31, 2011.

NOTE 7 - FOREIGN OPERATIONS

In connection with its mission, the Organization maintains facilities in the Kibera slum of Nairobi, Kenya, outside the United States. As of December 31, 2011 and 2010, assets in other countries, including cash and prepaid expenses, totaled \$28,927 and \$36,436; property and equipment, net of accumulated depreciation, amounted to \$201,606 and \$80,562; and liabilities in other countries were \$3,003, respectively. There were no outstanding liabilities in other countries as of December 31, 2010. Total overseas support and revenue received from foreign sources amounted to \$9,479 and \$4,230 for the years ended December 31, 2011 and 2010, respectively. Account balances relating to foreign operations are reflected in the financial statements in United States dollars.