

**FINANCIAL STATEMENTS**



Shining Hope  
for Communities

**FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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

### Opinion

We have audited the accompanying financial statements of Shining Hope for Communities, Inc. (SHOFCO), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SHOFCO as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SHOFCO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SHOFCO's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SHOFCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SHOFCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2021 AND 2020

## ASSETS

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 22,954,001	\$ 6,749,529
Investments	11,461,572	8,465,170
Grants and other receivables	1,566,864	1,134,396
Prepaid expenses and other assets	<u>159,496</u>	<u>167,088</u>
Total current assets	<u>36,141,933</u>	<u>16,516,183</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	428,058	396,534
Buildings and improvements	2,833,546	2,708,250
Program equipment	838,161	720,417
Water supply infrastructure	1,574,594	1,480,723
Software	68,742	68,742
Vehicles	<u>239,427</u>	<u>145,454</u>
	5,982,528	5,520,120
Less: Accumulated depreciation and amortization	<u>(1,663,551)</u>	<u>(1,270,665)</u>
Net property and equipment	<u>4,318,977</u>	<u>4,249,455</u>
<b>NONCURRENT ASSETS</b>		
Security deposits	6,750	21,671
Construction in progress	188,011	120,075
Grants and other receivables, net of current portion and discount	<u>2,067,410</u>	<u>-</u>
Total noncurrent assets	<u>2,262,171</u>	<u>141,746</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 42,723,081</u></b>	<b><u>\$ 20,907,384</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Loan payable	\$ -	\$ 89,879
Accounts payable and accrued liabilities	227,855	317,425
Refundable advances	<u>-</u>	<u>64,831</u>
Total liabilities	<u>227,855</u>	<u>472,135</u>
<b>NET ASSETS</b>		
Without donor restrictions	36,031,925	16,496,852
With donor restrictions	<u>6,463,301</u>	<u>3,938,397</u>
Total net assets	<u>42,495,226</u>	<u>20,435,249</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 42,723,081</u></b>	<b><u>\$ 20,907,384</u></b>

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$ 20,804,960	\$ 4,209,131	\$ 25,014,091
Individual contributions	2,817,846	654,835	3,472,681
Corporate contributions	1,169,837	634,916	1,804,753
Project income	42,855	-	42,855
In-kind contributions	12,206	-	12,206
Investment income, net	5,767	-	5,767
Loss on disposal of fixed assets	(5,333)	-	(5,333)
Currency loss	(4,685)	-	(4,685)
Net assets released from donor restrictions	<u>2,973,978</u>	<u>(2,973,978)</u>	<u>-</u>
Total support and revenue	<u>27,817,431</u>	<u>2,524,904</u>	<u>30,342,335</u>
<b>EXPENSES</b>			
Program Services:			
Health	1,268,678	-	1,268,678
WASH	349,495	-	349,495
Essential Services	411,486	-	411,486
Sustainable Livelihoods	432,958	-	432,958
Girls Leadership and Education	1,054,763	-	1,054,763
SUN	2,268,137	-	2,268,137
SACCO	152,815	-	152,815
Kenya Program Operations	<u>1,093,818</u>	<u>-</u>	<u>1,093,818</u>
Total program services	<u>7,032,150</u>	<u>-</u>	<u>7,032,150</u>
Supporting Services:			
General and Administrative	781,684	-	781,684
Development	<u>558,403</u>	<u>-</u>	<u>558,403</u>
Total supporting services	<u>1,340,087</u>	<u>-</u>	<u>1,340,087</u>
Total expenses	<u>8,372,237</u>	<u>-</u>	<u>8,372,237</u>
Changes in net assets before other item	19,445,194	2,524,904	21,970,098
<b>OTHER ITEM</b>			
Extinguishment of debt	<u>89,879</u>	<u>-</u>	<u>-</u>
Changes in net assets	19,535,073	2,524,904	22,059,977
Net assets at beginning of year	<u>16,496,852</u>	<u>3,938,397</u>	<u>20,435,249</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 36,031,925</u></b>	<b><u>\$ 6,463,301</u></b>	<b><u>\$ 42,495,226</u></b>

