

SHINING HOPE FOR COMMUNITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

SHINING HOPE FOR COMMUNITIES, INC.

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Independent Auditors' 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., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, 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.

Auditors' 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 auditors' 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 auditors consider 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 Shining Hope for Communities, Inc., as of December 31, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut

October 8, 2014

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,781,460	\$ 1,310,173
Contributions receivable	238,938	574,578
Prepaid expenses and other current assets	<u>16,666</u>	<u>5,666</u>
Total current assets	3,037,064	1,890,417
Property and Equipment, Net	<u>305,459</u>	<u>250,143</u>
Total Assets	<u>\$ 3,342,523</u>	<u>\$ 2,140,560</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued liabilities	\$ <u>9,750</u>	\$ <u>13,507</u>
Net Assets		
Unrestricted:		
Designated - Shining Hope Fund	750,000	750,000
Undesignated	<u>2,379,710</u>	<u>1,327,700</u>
Total unrestricted net assets	3,129,710	2,077,700
Temporarily restricted	<u>203,063</u>	<u>49,353</u>
Total net assets	<u>3,332,773</u>	<u>2,127,053</u>
Total Liabilities and Net Assets	<u>\$ 3,342,523</u>	<u>\$ 2,140,560</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	\$ 1,277,640	\$ 1,097,436
Grants and awards	788,687	476,473
Sponsorships	63,409	87,502
Other income	8,721	7,775
Net assets released from restriction	49,353	130,372
Total revenues, gains and other support	<u>2,187,810</u>	<u>1,799,558</u>
Expenses:		
Program services:		
Kenya Program - Operations Expansion	269,880	154,306
Johanna Justin-Jinich Community Clinic	222,110	226,571
Kibera School for Girls	207,943	191,239
Shining Hope Community Center	134,607	122,583
Water and Sanitation Project	78,701	48,925
Metrics and Evaluation	77,478	46,283
Margaret's Safe Place Project	14,324	11,105
Mathare School for Girls	11,205	-
Total program services	<u>1,016,248</u>	<u>801,012</u>
Supporting services:		
General and administrative	91,252	142,803
Fundraising	28,300	31,058
Total supporting services	<u>119,552</u>	<u>173,861</u>
Total expenses	<u>1,135,800</u>	<u>974,873</u>
Changes in unrestricted net assets	<u>1,052,010</u>	<u>824,685</u>
Changes in Temporarily Restricted Net Assets		
Contributions	203,063	43,450
Net assets released from restriction	<u>(49,353)</u>	<u>(130,372)</u>
Changes in temporarily restricted net assets	<u>153,710</u>	<u>(86,922)</u>
Change in Net Assets	1,205,720	737,763
Net Assets - Beginning of Year	<u>2,127,053</u>	<u>1,389,290</u>
Net Assets - End of Year	<u>\$ 3,332,773</u>	<u>\$ 2,127,053</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, 2013

