

FINANCIAL STATEMENTS



Shining Hope
for Communities

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

SHINING HOPE FOR COMMUNITIES, INC.

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CPAs & ADVISORS

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, 2023 and 2022, 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, 2023 and 2022, 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.

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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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

June 5, 2024

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

ASSETS		2023	2022
CURRENT ASSETS			
Cash and cash equivalents		\$ 21,252,667	\$ 30,793,593
Investments		22,359,099	11,562,879
Grants receivable		3,266,383	2,770,862
Prepaid expenses and other assets		<u>272,304</u>	<u>193,644</u>
Total current assets		<u>47,150,453</u>	<u>45,320,978</u>
PROPERTY AND EQUIPMENT			
Land		780,488	572,271
Buildings and improvements		3,422,956	3,247,127
Program equipment		1,038,708	909,854
Water supply infrastructure		1,936,705	1,631,719
Software		96,242	96,242
Vehicles		<u>918,836</u>	<u>206,226</u>
		8,193,935	6,663,439
Less: Accumulated depreciation and amortization		<u>(2,421,764)</u>	<u>(1,986,568)</u>
Net property and equipment		<u>5,772,171</u>	<u>4,676,871</u>
NONCURRENT ASSETS			
Security deposits		10,675	10,675
Construction in progress		2,374,296	743,326
Grants receivable, net		<u>761,996</u>	<u>2,466,439</u>
Total noncurrent assets		<u>3,146,967</u>	<u>3,220,440</u>
TOTAL ASSETS		<u>\$ 56,069,591</u>	<u>\$ 53,218,289</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 1,085,687	\$ 344,200
Refundable advances		<u>14,750,519</u>	<u>11,306,532</u>
Total liabilities		<u>15,836,206</u>	<u>11,650,732</u>
NET ASSETS			
Without donor restrictions		34,899,570	32,932,827
With donor restrictions		<u>5,333,815</u>	<u>8,634,730</u>
Total net assets		<u>40,233,385</u>	<u>41,567,557</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 56,069,591</u>	<u>\$ 53,218,289</u>

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Foundation grants	\$ 1,149,795	\$ 15,821,815	\$ 16,971,610
Individual contributions	1,532,806	56,511	1,589,317
Corporate contributions	42,181	-	42,181
Net investment return	857,893	-	857,893
In-kind contributions	19,562	-	19,562
Project income	2,833	-	2,833
Net assets released from donor restrictions	<u>19,179,241</u>	<u>(19,179,241)</u>	<u>-</u>
Total support and revenue	<u>22,784,311</u>	<u>(3,300,915)</u>	<u>19,483,396</u>
EXPENSES			
Program Services:			
Health	1,599,706	-	1,599,706
WASH	886,880	-	886,880
Essential Services	2,154,536	-	2,154,536
Sustainable Livelihoods	2,825,654	-	2,825,654
Girls Leadership and Education	1,422,842	-	1,422,842
SUN	2,496,549	-	2,496,549
SACCO	4,270,374	-	4,270,374
Kenya Program Operations	<u>3,745,891</u>	<u>-</u>	<u>3,745,891</u>
Total program services	<u>19,402,432</u>	<u>-</u>	<u>19,402,432</u>
Supporting Services:			
General and Administrative	789,466	-	789,466
Development	<u>662,201</u>	<u>-</u>	<u>662,201</u>
Total supporting services	<u>1,451,667</u>	<u>-</u>	<u>1,451,667</u>
Total expenses	<u>20,854,099</u>	<u>-</u>	<u>20,854,099</u>
Changes in net assets before other item	1,930,212	(3,300,915)	(1,370,703)
OTHER ITEM			
Currency gain	<u>36,531</u>	<u>-</u>	<u>36,531</u>
Changes in net assets	1,966,743	(3,300,915)	(1,334,172)
Net assets at beginning of year	<u>32,932,827</u>	<u>8,634,730</u>	<u>41,567,557</u>
NET ASSETS AT END OF YEAR	<u>\$ 34,899,570</u>	<u>\$ 5,333,815</u>	<u>\$ 40,233,385</u>