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$ 2,541,997	\$ 6,724,821	\$ 9,266,818
Individual contributions	1,868,012	955,707	2,823,719
Corporate contributions	74,901	128,137	203,038
Government grants	60,855	-	60,855
Project income	51,228	-	51,228
In-kind contributions	538,967	-	538,967
Investment income, net	108,211	-	108,211
Loss on disposal of assets	(5,476)	-	(5,476)
Currency gain	340	-	340
Net assets released from donor restrictions	<u>7,323,212</u>	<u>(7,323,212)</u>	<u>-</u>
Total support and revenue	<u>12,562,247</u>	<u>485,453</u>	<u>13,047,700</u>
<b>EXPENSES</b>			
Program Services:			
Health	1,486,451	-	1,486,451
WASH	2,009,437	-	2,009,437
Essential Services	391,118	-	391,118
Sustainable Livelihoods	157,510	-	157,510
Girls Leadership and Education	968,362	-	968,362
SUN	1,696,850	-	1,696,850
SACCO	133,104	-	133,104
Kenya Program Operations	<u>808,157</u>	<u>-</u>	<u>808,157</u>
Total program services	<u>7,650,989</u>	<u>-</u>	<u>7,650,989</u>
Supporting Services:			
General and Administrative	760,278	-	760,278
Development	<u>597,081</u>	<u>-</u>	<u>597,081</u>
Total supporting services	<u>1,357,359</u>	<u>-</u>	<u>1,357,359</u>
Total expenses	<u>9,008,348</u>	<u>-</u>	<u>9,008,348</u>
Changes in net assets	3,553,899	485,453	4,039,352
Net assets at beginning of year	<u>12,942,953</u>	<u>3,452,944</u>	<u>16,395,897</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 16,496,852</u></b>	<b><u>\$ 3,938,397</u></b>	<b><u>\$ 20,435,249</u></b>

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					SUN
	Health	WASH	Essential Services	Sustainable Livelihoods	Girls Leadership and Education	
Salaries with benefits and taxes	\$ 433,069	\$ 57,861	\$ 177,717	\$ 85,279	\$ 584,763	\$ 593,380
Professional fees	77,727	20,159	20,952	21,533	66,087	136,627
Repairs and maintenance	52,033	8,075	1,621	386	32,726	16,477
Rent	7,293	1,282	1,848	5,011	11,951	68,963
Program supplies	114,121	40,237	121,218	61,918	158,290	701,827
Medical supplies	166,120	-	4	-	319	28
Program food	5,795	304	7,603	7,351	18,645	35,628
Travel and transportation	15,964	6,353	24,494	9,449	15,966	91,803
Service fees	289,572	44,764	8,987	68,182	23,631	179,350
Bank charges	1,567	384	792	469	1,207	2,527
Events and training	-	-	4,436	-	2,625	7,754
Marketing and promotions	4,437	535	586	317	797	30,861
Printing	1,447	23	361	44	2,612	6,776
Telecom and communications	4,736	1,420	5,661	1,791	3,163	43,107
Program equipment, software and rentals	33,609	12,819	23,604	13,667	37,841	98,442
Utilities	45	-	446	28	483	50,649
Uniforms	1,385	-	-	-	1,395	670
Miscellaneous	407	(62)	591	(76)	1,016	3,721
Scholarships	4,278	1,193	1,385	115,670	18,754	118,618
Grant to individuals	-	-	-	-	-	66,465
Grants to other organizations	-	-	3,009	39,397	-	-
Total expense before depreciation and amortization	1,213,605	195,347	405,315	430,416	982,271	2,253,673
Depreciation and amortization	55,073	154,148	6,171	2,542	72,492	14,464
<b>TOTAL</b>	<b>\$ 1,268,678</b>	<b>\$ 349,495</b>	<b>\$ 411,486</b>	<b>\$ 432,958</b>	<b>\$ 1,054,763</b>	<b>\$ 2,268,137</b>



## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services (Continued)			Supporting Services			
	SACCO	Kenya Program Operations	Total Program Services	General and Administrative	Development	Total Supporting Services	Total Expenses
Salaries with benefits and taxes	\$ 65,432	\$ 575,810	\$ 2,573,311	\$ 400,385	\$ 285,990	\$ 686,375	\$ 3,259,686
Professional fees	7,610	45,664	396,359	258,818	184,870	443,688	840,047
Repairs and maintenance	4,505	44,964	160,787	306	219	525	161,312
Rent	554	10,387	107,289	18,826	13,447	32,273	139,562
Program supplies	961	21,043	1,219,615	9,114	6,510	15,624	1,235,239
Medical supplies	-	-	166,471	-	-	-	166,471
Program food	424	3,645	79,395	497	355	852	80,247
Travel and transportation	1,047	30,879	195,955	24,591	17,565	42,156	238,111
Service fees	2,485	50,192	667,163	6,127	4,376	10,503	677,666
Bank charges	166	14,612	21,724	5,636	4,026	9,662	31,386
Events and training	-	439	15,254	-	-	-	15,254
Marketing and promotions	112	2,359	40,004	3,813	2,724	6,537	46,541
Printing	464	9,757	21,484	332	237	569	22,053
Telecom and communications	242	33,754	93,874	8,223	5,874	14,097	107,971
Program equipment, software and rentals	3,531	106,113	329,626	18,138	12,956	31,094	360,720
Utilities	-	77,631	129,282	-	-	-	129,282
Uniforms	-	594	4,044	-	-	-	4,044
Miscellaneous	(27)	1,218	6,788	(995)	(655)	(1,650)	5,138
Scholarships	515	-	260,413	17,520	12,514	30,034	290,447
Grant to individuals	-	-	66,465	-	-	-	66,465
Grants to other organizations	59,278	-	101,684	-	-	-	101,684
Total expense before depreciation and amortization	147,299	1,029,061	6,656,987	771,331	551,008	1,322,339	7,979,326
Depreciation and amortization	5,516	64,757	375,163	10,353	7,395	17,748	392,911
<b>TOTAL</b>	<b>\$ 152,815</b>	<b>\$ 1,093,818</b>	<b>\$ 7,032,150</b>	<b>\$ 781,684</b>	<b>\$ 558,403</b>	<b>\$ 1,340,087</b>	<b>\$ 8,372,237</b>

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					SUN
	Health	WASH	Essential Services	Sustainable Livelihoods	Girls Leadership and Education	
Salaries with benefits and taxes	\$ 837,485	\$ 532,830	\$ 268,341	\$ 70,829	\$ 564,724	\$ 513,208
Professional fees	9,112	1,634	2,015	300	29,544	56,010
Repairs and maintenance	17,854	9,479	11,299	622	15,168	13,945
Rent	16,348	1,336	9,233	4,267	20,571	39,949
Program supplies	302,413	1,250,553	12,022	66,376	86,728	292,155
Medical supplies	125,613	-	-	-	9,937	488
Program food	15,068	4,247	13,189	4,185	35,708	366,412
Travel and transportation	15,971	33,061	25,817	1,946	43,626	53,720
Service fees	27,296	9,994	8,236	1,588	27,428	27,225
Bank charges	144	2,148	40	-	7	104
Events and training	2,928	-	464	-	927	26,035
Marketing and promotions	-	387	3,487	-	-	2,935
Printing	8,227	200	1,075	44	2,159	10,602
Telecom and communications	7,725	950	7,440	1,993	11,147	45,752
Program equipment, software and rentals	8,893	7,690	4,259	2,398	5,695	89,641
Utilities	16,020	7,612	9,700	2,384	14,498	14,524
Uniforms	-	-	776	-	14,480	1,715
Miscellaneous	8,186	100	235	94	6,089	716
Scholarships	-	-	410	-	32,612	80,670
Grant to individuals	-	-	-	-	-	32,253
Grants to other organizations	1,022	7,367	-	-	-	20,381
Total expense before depreciation and amortization	1,420,305	1,869,588	378,038	157,026	921,048	1,688,440
Depreciation and amortization	66,146	139,849	13,080	484	47,314	8,410
<b>TOTAL</b>	<b>\$ 1,486,451</b>	<b>\$ 2,009,437</b>	<b>\$ 391,118</b>	<b>\$ 157,510</b>	<b>\$ 968,362</b>	<b>\$ 1,696,850</b>

See accompanying notes to financial statements.

