

FINANCIAL STATEMENTS



Shining Hope
for Communities

**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

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 statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 SHOFCO as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from SHOFCO's 2013 financial statements, which were audited by other auditors and, in their report dated October 8, 2014, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Friedman

September 3, 2015

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS			
		<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,155,723	\$ 2,781,460
Grants and other receivables		132,620	238,938
Prepaid expenses and other assets		<u>19,910</u>	<u>16,666</u>
Total current assets		<u>4,308,253</u>	<u>3,037,064</u>
PROPERTY AND EQUIPMENT			
Land		145,455	47,938
Buildings and improvements		594,864	243,196
Furniture and equipment		<u>91,470</u>	<u>67,296</u>
		831,789	358,430
Less: Accumulated depreciation		<u>(92,054)</u>	<u>(52,971)</u>
Net property and equipment		<u>739,735</u>	<u>305,459</u>
NONCURRENT ASSETS			
Security deposit		<u>4,117</u>	<u>-</u>
TOTAL ASSETS	\$	<u>5,052,105</u>	<u>3,342,523</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>57,400</u>	\$ <u>9,750</u>
NET ASSETS			
Unrestricted (Note 2)		3,879,772	3,129,710
Temporarily restricted (Note 3)		<u>1,114,933</u>	<u>203,063</u>
Total net assets		<u>4,994,705</u>	<u>3,332,773</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,052,105</u>	<u>3,342,523</u>

SHINING HOPE FOR COMMUNITIES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and awards	\$ 1,232,531	\$ 830,620	\$ 2,063,151	\$ 788,687
Contributions	1,066,779	298,456	1,365,235	1,480,703
Sponsorships	14,220	105,652	119,872	63,409
Fee for service income	13,653	-	13,653	-
Other revenue	5,877	-	5,877	8,721
Net assets released from donor restrictions (Note 3)	<u>708,108</u>	<u>(708,108)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,041,168</u>	<u>526,620</u>	<u>3,567,788</u>	<u>2,341,520</u>
EXPENSES				
Program Services:				
Kenya Program Operations	293,427	-	293,427	269,880
Johanna Justin-Jinich Community Clinic	348,154	-	348,154	222,110
Kibera School for Girls	335,483	-	335,483	207,943
Shining Hope Community Center	259,824	-	259,824	134,607
Water and Sanitation Project	106,477	-	106,477	78,701
Metrics and Evaluation	103,792	-	103,792	77,478
Margaret's Safe Place Project	32,620	-	32,620	14,324
Mathare School for Girls	80,065	-	80,065	11,205
Mathare Community Center	<u>85,453</u>	<u>-</u>	<u>85,453</u>	<u>-</u>
Total program services	<u>1,645,295</u>	<u>-</u>	<u>1,645,295</u>	<u>1,016,248</u>
Supporting Services:				
General and Administrative	203,268	-	203,268	91,252
Fundraising	<u>57,293</u>	<u>-</u>	<u>57,293</u>	<u>28,300</u>
Total supporting services	<u>260,561</u>	<u>-</u>	<u>260,561</u>	<u>119,552</u>
Total expenses	<u>1,905,856</u>	<u>-</u>	<u>1,905,856</u>	<u>1,135,800</u>
Change in net assets before other item	1,135,312	526,620	1,661,932	1,205,720
OTHER ITEM				
Correction of an error (Note 6)	<u>(385,250)</u>	<u>385,250</u>	<u>-</u>	<u>-</u>
Change in net assets	750,062	911,870	1,661,932	1,205,720
Net assets at beginning of year	<u>3,129,710</u>	<u>203,063</u>	<u>3,332,773</u>	<u>2,127,053</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,879,772</u>	<u>\$ 1,114,933</u>	<u>\$ 4,994,705</u>	<u>\$ 3,332,773</u>

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			
	Kenya Program Operations	Johanna Justin- Jinich Community Clinic	Kibera School for Girls	Shining Hope Community Center
Salaries with benefits and taxes	\$ 267,748	\$ 163,022	\$ 141,074	\$ 127,430
Professional fees	-	19,232	27,829	12,801
Repair and maintenance	3,674	6,016	11,638	3,732
Rent (Note 4)	-	12,310	14,068	10,801
Program supplies	-	17,866	12,580	22,638
Medical supplies	-	58,372	3,400	558
Program food	-	5,320	21,304	13,485
Staff travel	-	10,146	8,861	6,671
Service fees	971	15,761	6,841	10,412
Classroom supplies	-	-	30,180	-
Bank charges	-	2,038	1,746	1,340
Events and training	-	7,703	15,098	9,294
Transportation	-	6,827	10,139	8,914
Marketing and promotions	28	25	61	17
Staff development	-	448	413	1,415
Printing	-	611	783	7,098
Telecom and communications	-	4,457	3,939	4,228
Program equipment and rentals	15,724	12,781	2,358	15,679
Utilities	-	1,701	1,457	1,354
Uniforms	-	68	10,943	408
Miscellaneous	-	477	1,240	1,301
 Total expense before depreciation	 288,145	 345,181	 325,952	 259,576
 Depreciation	 5,282	 2,973	 9,531	 248
 TOTAL	 \$ 293,427	 \$ 348,154	 \$ 335,483	 \$ 259,824