	Program Services									Supporting Services			
	Kenya Program Operations/ Expansion	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	Total	General and Administrative	Fund Raising	Total	Grand Total
Salaries with benefits and taxes	\$ 183,446	\$ 105,500	\$ 88,519	\$ 69,857	\$ 35,000	\$ 40,747	\$ 3,408	\$ -	\$ 526,477	\$ 35,147	24,847	\$ 59,994	\$ 586,471
Professional fees	14,476	21,120	21,797	16,192	11,864	7,352	-	-	92,801	10,531	1,470	12,001	104,802
Repairs and maintenance	8,428	14,724	7,637	3,009	12,262	11,922	535	2,906	61,423	577	-	577	62,000
Rent	7,319	7,390	7,881	7,390	7,390	4,619	4,239	420	46,648	3,695	924	4,619	51,267
Program supplies	6,878	3,620	7,809	7,440	1,048	5,244	1,449	445	33,933	2,121	-	2,121	36,054
Medical supplies	170	33,360	1,093	-	-	-	-	-	34,623	-	-	-	34,623
Program food	1,105	7,215	15,327	4,613	4	305	3,383	704	32,656	707	106	813	33,469
Travel	5,291	4,243	4,009	5,266	4,009	2,506	-	-	25,324	2,391	501	2,892	28,216
Service fees	8,324	8,073	2,483	2,353	974	619	179	3,910	26,915	14	4	18	26,933
Classroom supplies	-	-	26,111	-	-	-	-	-	26,111	326	-	326	26,437
Bank charges	5,325	2,404	2,404	2,687	2,404	1,503	-	-	16,727	1,202	301	1,503	18,230
Event and training costs	1,881	3,016	4,527	2,800	-	207	36	1,721	14,188	3,454	-	3,454	17,642
Transportation	3,255	2,179	875	1,703	161	60	862	690	9,785	4,907	1	4,908	14,693
Marketing and promotions	215	-	-	921	-	-	-	-	1,136	10,603	-	10,603	11,739
Staff development	1,109	-	69	-	-	-	-	-	1,178	8,209	-	8,209	9,387
Printing	1,205	490	933	5,662	5	584	-	-	8,879	226	-	226	9,105
Telecommunications	5,616	704	667	1,283	92	301	-	1	8,664	-	-	-	8,664
Program equipment and rentals	1,465	2,306	1,219	766	723	773	99	205	7,556	978	-	978	8,534
Utilities	4,262	641	210	595	368	131	101	33	6,341	105	26	131	6,472
Occupancy	1,613	800	800	800	800	500	-	-	5,313	400	100	500	5,813
Uniforms	294	158	3,032	393	-	-	-	-	3,877	-	-	-	3,877
Miscellaneous	7,825	809	557	629	212	105	33	170	10,340	103	20	123	10,463
Total expenses before depreciation	269,502	218,752	197,959	134,359	77,316	77,478	14,324	11,205	1,000,895	85,696	28,300	113,996	1,114,891
Depreciation	378	3,358	9,984	248	1,385	-	-	-	15,353	5,556	-	5,556	20,909
Total	\$ 269,880	\$ 222,110	\$ 207,943	\$ 134,607	\$ 78,701	\$ 77,478	\$ 14,324	\$ 11,205	\$ 1,016,248	\$ 91,252	\$ 28,300	\$ 119,552	\$ 1,135,800

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, 2012

	Program Services								Supporting Services			
	Kenya Program Operations/ Expansion	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	Total	General and Administrative	Fund Raising	Total	Grand Total
Salaries with benefits and taxes \$	139,776	\$ 100,133	\$ 81,492	\$ 62,945	\$ 21,788	\$ 22,990	\$ 935	\$ 430,059	\$ 38,929	\$ 21,092	\$ 60,021	\$ 490,080
Professional fees	1,311	2,029	1,637	87	1,306	820	-	7,190	54,471	164	54,635	61,825
Repairs and maintenance	59	27,404	50,858	12,954	7,891	-	-	99,166	3,861	-	3,861	103,027
Rent	4,807	4,807	4,807	4,914	4,807	3,004	4,121	31,267	2,403	601	3,004	34,271
Program supplies	40	6,520	6,812	6,667	2,488	5,153	1,530	29,210	1,923	262	2,185	31,395
Medical supplies	-	46,623	180	-	-	-	-	46,803	-	-	-	46,803
Program food	257	8,327	12,774	4,814	99	261	4,122	30,654	568	155	723	31,377
Travel	14	14	14	14	14	9	-	79	894	2	896	975
Classroom supplies	-	-	2,439	-	-	-	-	2,439	360	-	360	2,799
Bank charges	756	5,747	2,703	2,408	1,508	3,668	99	16,889	3,874	188	4,062	20,951
Event and training costs	691	1,204	1,896	1,201	466	2,269	143	7,870	4,552	687	5,239	13,109
Transportation	3,282	8,544	6,490	6,452	3,265	4,414	34	32,481	4,818	2,641	7,459	39,940
Marketing and promotions	-	5,593	74	1,939	-	437	-	8,043	9,424	3,284	12,708	20,751
Printing	-	192	126	7,333	2	310	-	7,963	1,920	-	1,920	9,883
Utilities	301	2,034	2,603	2,372	676	426	76	8,488	547	500	1,047	9,535
Insurance	1,285	1,285	1,297	1,403	1,284	803	-	7,357	7,396	1,070	8,466	15,823
Occupancy	1,177	1,298	1,848	2,861	1,183	736	8	9,111	871	147	1,018	10,129
Office supplies	14	1,240	1,009	1,728	44	212	-	4,247	403	85	488	4,735
Meals and entertainment	225	225	240	243	225	141	-	1,299	113	28	141	1,440
Organizational dues	191	197	198	191	191	119	12	1,099	212	24	236	1,335
Uniforms	8	431	1,827	792	71	15	9	3,153	23	23	46	3,199
Miscellaneous	112	689	740	1,017	232	496	16	3,302	342	105	447	3,749
Total expenses before depreciation	154,306	224,536	182,064	122,335	47,540	46,283	11,105	788,169	137,904	31,058	168,962	957,131
Depreciation	-	2,035	9,175	248	1,385	-	-	12,843	4,899	-	4,899	17,742
Total	\$ 154,306	\$ 226,571	\$ 191,239	\$ 122,583	\$ 48,925	\$ 46,283	\$ 11,105	\$ 801,012	\$ 142,803	\$ 31,058	\$ 173,861	\$ 974,873