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services (Continued)			Supporting Services			
	SACCO	Kenya Program Operations	Total Program Services	General and Administrative	Development	Total Supporting Services	Total Expenses
Salaries with benefits and taxes	\$ 59,846	\$ 573,121	\$ 3,420,384	\$ 312,474	\$ 362,652	\$ 675,126	\$ 4,095,510
Professional fees	2,514	27,328	128,457	265,906	192,034	457,940	586,397
Repairs and maintenance	380	7,699	76,446	280	-	280	76,726
Rent	702	12,024	104,430	68,825	-	68,825	173,255
Program supplies	718	7,856	2,018,821	5,001	24	5,025	2,023,846
Medical supplies	-	-	136,038	-	-	-	136,038
Program food	785	4,539	444,133	257	-	257	444,390
Travel and transportation	701	15,691	190,533	3,826	1,703	5,529	196,062
Service fees	1,159	10,007	112,933	65,754	1,676	67,430	180,363
Bank charges	-	20,524	22,967	516	20	536	23,503
Events and training	464	1,249	32,067	4,269	1,268	5,537	37,604
Marketing and promotions	1,125	94	8,028	31	19,241	19,272	27,300
Printing	526	2,808	25,641	619	-	619	26,260
Telecom and communications	995	5,746	81,748	3,180	246	3,426	85,174
Program equipment, software and rentals	9,298	42,968	170,842	24,849	17,574	42,423	213,265
Utilities	998	18,419	84,155	1,400	-	1,400	85,555
Uniforms	-	-	16,971	-	-	-	16,971
Miscellaneous	-	5,288	20,708	1,429	-	1,429	22,137
Scholarships	-	-	113,692	-	-	-	113,692
Grant to individuals	-	-	32,253	-	-	-	32,253
Grants to other organizations	47,524	-	76,294	-	-	-	76,294
Total expense before depreciation and amortization	127,735	755,361	7,317,541	758,616	596,438	1,355,054	8,672,595
Depreciation and amortization	5,369	52,796	333,448	1,662	643	2,305	335,753
<b>TOTAL</b>	<b>\$ 133,104</b>	<b>\$ 808,157</b>	<b>\$ 7,650,989</b>	<b>\$ 760,278</b>	<b>\$ 597,081</b>	<b>\$ 1,357,359</b>	<b>\$ 9,008,348</b>

See accompanying notes to financial statements.

## SHINING HOPE FOR COMMUNITIES, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 22,059,977	\$ 4,039,352
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	392,911	335,753
Loss on write-off of obsolete intangible assets	-	25,010
Loss (gain) on disposal of property and equipment	5,333	(19,534)
Change in discount on long-term receivables	45,710	-
Extinguishment of debt	(89,879)	-
Unrealized loss on investments	42,811	823
(Increase) decrease in:		
Grants and other receivables	(2,545,588)	(443,151)
Inventory	-	9,296
Prepaid expenses and other assets	7,592	29,020
Security deposits	14,921	8,918
(Decrease) increase in:		
Accounts payable and accrued liabilities	(89,570)	(103,262)
Refundable advances	(64,831)	64,831
Net cash provided by operating activities	<u>19,779,387</u>	<u>3,947,056</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,039,213)	(1,115,898)
Purchases of property and equipment	(367,561)	(59,743)
Proceeds from sales of property and equipment	-	19,778
Payments for construction in progress	(168,141)	(518,481)
Payments made to acquire intangible assets	-	(8,079)
Repayment of loans from SACCO	-	79,483
Net cash used by investing activities	<u>(3,574,915)</u>	<u>(1,602,940)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds received	-	89,879
Net cash provided by financing activities	<u>-</u>	<u>89,879</u>
Net increase in cash and cash equivalents	16,204,472	2,433,995
Cash and cash equivalents at beginning of year	<u>6,749,529</u>	<u>4,315,534</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 22,954,001</u></b>	<b><u>\$ 6,749,529</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Extinguishment of Debt	<u>\$ 89,879</u>	<u>\$ -</u>
Transfer of Assets from Construction in Progress to Buildings and Improvements	<u>\$ 94,872</u>	<u>\$ 803,150</u>