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Foundation grants	\$ 313,553	\$ 5,819,292	\$ 6,132,845
Individual contributions	2,116,310	31,132	2,147,442
Corporate contributions	70,500	-	70,500
Net investment return	131,132	-	131,132
In-kind contributions	8,676	-	8,676
Project income	52,784	-	52,784
Loss on disposal of assets	(8,253)	-	(8,253)
Net assets released from donor restrictions	<u>3,678,995</u>	<u>(3,678,995)</u>	<u>-</u>
Total support and revenue	<u>6,363,697</u>	<u>2,171,429</u>	<u>8,535,126</u>
EXPENSES			
Program Services:			
Health	1,253,551	-	1,253,551
WASH	782,398	-	782,398
Essential Services	497,871	-	497,871
Sustainable Livelihoods	548,729	-	548,729
Girls Leadership and Education	1,357,752	-	1,357,752
SUN	2,341,303	-	2,341,303
SACCO	97,170	-	97,170
Kenya Program Operations	<u>1,085,963</u>	<u>-</u>	<u>1,085,963</u>
Total program services	<u>7,964,737</u>	<u>-</u>	<u>7,964,737</u>
Supporting Services:			
General and Administrative	959,139	-	959,139
Development	<u>541,095</u>	<u>-</u>	<u>541,095</u>
Total supporting services	<u>1,500,234</u>	<u>-</u>	<u>1,500,234</u>
Total expenses	<u>9,464,971</u>	<u>-</u>	<u>9,464,971</u>
Changes in net assets before other item	(3,101,274)	2,171,429	(929,845)
OTHER ITEM			
Currency gain	<u>2,176</u>	<u>-</u>	<u>2,176</u>
Changes in net assets	(3,099,098)	2,171,429	(927,669)
Net assets at beginning of year	<u>36,031,925</u>	<u>6,463,301</u>	<u>42,495,226</u>
NET ASSETS AT END OF YEAR	<u>\$ 32,932,827</u>	<u>\$ 8,634,730</u>	<u>\$ 41,567,557</u>

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services					
	Health	WASH	Essential Services	Sustainable Livelihoods	Girls Leadership and Education	SUN
Salaries with benefits and taxes	\$ 1,203,692	\$ 272,138	\$ 556,183	\$ 585,377	\$ 739,874	\$ 1,178,380
Grants to other organizations	-	-	11,999	-	-	36,561
Professional fees	13,833	115,732	318,126	84,828	58,514	56,461
Scholarships	-	-	7,801	1,807,159	49,263	21,046
Program supplies	79,380	64,683	406,669	78,459	145,996	157,036
Program equipment, software, and rentals	30,203	173,875	90,869	69,406	34,977	192,221
Travel and transportation	18,889	6,249	188,173	40,924	58,683	153,370
Repairs and maintenance	30,061	14,842	273,656	17,610	48,376	52,567
Events and training	5,830	15,837	19,586	21,816	29,091	137,853
Program food	17,611	1,112	87,102	37,382	107,752	219,032
Miscellaneous	16,646	33,511	138,907	59,916	1,076	48,228
Rent	4,107	-	3,739	1,965	9,106	84,261
Service fees	13,669	5,623	12,873	2,975	33,698	13,863
Marketing and promotions	7,256	1,095	19,715	1,547	11,264	54,214
Medical supplies	112,220	1,297	701	-	7,230	-
Telecom and communications	6,887	1,650	6,395	4,442	23,631	31,100
Utilities	-	8,541	583	246	911	10,328
Printing	2,446	6,621	2,851	1,907	362	2,616
Bank charges	376	-	333	-	40	5
Uniforms	211	-	947	5,224	6,109	1,469
Total expense before depreciation and amortization	1,563,317	722,806	2,147,208	2,821,183	1,365,953	2,450,611
Depreciation and amortization	36,389	164,074	7,328	4,471	56,889	45,938
TOTAL	\$ 1,599,706	\$ 886,880	\$ 2,154,536	\$ 2,825,654	\$ 1,422,842	\$ 2,496,549