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,205,720	\$ 737,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	20,909	17,742
(Increase) decrease in operating assets:		
Contributions receivable	335,640	(332,059)
Prepaid expenses and other current assets	(11,000)	2,388
Increase (decrease) in operating liabilities:		
Accrued liabilities	(3,757)	5,354
Net cash provided by operating activities	<u>1,547,512</u>	<u>431,188</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(76,225)	(66,279)
Net cash used in investing activities	<u>(76,225)</u>	<u>(66,279)</u>
Net Increase in Cash and Cash Equivalents	1,471,287	364,909
Cash and Cash Equivalents - Beginning of Year	<u>1,310,173</u>	<u>945,264</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,781,460</u>	<u>\$ 1,310,173</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 \$5,000 as of December 31, 2013 and \$1,000 as of December 31, 2012 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, 2010 through 2013 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 October 8, 2014, which represents the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of December 31, 2013 and 2012 in the amounts of \$238,938 and \$574,578, respectively, are all expected to be collected within one year.

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 47,938	\$ 2,538
Buildings and improvements	243,196	219,103
Equipment	62,705	55,972
Furniture and fixtures	4,591	4,591
	<u>358,430</u>	<u>282,204</u>
Less accumulated depreciation	<u>52,971</u>	<u>32,061</u>
Net Property and Equipment	<u>\$ 305,459</u>	<u>\$ 250,143</u>

Depreciation expense for the years ended December 31, 2013 and 2012, totaled \$20,909 and \$17,742, respectively. Total capital outlay for the purchase of property and equipment for the years ended December 31, 2013 and 2012, was \$76,225 and \$66,279, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012, are available for the following purposes or time periods:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ -	\$ 42,250
Purpose restrictions:		
Mathare land and construction	203,063	-
Disaster relief	-	5,364
Other projects	<u>-</u>	<u>1,739</u>
Total Temporarily Restricted Net Assets	<u>\$ 203,063</u>	<u>\$ 49,353</u>

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 42,250	\$ 130,000
Purpose restrictions:		
Disaster relief	5,364	372
Other projects	<u>1,739</u>	<u>-</u>
	<u>\$ 49,353</u>	<u>\$ 130,372</u>

NOTE 6 - LEASE COMMITTEMENT

The Organization leases two office spaces in New York, New York, under month-to-month operating leases that were entered into on July 1, 2012 and October 1, 2013, respectively. Rental expense totaled \$21,300 and \$9,600 for the years ended December 31, 2013 and 2012, respectively.