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 maintained \$837,602 and \$277,857 in cash and cash equivalents in a financial institution (and also on hand) in Kenya as of December 31, 2021 and 2020, respectively. The majority of these funds held in Kenya are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

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

Investments (continued) -

Investments acquired by gift are recorded at their fair value at the date of the gift. SHOFCO's policy is to liquidate all gifts of investments as soon as possible after the gift.

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 collectable. 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 (or amortized) 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. Property and equipment purchased with restricted funds is shown as a release from temporarily restricted net assets in the Statements of Activities and Changes in Net Assets in the year the asset is placed in service.

The total acquisition value of property and equipment held in Kenya, excluding construction in progress, aggregated \$5,847,478 and \$5,580,984 as of December 31, 2021 and 2020, respectively. Depreciation and amortization expense totaled \$392,911 and \$335,753 during the years ended December 31, 2021 and 2020, respectively.

Construction in progress -

Construction in progress consists of buildings and related assets that are not yet completed, and thus have not been placed in service as of fiscal year-end. Accordingly, there is no depreciation taken on these assets until such time when they are placed in service.

Intangible assets -

Intangible assets include patents pending approval. Upon approval, the useful life will be determined, and amortization will commence. Intangible assets deemed obsolete are written-off during the reporting period those assets are deemed obsolete. During the year ended December 31, 2020, all intangible assets acquired were deemed obsolete and accordingly written-off.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statements of Activities and Changes in Net Assets, to its current fair value. Other than the write-off of intangible assets discussed above, there were no asset impairments during the years ended December 31, 2021 and 2020.

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, 2021 AND 2020

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

Uncertain tax positions -

For the years ended December 31, 2021 and 2020, SHOFSCO 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.

Revenue recognition -

The majority of SHOFSCO's revenue is received through awards from individuals, corporations, foundations, and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. SHOFSCO performs an analysis of each award to determine if the revenue streams follow the contribution rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 presented as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. At a minimum, SHOFSCO considers any awards from governments to be conditional assistance, and accordingly have been recognized in the accompanying financial statements as revenue (without donor restrictions) at such time when the conditions have been met. Funds received in advance of the incurrence of qualifying expenditures (under conditional awards) are recorded as refundable advances; total refundable advances recognized in the accompanying financial statements as of December 31, 2020 aggregated \$64,831 (none as of December 31, 2021). Unrecognized conditional assistance awards as of December 31, 2021 and 2020 totaled approximately \$3,784,000 and \$3,967,000, respectively.

Revenue classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and is recorded when the performance obligations are met; the revenue is recognized as "without donor restrictions" and the transaction price is based on the criteria stipulated in the agreements. For Project Income, recognition of revenue occurs at the point in time when the sale is transacted (and invoiced to customers). Any funds received in advance of revenue recognition are recorded as deferred revenue.

Functional currency reporting -

SHOFSCO maintains cash in U.S. Dollars (USD) and in Kenya Shilling (KES).

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

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

Functional currency reporting (continued) -

All non-USD revenues and expenses are reported in the Statements of Activities and Changes in Net Assets and have been translated to USD using average monthly exchange rates throughout the year. All year-end assets and liabilities (held in foreign currency) have been revalued at the current spot rates. Exchange rate variances have been offset against support and revenue in the Statements of Activities and Changes in Net Assets.

In-kind contributions -

In-kind contributions consist of donated office space, program materials and equipment, professional services, and are recorded at their fair value as of the date of the gift. SHOFCO also receives contributions of assets (with a service life greater than one year), which are recognized as revenue with donor restrictions in the year of the donation. Once these assets are placed in service, they are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as releases from donor restrictions.

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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of SHOFCO are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Investment risks and uncertainties -

SHOFCO invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

SHOFCO adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. SHOFCO accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.



## SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 20201. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

## Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

## New accounting pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities with fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

SHOFCO plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

## 2. INVESTMENTS

SHOFCO's investments were held in one fixed income mutual fund as of December 31, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Fixed Income Mutual Fund</b>	<b><u>\$ 11,493,335</u></b>	<b><u>\$ 11,461,572</u></b>	<b><u>\$ 8,454,122</u></b>	<b><u>\$ 8,465,170</u></b>

Included in investment income are the following during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends (net of management fees)	\$ 48,578	\$ 109,034
Unrealized loss on investments	<u>(42,811)</u>	<u>(823)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 5,767</u></b>	<b><u>\$ 108,211</u></b>

## SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**3. LOANS RECEIVABLE**

SHOFCO Sacco (SACCO) is a savings and credit cooperative that was established under the Cooperatives Act of Kenya and is overseen by the Ministry of Industrialization, Trade, and Enterprise Development. SACCO has over 4,700 members, and approximately 7% of members are SHOFCO staff. Members own SACCO by virtue of owning shares and savings. Members meet once a year during the annual general meeting (AGM) where they select the governing Board. SACCO receives support from SHOFCO as follows:

- Loan capital to support cashflow needs. SACCO has repaid its loan as of December 2020. The loan capital is necessary during the early stages of SACCO formation when the demand for member loans tends to exceed the rate of membership savings. Typically, cooperatives borrow money at high-interest rates to meet this loan demand.

During 2019, SHOFCO provided SACCO 8,000,000 Kenyan Shillings (\$79,483) of loan capital. During the year ended December 31, 2020, SACCO repaid the entire balance in full. SHOFCO did not provide SACCO any additional loan capital during the years ended December 31, 2021 and 2020.

While SACCO is supported by SHOFCO, it is wholly owned by its members and SHOFCO has no influence or control over the organization. Accordingly, the financial statements of SHOFCO and SACCO are not consolidated for financial statement reporting purposes.

**4. GRANTS AND OTHER RECEIVABLES**

As of December 31, 2021 and 2020, contributors to SHOFCO have made written promises to give of which \$3,679,984 and \$1,134,396, respectively, has yet to be received. Grants and other receivables due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 0.73%.

Grants and other receivables are due as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 1,566,864	\$ 1,134,396
One to five years	<u>2,113,120</u>	<u>-</u>
Beyond five years		
Total	3,679,984	1,134,396
Less: Allowance to discount balance to present value	<u>(45,710)</u>	<u>-</u>
<b>GRANTS AND OTHER RECEIVABLES</b>	<b><u>\$ 3,634,274</u></b>	<b><u>\$ 1,134,396</u></b>

**5. LOAN PAYABLE**

On May 4, 2020, SHOFCO received loan proceeds in the amount of \$89,879 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the loan proceeds were to be used for certain qualifying expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA).

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

5. LOAN PAYABLE (Continued)

During the year ended December 31, 2021, SHOFCO expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness. SHOFCO received notification that the total amount of the PPP loan was forgiven by the SBA on March 9, 2021; accordingly, SHOFCO recorded revenue from extinguishment of debt (presented as an "Other Item" in the accompanying Statement of Activities and Changes in Net Assets) during the year ended December 31, 2021.

6. BOARD DESIGNATED NET ASSETS

The Board of Directors of SHOFCO has designated a portion of the net assets without restrictions 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 SHOFCO will be able to uphold the commitments made to the students and Kibera community in a sustainable way. As of December 31, 2021 and 2020, SHOFCO's "net assets without restrictions" included \$750,000 of Board designated net assets.