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services (Continued)			Supporting Services			Total Expenses
	SACCO	Kenya Program Operations	Total Program Services	General and Administrative	Development	Total Supporting Services	
Salaries with benefits and taxes	\$ 328,868	\$ 1,527,487	\$ 6,391,999	\$ 144,925	\$ 384,574	\$ 529,499	\$ 6,921,498
Grants to other organizations	3,785,181	10,558	3,844,299	20,119	-	20,119	3,864,418
Professional fees	25,866	1,129,470	1,802,830	294,046	227,591	521,637	2,324,467
Scholarships	-	-	1,885,269	-	-	-	1,885,269
Program supplies	9,924	86,200	1,028,347	1,997	710	2,707	1,031,054
Program equipment, software, and rentals	1,146	152,968	745,665	135,061	21,400	156,461	902,126
Travel and transportation	2,150	130,665	599,103	28,141	8,225	36,366	635,469
Repairs and maintenance	406	68,393	505,911	51	-	51	505,962
Events and training	44,862	228,375	503,250	427	-	427	503,677
Program food	-	23,738	493,729	850	1,491	2,341	496,070
Miscellaneous	-	1,620	299,904	633	1,273	1,906	301,810
Rent	30,939	16,298	150,415	80,057	4,389	84,446	234,861
Service fees	3,573	98,388	184,662	36,646	11,789	48,435	233,097
Marketing and promotions	24,636	19,751	139,478	20,109	499	20,608	160,086
Medical supplies	-	1,551	122,999	221	-	221	123,220
Telecom and communications	-	45,033	119,138	390	260	650	119,788
Utilities	45	68,297	88,951	-	-	-	88,951
Printing	-	14,044	30,847	4,284	-	4,284	35,131
Bank charges	-	17,917	18,671	4,916	-	4,916	23,587
Uniforms	-	392	14,352	-	-	-	14,352
Total expense before depreciation and amortization	4,257,596	3,641,145	18,969,819	772,873	662,201	1,435,074	20,404,893
Depreciation and amortization	12,778	104,746	432,613	16,593	-	16,593	449,206
TOTAL	\$ 4,270,374	\$ 3,745,891	\$ 19,402,432	\$ 789,466	\$ 662,201	\$ 1,451,667	\$ 20,854,099

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					
	Health	WASH	Essential Services	Sustainable Livelihoods	Girls Leadership and Education	SUN
Salaries with benefits and taxes	\$ 477,736	\$ 176,277	\$ 195,282	\$ 154,306	\$ 744,398	\$ 1,110,577
Grants to other organizations	-	-	10,109	-	-	-
Professional fees	89,908	259,333	30,472	25,295	73,050	144,844
Scholarships	-	-	-	163,964	44,717	55,515
Program supplies	137,202	54,699	93,700	26,656	189,445	183,601
Program equipment, software, and rentals	20,732	10,659	13,030	6,657	37,742	164,798
Travel and transportation	11,763	5,549	50,271	50,737	65,509	86,717
Repairs and maintenance	9,515	21,891	2,375	431	416	57,996
Events and training	23,807	22,042	8,534	3,260	24,290	16,335
Program food	11,886	1,958	13,048	5,111	34,613	73,670
Miscellaneous	8,011	5,556	2,364	34,911	4,063	40,335
Service fees	275,649	52,351	58,273	59,820	31,954	178,362
Rent	11,858	3,985	4,959	9,029	10,444	80,884
Marketing and promotions	178	1,303	124	74	312	52,463
Medical supplies	123,682	-	340	26	10,069	440
Telecom and communications	4,139	1,650	7,497	4,012	14,848	35,069
Utilities	742	5,521	100	-	687	4,347
Printing	192	257	766	79	411	430
Bank charges	750	381	713	266	726	1,764
Uniforms	81	-	-	516	5,367	373
Total expense before depreciation and amortization	1,207,831	623,412	491,957	545,150	1,293,061	2,288,520
Depreciation and amortization	45,720	158,986	5,914	3,579	64,691	52,783
TOTAL	\$ 1,253,551	\$ 782,398	\$ 497,871	\$ 548,729	\$ 1,357,752	\$ 2,341,303

