

**SHINING HOPE FOR COMMUNITIES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 AND 2011**

**SHINING HOPE FOR COMMUNITIES, INC.**

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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 financial statements of Shining Hope for Communities, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, 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, 2012 and 2011, 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  
November 11, 2013

**SHINING HOPE FOR COMMUNITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,310,173	\$ 945,264
Contributions receivable, net	574,578	242,519
Prepaid expenses and other current assets	<u>5,666</u>	<u>8,054</u>
Total current assets	1,890,417	1,195,837
<b>Property and Equipment, Net</b>	<u>250,143</u>	<u>201,606</u>
<b>Total Assets</b>	<u>\$ 2,140,560</u>	<u>\$ 1,397,443</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued liabilities	\$ <u>13,507</u>	\$ <u>8,153</u>
<b>Net Assets</b>		
Unrestricted:		
Designated - Shining Hope Fund	750,000	750,000
Undesignated	<u>1,327,700</u>	<u>503,015</u>
Total unrestricted net assets	2,077,700	1,253,015
Temporarily restricted	<u>49,353</u>	<u>136,275</u>
Total net assets	<u>2,127,053</u>	<u>1,389,290</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,140,560</u>	<u>\$ 1,397,443</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenues, gains and other support:		
Contributions	\$ 1,097,436	\$ 666,219
Grants and awards	476,473	528,014
Sponsorships	87,502	41,428
Other income	7,775	10,369
Net assets released from restriction	130,372	18,172
Total revenues, gains and other support	<u>1,799,558</u>	<u>1,264,202</u>
Expenses:		
Program services:		
Johanna Justin-Jinich Community Clinic	226,571	105,609
Kibera School for Girls	191,239	125,144
Kenya Program - Operations Expansion	154,306	-
Shining Hope Community Center	122,583	70,738
Water and Sanitation Project	48,925	40,583
Metrics and Evaluation	46,283	31,588
Margaret's Safe Place Project	11,105	7,273
Total program services	<u>801,012</u>	<u>380,935</u>
Supporting services:		
General and administrative	142,803	66,865
Fund raising	31,058	40,856
Total supporting services	<u>173,861</u>	<u>107,721</u>
Total expenses	<u>974,873</u>	<u>488,656</u>
Changes in unrestricted net assets	<u>824,685</u>	<u>775,546</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	43,450	134,536
Net assets released from restriction	(130,372)	(18,172)
Total changes in temporarily restricted net assets	<u>(86,922)</u>	<u>116,364</u>
<b>Change in Net Assets</b>	737,763	891,910
<b>Net Assets - Beginning of Year</b>	<u>1,389,290</u>	<u>497,380</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,127,053</u>	<u>\$ 1,389,290</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, 2012**