Water and Sanitation Project	Metrics and Evaluation	Margaret's Safe Place Project	Mathare School for Girls	Mathare Community Center	Total Program Services
\$ 49,533	\$ 78,482	\$ 7,013	\$ 32,358	\$ 31,625	\$ 898,285
9,422	3,225	1,674	6,676	4,812	85,671
5,811	354	273	905	6,346	38,749
3,680	2,817	5,569	5,832	4,449	59,526
3,173	4,318	3,386	3,547	4,427	71,935
144	110	71	245	287	63,187
2,164	1,052	4,444	1,846	4,940	54,555
2,273	1,740	903	3,601	2,511	36,706
14,795	2,172	529	1,602	5,407	58,490
-	-	-	-	-	30,180
457	350	181	724	507	7,343
1,378	747	7,108	2,305	3,195	46,828
2,090	1,079	605	2,096	3,352	35,102
6	4	2	9	6	158
100	77	40	159	111	2,763
506	537	43	374	186	10,138
1,201	1,109	384	1,538	1,124	17,980
3,479	5,142	67	3,677	11,286	70,193
516	292	273	604	421	6,618
-	-	-	1,171	-	12,590
89	185	55	146	461	3,954
100,817	103,792	32,620	69,415	85,453	1,610,951
5,660	-	-	10,650	-	34,344
\$ 106,477	\$ 103,792	\$ 32,620	\$ 80,065	\$ 85,453	\$ 1,645,295

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014 (Continued)				2013
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries with benefits and taxes	\$ 98,029	\$ 38,083	\$ 136,112	\$ 1,034,397	\$ 586,471
Professional fees	42,803	884	43,687	129,358	104,802
Repair and maintenance	-	-	-	38,749	62,000
Rent (Note 4)	8,938	507	9,445	68,971	51,267
Program supplies	999	-	999	72,934	36,054
Medical supplies	-	-	-	63,187	34,623
Program food	1,802	24	1,826	56,381	33,469
Staff travel	10,648	3,478	14,126	50,832	28,216
Service fees	17,418	15	17,433	75,923	26,933
Classroom supplies	-	-	-	30,180	26,437
Bank charges	587	33	620	7,963	18,230
Events and training	1,271	749	2,020	48,848	17,642
Transportation	4,623	1,864	6,487	41,589	14,693
Marketing and promotions	6,410	11,574	17,984	18,142	11,739
Staff development	2,608	-	2,608	5,371	9,387
Printing	293	-	293	10,431	9,105
Telecom and communications	1,202	66	1,268	19,248	14,477
Program equipment and rentals	793	16	809	71,002	8,534
Utilities	-	-	-	6,618	6,472
Uniforms	-	-	-	12,590	3,877
Miscellaneous	105	-	105	4,059	10,463
Total expense before depreciation	198,529	57,293	255,822	1,866,773	1,114,891
Depreciation	4,739	-	4,739	39,083	20,909
TOTAL	\$ 203,268	\$ 57,293	\$ 260,561	\$ 1,905,856	\$ 1,135,800

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,661,932	\$ 1,205,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,083	20,909
(Increase) decrease in:		
Grants and other receivables	106,318	335,640
Prepaid expenses and other assets	(3,244)	(11,000)
Security deposit	(4,117)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>47,650</u>	<u>(3,757)</u>
Net cash provided by operating activities	<u>1,847,622</u>	<u>1,547,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(473,359)</u>	<u>(76,225)</u>
Net cash used by investing activities	<u>(473,359)</u>	<u>(76,225)</u>
Net increase in cash and cash equivalents	1,374,263	1,471,287
Cash and cash equivalents at beginning of year	<u>2,781,460</u>	<u>1,310,173</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,155,723</u>	<u>\$ 2,781,460</u>

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SHOFCO's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

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 \$23,000 in cash and cash equivalents held at one financial institution and on hand in Kenya as of December 31, 2014. 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 expense for the year ended December 31, 2014 totaled \$39,083.

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.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Uncertain tax positions -

For the year ended December 31, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants, awards, contributions and sponsorships -

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.

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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SHINING HOPE FOR COMMUNITIES, INC.

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

2. UNRESTRICTED NET ASSETS

As of December 31, 2014, the unrestricted net assets were comprised of the following:

Undesignated net assets	\$ 3,129,772
Board-designated net assets	<u>750,000</u>
TOTAL UNRESTRICTED NET ASSETS	<u>\$ 3,879,772</u>

3. TEMPORARILY RESTRICTED NET ASSETS

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

Program	\$ 1,108,265
Time restricted	<u>6,668</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<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:

Program	\$ 704,776
Passage of time	<u>3,332</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 708,108</u>

4. LEASE COMMITMENTS

SHOFCO leases office space in New York and Kenya under month-to-month operating leases. Rent expense totaled \$68,971 for the year ended December 31, 2014.

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 make any contributions to the plan for the year ended December 31, 2014.

6. CORRECTION OF AN ERROR (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.

SHINING HOPE FOR COMMUNITIES, INC.

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

7. SUBSEQUENT EVENTS

In preparing these financial statements, SHOFCO has evaluated events and transactions for potential recognition or disclosure through September 3, 2015, the date the financial statements were issued.