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services (Continued)			Supporting Services			Total Expenses
	SACCO	Kenya Program Operations	Total Program Services	General and Administrative	Development	Total Supporting Services	
Salaries with benefits and taxes	\$ 73,271	\$ 402,106	\$ 3,333,953	\$ 513,001	\$ 288,097	\$ 801,098	\$ 4,135,051
Grants to other organizations	-	-	10,109	-	-	-	10,109
Professional fees	7,071	26,674	656,647	317,099	187,707	504,806	1,161,453
Scholarships	-	-	264,196	-	-	-	264,196
Program supplies	407	89,356	775,066	435	119	554	775,620
Program equipment, software, and rentals	333	83,084	337,035	18,690	22,768	41,458	378,493
Travel and transportation	2,173	28,742	301,461	10,292	9,429	19,721	321,182
Repairs and maintenance	43	110,263	202,930	54	-	54	202,984
Events and training	5,785	44,938	148,991	-	1,225	1,225	150,216
Program food	209	52,420	192,915	-	579	579	193,494
Miscellaneous	166	5,861	101,267	11,748	-	11,748	113,015
Service fees	713	60,852	717,974	20,959	6,469	27,428	745,402
Rent	495	7,533	129,187	35,033	8,102	43,135	172,322
Marketing and promotions	13	1,425	55,892	928	16,035	16,963	72,855
Medical supplies	-	1,081	135,638	-	-	-	135,638
Telecom and communications	19	46,566	113,800	120	193	313	114,113
Utilities	-	43,704	55,101	-	-	-	55,101
Printing	-	14,966	17,101	12	163	175	17,276
Bank charges	47	17,884	22,531	3,334	-	3,334	25,865
Uniforms	-	5,505	11,842	-	-	-	11,842
Total expense before depreciation and amortization	90,745	1,042,960	7,583,636	931,705	540,886	1,472,591	9,056,227
Depreciation and amortization	6,425	43,003	381,101	27,434	209	27,643	408,744
TOTAL	\$ 97,170	\$ 1,085,963	\$ 7,964,737	\$ 959,139	\$ 541,095	\$ 1,500,234	\$ 9,464,971

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,334,172)	\$ (927,669)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	435,196	408,744
Loss on disposal of property and equipment	-	8,253
Change in discount on long-term receivables	(125,817)	98,371
Extinguishment of debt	-	(2,176)
Realized loss on investments	25,770	-
Unrealized (gain) loss on investments	(333,912)	22,565
Decrease (increase) in:		
Grants receivable	1,334,739	(1,956,063)
Prepaid expenses and other assets	(78,660)	(34,148)
Security deposits	-	(3,925)
Increase in:		
Accounts payable and accrued liabilities	741,487	116,345
Refundable advances	<u>3,443,987</u>	<u>11,306,532</u>
Net cash provided by operating activities	<u>4,108,618</u>	<u>9,036,829</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(15,488,078)	(123,872)
Proceeds from sales of investments	5,000,000	-
Purchases of property and equipment	(1,530,496)	(591,730)
Payments for construction in progress	<u>(1,630,970)</u>	<u>(738,476)</u>
Net cash used by investing activities	<u>(13,649,544)</u>	<u>(1,454,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	<u>-</u>	<u>2,176</u>
Net cash provided by financing activities	<u>-</u>	<u>2,176</u>
Net (decrease) increase in cash and cash equivalents	(9,540,926)	7,584,927
Cash and cash equivalents at beginning of year	<u>30,793,593</u>	<u>23,208,666</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,252,667</u>	<u>\$ 30,793,593</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Transfer of Assets from Construction in Progress to Buildings and Improvements	<u>\$ 2,100,799</u>	<u>\$ 169,673</u>

See accompanying notes to financial statements.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Shining Hope for Communities, Inc. (SHOFCO) was formed as a non-profit organization in accordance with the laws of 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.

Program Services -

Health: 4 clinics provide primary health and preventative care, pre and postpartum care, child immunizations, comprehensive HIV care, family planning, cervical cancer screening, gender-based violence response, and a child nutrition program. HIV/AIDS (twice the national rate), infant mortality (slums are 4 times Nairobi average) and chronic malnutrition amongst children, 47% of whom are in Nairobi's slums. Low-cost medical services treat waterborne diseases, respiratory issues, malaria and other health problems, along with immunizations including TB, pentavalent, pneumococcal, oral polio, and measles. We maintain a Comprehensive Care Center for HIV/ AIDs patients that includes antiretroviral therapy, prevention of mother-to-child transmission, and mentor-mother support groups. A team of Community Health Workers & Volunteers (CHWs and CHVs) do home visits and improve access to preventive healthcare for residents with chronic or preventable health conditions.

