

SHINING HOPE FOR COMMUNITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

SHINING HOPE FOR COMMUNITIES, INC.

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Independent Auditors' Report

To the Board of Directors
Shining Hope for Communities, Inc.
Middletown, Connecticut

We have audited the accompanying statement of financial position of Shining Hope for Communities, Inc., as of December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year 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 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 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 audit provides 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

August 23, 2011

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 390,579
Contributions receivable	31,239
Total current assets	<u>421,818</u>

Property and Equipment, Net

80,562

Total Assets

\$ 502,380

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued liabilities	\$ <u>5,000</u>
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Net Assets

Unrestricted:	
Designated	375,000
Undesignated	102,469
Total unrestricted net assets	<u>477,469</u>
Temporarily restricted	19,911
Total net assets	<u><u>497,380</u></u>

Total Liabilities and Net Assets

\$ 502,380

The accompanying notes are an integral part of the financial statements

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Changes in Unrestricted Net Assets

Revenues, gains and other support:

Grants and awards	\$ 340,100
Contributions	188,297
Donated legal services	41,167
Sponsorships	18,425
Other income	5,373
Total revenues, gains and other support	593,362

Expenses

Program services:

Johanna Justin-Jinich Community Clinic	57,566
Kibera School for Girls	22,183
Shining Hope Community Center	10,417
Research initiative project	4,978
Margaret's Safe Place project	2,952
Water and sanitation project	3,045
Total program services	101,141

Supporting services:

General and administrative	64,540
Fund raising	8,277
Total supporting services	72,817

Total expenses	173,958
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Increase in unrestricted net assets	419,404
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Changes in Temporarily Restricted Net Assets

Contributions	19,911
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Increase in Net Assets	439,315
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Net Assets - Beginning of Year	58,065
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Net Assets - End of Year	\$ 497,380
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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			Grand Total
	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	
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
Legal - in-kind	-	-	-	-	-	-	-	41,167	-	41,167	41,167
Occupancy and services	3,441	4,825	3,140	669	1,027	329	13,431	1,494	1,921	3,415	16,846
Travel	12,000	-	-	-	-	-	12,000	771	1,440	2,211	14,211
Medical supplies	9,286	-	-	-	-	-	9,286	-	-	-	9,286
Meals and entertainment	643	4,089	83	691	583	31	6,120	79	852	931	7,051
Office supplies	147	1,301	100	225	-	3	1,776	2,249	2,429	4,678	6,454
Medications	5,148	383	-	-	-	-	5,531	-	-	-	5,531
Professional fees	-	-	-	-	-	-	-	5,413	-	5,413	5,413
Transportation	231	524	467	985	16	134	2,357	580	429	1,009	3,366
Classroom supplies	-	2,580	-	-	-	-	2,580	-	-	-	2,580
Other	91	84	-	-	-	-	175	5,382	-	5,382	5,557
Organizational dues	6	64	525	-	-	131	726	923	-	923	1,649
Rent	-	-	-	-	1,213	-	1,213	85	-	85	1,298
Bank charges	-	-	-	-	-	-	-	1,239	-	1,239	1,239
Insurance	-	-	-	-	-	-	-	1,002	-	1,002	1,002
Total expenses before depreciation and amortization	56,279	22,008	8,179	4,978	2,952	1,069	95,465	64,540	8,277	72,817	168,282
Depreciation and amortization	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

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows from Operating Activities	
Change in net assets	\$ 439,315
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	5,676
(Increase) decrease in operating assets:	
Contributions receivable	(31,239)
Other assets	3,667
Increase in operating liabilities:	
Accrued liabilities	5,000
Net cash provided by operating activities	<u>422,419</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(51,412)</u>
Net cash used in investing activities	<u>(51,412)</u>
Net Increase in Cash and Cash Equivalents	371,007
Cash and Cash Equivalents - Beginning of Year	<u>19,572</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 390,579</u></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, 2010 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 August 23, 2011, which represents the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give from donors for general operations as of December 31, 2010, but whose payments were not received until subsequent to year end.

SHINING HOPE FOR COMMUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 consist of the following:

Land	\$ 2,537
Equipment	16,028
Buildings and improvements	<u>68,072</u>
	86,637
Less accumulated depreciation	<u>6,075</u>
Net Property and Equipment	<u><u>\$ 80,562</u></u>

Depreciation expense for the year ended December 31, 2010 was \$5,676. Total capital outlays for the purchase of property and equipment for the year ended December 31, 2010 was \$51,412.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2010 are available for the following purposes:

Kibera School for Girls	\$ 14,124
Margaret's Safe Place project	4,048
Other projects	963
Community Health Workers	<u>776</u>
	<u><u>\$ 19,911</u></u>

NOTE 5 - 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.