Following is a reconciliation of SHOFCO's net assets without restrictions at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated net assets	\$ 35,281,925	\$ 15,746,852
Board designated net assets	<u>750,000</u>	<u>750,000</u>
<b>TOTAL NET ASSETS WITHOUT RESTRICTIONS</b>	<b><u>\$ 36,031,925</u></b>	<b><u>\$ 16,496,852</u></b>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program	\$ 6,088,301	\$ 3,463,397
Time restricted	<u>375,000</u>	<u>475,000</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b><u>\$ 6,463,301</u></b>	<b><u>\$ 3,938,397</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2021</u>	<u>2020</u>
Program	\$ 2,873,978	\$ 7,030,029
Passage of time	<u>100,000</u>	<u>293,183</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,973,978</u></b>	<b><u>\$ 7,323,212</u></b>

## SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

## 8. LIQUIDITY AND AVAILABILITY

SHOFCO regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The financial assets available within one year of the Statements of Financial Position date for general expenditures as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 22,954,001	\$ 6,749,529
Investments	11,461,572	8,465,170
Grants and other receivables	<u>1,566,864</u>	<u>1,134,396</u>
Subtotal financial assets	35,982,437	16,349,095
Less: Amounts unavailable for general expenditures within one year due to donor's restriction	(6,088,301)	(3,463,397)
Less: Amounts unavailable to management without Board approval: Board designated Shining Hope Fund	<u>(750,000)</u>	<u>(750,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 29,144,136</u></b>	<b><u>\$ 12,135,698</u></b>

SHOFCO has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due.

Management is focused on sustaining the financial liquidity of Shining Hope for Communities throughout the year. This is done through monitoring and reviewing the cash flow needs on a monthly basis. As a result, management is aware of the cyclical nature of SHOFCO's cash flow related to the various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in a fixed-income mutual fund.

Shining Hope for Communities can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. Additionally, Shining Hope for Communities has Board designated net assets that could be available for current operations with Board approval, if necessary.

## 9. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2021 and 2020, SHOFCO was the beneficiary of donated office space, program materials and equipment, and legal services, which allowed SHOFCO to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated office space	\$ 12,206	\$ 14,817
Donated program materials and equipment	-	473,266
Donated consulting fees	-	50,000
Donated legal services	<u>-</u>	<u>884</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$ 12,206</u></b>	<b><u>\$ 538,967</u></b>

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

**10. LEASE COMMITMENTS**

SHOFCO leases its headquarters office space in New York City under a month-to-month agreement. Base rent varies depending on the number of offices/desks rented. Additionally, the lease may be terminated with 60 days notice. During the years ended December 31, 2021 and 2020, SHOFCO received substantial discounted rent from this landlord, which is recorded as an in-kind contribution (and included in rent expense) in the accompanying Statements of Activities and Changes in Net Assets.

Effective November 1, 2019, SHOFCO entered into a two year lease for office space in Nairobi, Kenya. Upon expiration on October 31, 2021, the lease was extended for another two years, through October 31, 2023. The lease requires monthly payments of KES 300,000 (roughly \$2,675).

Rent expense during the years ended December 31, 2021 and 2020 totaled \$139,562 and \$173,255, respectively.

The following is a schedule of the future minimum lease payments for the Kenya office:

<u>Year Ending December 31</u>	
2022	\$ 32,100
2023	<u>26,570</u>
	<b><u>\$ 58,670</u></b>

**11. 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 three months to be eligible for participation. SHOFCO provides a 100% match of each eligible employee's contribution, up to 4% of covered compensation. Contributions to the Plan during the years ended December 31, 2021 and 2020 totaled \$18,489 and \$18,553, respectively.

**12. CONCENTRATION OF REVENUE**

Approximately 66% of SHOFCO's revenue for the year ended December 31, 2021 was derived from a grant from a single donor. SHOFCO has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the SHOFCO's ability to finance ongoing operations.

**13. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, SHOFCO has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

13. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market SHOFCO has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2021 and 2020.

*Mutual Funds* - Valued at the daily closing price as reported by the fund. The mutual fund held by SHOFCO is an open-end mutual fund that is registered with the SEC. The fund is required to publish its daily net asset value (NAV) and to transact at that price. The mutual fund held by SHOFCO is deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, SHOFCO's investments as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Fixed Income Mutual Fund	\$ <u>11,461,572</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,461,572</u>

The table below summarizes, by level within the fair value hierarchy, SHOFCO's investments as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Fixed Income Mutual Fund	\$ <u>8,465,170</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,465,170</u>

14. SUBSEQUENT EVENTS

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