WASH: Our water, sanitation, and hygiene (WASH) program provides clean, affordable water to residents across slums in Nairobi and Mombasa which are not formally connected to the city water supply. This is supported by community outreach and education on proper hygiene techniques and the importance of using clean water for consumption. Affordable clean water and sanitary pit latrines and our innovative aerial water piping system connects to water kiosks throughout Kibera and Mathare without tampering and contamination. Construction is currently underway to provide water supply in the Mshomoroni, Maweni, and Bangladesh slums in Mombasa. We charge \$1 per 1,000 liters, compared to \$2.65 charged by other vendors. In 2023, SHOFCO distributed an estimate of 23M litres reaching 37,541 users through 38 kiosks (water ATMs) in Kibera and 3 water points outside Kibera.

Essential Services:

Gender - Our Gender Program combats a high prevalence of domestic violence, community violence, and a lack of social safety nets in slum communities through violence prevention, risk mitigation, and response services. We provide sexual and reproductive health education, temporary shelter for women and girls and link survivors with our sustainable livelihoods program (above) to end the financial dependency that keeps many in unsafe situations. Door-to-door visits, awareness campaigns, legal advocacy support, mental health counseling and group therapy are provided. SHOFCO's support services and systems include gender safe houses, gender champion programs, and women's empowerment initiatives.

Community Libraries - Our community libraries provide free access to safe and quiet study space as well as reading materials to school-going children who would otherwise have no place for school work. The libraries create learning environments and promote literacy in the community offering reading material for all ages and all literacy levels. Our libraries offer literacy programs for children and adults, such as story time for young children, summer reading programs, and writing workshops for adults. They also play a vital role in promoting community engagement by hosting community events, book clubs, and other activities. Our libraries provide access to music and art materials, online learning platforms, and workshops on a variety of topics. These resources and programs are designed to promote creativity and personal growth and help individuals acquire the necessary skills for personal and professional development.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Program Services (continued) -

Sustainable Livelihoods: Amid high unemployment and focusing on youth and women, the Sustainable Livelihoods Program enables business and entrepreneurship skills training, vocational skills development, internships, and job placement. The SHOFCO Women's Empowerment Project (SWEPE), provides business training, support, and additional income for women, often survivors of GBV and especially those living with HIV. Our job readiness training teaches personal development, finding and applying for a job, CV and interview skills, work ethic, and work-life balance. SHOFCO partners with private enterprises to help find suitable employment after training is completed. In addition, our team has built relationships with local institutes with specialized training. In 2023, 76,614 slum residents participated in this program with 3,205 placed in jobs and internships and 549 small business start-ups launched.

Girls' Leadership and Education: Two SHOFCO schools in Kibera and Mathare (613 girls) slums provide a free Leadership and Education Program for girls, creating secure job prospects and creating the leaders of tomorrow with their decision-making informed by their personal experiences of slum-life and marginalization. 100% of our girls' matriculate to high school with top students scoring 414 out of 500 marks on the 2023 KCPE; a 100% pass rate versus 26% of the nation. After graduation, students receive mentorship and help with placements in top Kenyan and US high schools. SHOFCO provides seed capital for select students to implement learning projects in slum areas during school breaks. SHOFCO also supports after secondary school, securing access to universities in Kenya and in the US.

SHOFCO Urban Network (SUN): SUN empowers around 1.5m members to advocate for rights and provides basic services to slum dwellers, enabling economic and social growth, increasing collaboration, civic engagement and making Government more accountable. Members are given resources to improve living standards, through facilitation of community groups and peer-to-peer savings networks for business opportunities. A micro-life insurance scheme (@100 Ksh/month) has contributed to a Savings and Loan programme amounting to more than USD \$900k. SUN communities are organized in groups and represented by leaders, who are elected and serve as the liaison for knowledge sharing, projects and advocacy efforts.

SACCO Financial Services: Traditional banks and financial institutions have barriers to access, such as high fees and prohibitive loan requirements, further exacerbating the financial hardship faced by slum residents. The SHOFCO Savings and Credit Cooperative (SACCO) is a lending operation that encourages a culture of saving and provides access to loans, allowing community members to improve their economic status. Members join with a minimum deposit of \$10 and must wait six months before becoming eligible to borrow. Loan sizes vary based on product and individual needs, ranging from \$50 to \$7,000. Members must obtain guarantors to have their loans approved. SUN DUKA is a business-to-business model that supplies quality products at competitive prices in slum communities. The model aims to strengthen the capacity of slum retailers to grow into sustainable small and medium-sized businesses.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Basis of presentation (continued) -

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". Net assets set aside 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Financial assets held by SHOFCO that are subject to the guidance in FASB ASC 326 are project income receivables. SHOFCO implemented the ASU on January 1, 2023, using a modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

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 \$1,809,707 and \$214,582 in cash and cash equivalents in a financial institution (and also on hand) in Kenya as of December 31, 2023 and 2022, 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 return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets. 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.