	Program Services							Supporting Services				
	Johanna Justin-Jinich Community Clinic	Kibera School for Girls	Kenya Program Operations/ Expansion	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	\$ 100,133	\$ 81,492	\$ 139,776	\$ 62,945	\$ 21,788	\$ 22,990	\$ 935	\$ 430,059	\$ 38,929	\$ 21,092	\$ 60,021	\$ 490,080
Repairs and maintenance	27,404	50,858	59	12,954	7,891	-	-	99,166	3,861	-	3,861	103,027
Professional fees	2,029	1,637	1,311	87	1,306	820	-	7,190	54,471	164	54,635	61,825
Medical supplies	46,623	180	-	-	-	-	-	46,803	-	-	-	46,803
Transportation	8,544	6,490	3,282	6,452	3,265	4,414	34	32,481	4,818	2,641	7,459	39,940
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	6,520	6,812	40	6,667	2,488	5,153	1,530	29,210	1,923	262	2,185	31,395
Program food	8,327	12,774	257	4,814	99	261	4,122	30,654	568	155	723	31,377
Bank charges	5,747	2,703	756	2,408	1,508	3,668	99	16,889	3,874	188	4,062	20,951
Marketing and promotions	5,593	74	-	1,939	-	437	-	8,043	9,424	3,284	12,708	20,751
Insurance	1,285	1,297	1,285	1,403	1,284	803	-	7,357	7,396	1,070	8,466	15,823
Event and training costs	1,204	1,896	691	1,201	466	2,269	143	7,870	4,552	687	5,239	13,109
Occupancy and services	1,298	1,848	1,177	2,861	1,183	736	8	9,111	871	147	1,018	10,129
Printing	192	126	-	7,333	2	310	-	7,963	1,920	-	1,920	9,883
Utilities	2,034	2,603	301	2,372	676	426	76	8,488	547	500	1,047	9,535
Office supplies	1,240	1,009	14	1,728	44	212	-	4,247	403	85	488	4,735
Uniforms	431	1,827	8	792	71	15	9	3,153	23	23	46	3,199
Classroom supplies	-	2,439	-	-	-	-	-	2,439	360	-	360	2,799
Meals and entertainment	225	240	225	243	225	141	-	1,299	113	28	141	1,440
Organizational dues	197	198	191	191	191	119	12	1,099	212	24	236	1,335
Travel	14	14	14	14	14	9	-	79	894	2	896	975
All other expenses	689	740	112	1,017	232	496	16	3,302	342	105	447	3,749
Total expenses before depreciation	224,536	182,064	154,306	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
<b>Total</b>	<u>\$ 226,571</u>	<u>\$ 191,239</u>	<u>\$ 154,306</u>	<u>\$ 122,583</u>	<u>\$ 48,925</u>	<u>\$ 46,283</u>	<u>\$ 11,105</u>	<u>\$ 801,012</u>	<u>\$ 142,803</u>	<u>\$ 31,058</u>	<u>\$ 173,861</u>	<u>\$ 974,873</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			
	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	\$ 56,962	\$ 37,352	\$ 35,184	\$ 14,317	\$ 18,212	\$ 875	\$ 162,902	\$ 25,467	\$ 21,197	\$ 46,664	\$ 209,566
Repairs and maintenance	638	53,480	1,941	10,730	-	-	66,789	1,998	-	1,998	68,787
Professional fees	4,095	4,142	4,095	4,095	4,095	-	20,522	4,964	4,095	9,059	29,581
Medical supplies	12,023	52	-	-	-	-	12,075	-	-	-	12,075
Transportation	1,085	1,099	1,305	28	21	373	3,911	5,369	9	5,378	9,289
Rent	2,109	-	2,109	2,109	2,109	2,804	11,240	2,094	2,109	4,203	15,443
Program supplies	908	758	5,181	784	471	-	8,102	541	-	541	8,643
Program food	2,112	1,471	1,274	4	-	164	5,025	1,542	95	1,637	6,662
Bank charges	577	577	577	577	577	-	2,885	6,912	577	7,489	10,374
Marketing and promotions	712	846	879	484	10	529	3,460	897	6,235	7,132	10,592
Insurance	427	427	427	427	427	-	2,135	424	427	851	2,986
Event and training costs	164	168	1,874	164	-	164	2,534	164	164	328	2,862
Occupancy and services	2,154	2,141	2,154	2,154	2,154	13	10,770	2,139	2,154	4,293	15,063
Utilities	96	67	96	96	96	29	480	95	96	191	671
Office supplies	795	292	711	-	-	-	1,798	5,093	269	5,362	7,160
Uniforms	405	1,726	894	-	-	-	3,025	-	-	-	3,025
Classroom supplies	207	1,771	85	-	-	-	2,063	-	-	-	2,063
Meals and entertainment	2,277	5,635	1,761	168	329	1,771	11,941	2,040	260	2,300	14,241
Organizational dues	48	44	48	48	48	4	240	47	48	95	335
Travel	2,675	2,675	2,675	2,675	2,675	-	13,375	2,628	2,675	5,303	18,678
Miscellaneous expenses	12,724	6,503	7,220	665	364	547	28,023	3,847	446	4,293	32,316
Total expenses before depreciation	103,193	121,226	70,490	39,525	31,588	7,273	373,295	66,261	40,856	107,117	480,412
Depreciation	2,416	3,918	248	1,058	-	-	7,640	604	-	604	8,244
<b>Total</b>	<b>\$ 105,609</b>	<b>\$ 125,144</b>	<b>\$ 70,738</b>	<b>\$ 40,583</b>	<b>\$ 31,588</b>	<b>\$ 7,273</b>	<b>\$ 380,935</b>	<b>\$ 66,865</b>	<b>\$ 40,856</b>	<b>\$ 107,721</b>	<b>\$ 488,656</b>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 737,763	\$ 891,910
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	17,742	8,244
(Increase) decrease in operating assets:		
Contributions receivable	(332,059)	(211,280)
Prepaid expenses and other current assets	2,388	(8,054)
Increase (decrease) in operating liabilities:		
Accrued liabilities	5,354	3,153
Net cash provided by operating activities	<u>431,188</u>	<u>683,973</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	<u>(66,279)</u>	<u>(129,288)</u>
Net cash used in investing activities	<u>(66,279)</u>	<u>(129,288)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	364,909	554,685
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>945,264</u>	<u>390,579</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,310,173</u>	<u>\$ 945,264</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 \$1,000 as of December 31, 2012 and \$300 as of December 31, 2011 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 2012 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 11, 2013, which represents the date the financial statements were available to be issued.

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable as of December 31, 2012 and 2011, are expected to be collected as follows:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 574,578	\$ 213,719
Receivable in one to five years	-	30,000
Total contributions receivable	574,578	243,719
Less discounts to net present value	-	1,200
Net Contributions Receivable	<u>\$ 574,578</u>	<u>\$ 242,519</u>

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

**SHINING HOPE FOR COMMUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,538	\$ 2,537
Buildings and improvements	219,103	68,073
Equipment	55,972	23,904
Furniture and fixtures	4,591	4,591
Construction in progress	-	116,820
	<u>282,204</u>	<u>215,925</u>
Less accumulated depreciation	<u>32,061</u>	<u>14,319</u>
Net Property and Equipment	<u>\$ 250,143</u>	<u>\$ 201,606</u>

Depreciation expense for the years ended December 31, 2012 and 2011, totaled \$17,742 and \$8,244, respectively. Total capital outlay for the purchase of property and equipment for the years ended December 31, 2012 and 2011, was \$66,279 and \$129,288, respectively.

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2012 and 2011, are available for the following purposes or time periods:

	<u>2012</u>	<u>2011</u>
Time restrictions	\$ 42,250	\$ 128,800
Purpose restrictions:		
Disaster Relief	5,364	5,736
Other Projects	<u>1,739</u>	<u>1,739</u>
Total Temporarily Restricted Net Assets	<u>\$ 49,353</u>	<u>\$ 136,275</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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Time restrictions	\$ 130,000	\$ -
Purpose restrictions:		
Disaster Relief (Special Projects)	372	-
Kibera School for Girls	-	14,124
Margaret's Safe Place Project	<u>-</u>	<u>4,048</u>
	<u>\$ 130,372</u>	<u>\$ 18,172</u>

**NOTE 6 - LEASE COMMITTEMENT**

The Organization leases office space in New York, New York, under a month-to-month operating lease that was entered into on July 1, 2012. Rental expense totaled \$9,600 for the year ended December 31, 2012.