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Grants receivable -

Grants receivable include unconditional promises to give that are expected to be collected in future years. Grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

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.

The total acquisition value of property and equipment held in Kenya, excluding construction in progress, aggregated \$8,174,820 and \$6,644,324 as of December 31, 2023 and 2022, respectively. Depreciation and amortization expense totaled \$435,196 and \$408,744, during the years ended December 31, 2023 and 2022, respectively. Depreciation and amortization expense on the statements of functional expenses includes the amortization of deferred implementation costs of \$14,010. Deferred implementation costs are included with prepaids and other assets on the accompanying statement of financial position.

SHOFCO has a variety of property and equipment primarily located in Kenya to assist with program delivery. Land and buildings include spaces and structures maintained to provide space for programs. Water supply infrastructure includes water treatment tanks and equipment for provision of clean water to communities. Program equipment includes computer and health care equipment. Vehicles are used for transportation of staff and communities served.

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.

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. There were no asset impairments during the years ended December 31, 2023 and 2022.

Income taxes -

SHOFCO is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. SHOFCO is not a private foundation.

Revenue from contracts with customers -

SHOFCO's project income is treated as exchange transaction revenue following ASC Topic 606. Project income is recorded when the performance obligations are met. SHOFCO has elected to opt out of all disclosures not required for nonpublic entities.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Revenue from contracts with customers (continued) -

Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. SHOFCO's contracts with customers generally have initial terms of one year or less.

Support from contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. SHOFCO performs an analysis of the individual contribution or grant agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions and grants 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. Contributions, including grants qualifying as contributions, that are unconditional but 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. Contributions and grants with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions and grants are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. SHOFCO's refundable advances totaled \$14,750,519 and \$11,306,532 as of December 31, 2023 and 2022, respectively.

In addition, SHOFCO may obtain funding source agreements related to conditional contributions, which will be received in future years. SHOFCO's unrecognized conditional contributions to be received in future years totaled approximately \$48,250,000 and \$63,000,000 as of December 31, 2023 and 2022, respectively.

Grant expense -

SHOFCO recognizes grant expense at the time grant negotiations are substantially complete with the grantee and the grant award has been approved by executive management. Grants that have been determined to be conditional, which depend on the occurrence of specified uncertain events, are not recorded until the conditions have been met. Those grants that have been awarded but yet to be paid are recorded as grants payable.

Functional currency reporting -

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

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

In-kind contributions -

In-kind contributions consist of donated office space and is recorded as revenue and rent expense in the period in which the rent is used by SHOFSCO. SHOFSCO values the donated rent by comparing the cost of the space as noted in the lease agreement to the amount paid by the SHOFSCO. There are no restrictions on the in-kind contributions.

SHOFSCO received the following in-kind contributions during the years ending December 31:

	2023	2022
Rent	\$ 19,562	\$ 8,676

In-kind contributions -

The following programs have benefited from these in-kind contributions:

	2023	2022
Health	\$ 342	\$ 276
Essential Services	311	122
Sustainable Livelihoods	164	314
Girls Leadership and Education	758	178
SUN	7,018	3,472
SACCO	2,577	-
Kenya Program Operations	1,357	218
General and Administrative	6,669	3,689
Development	366	407
TOTAL PROGRAMS BENEFITED	\$ 19,562	\$ 8,676

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 SHOFSCO 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.

SHINING HOPE FOR COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

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.

Reclassification -

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

2. INVESTMENTS AND 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. 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 were no transfers between levels in the fair value hierarchy during the years ended December 31, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

There have been no changes in the methodologies used as of December 31, 2023 and 2022.

- *Money Market Funds* - The fair value is equal to the reported net asset value of the fund.
- *Corporate Debt, U.S. Agency Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Private Equity Funds* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

US GAAP permits, as a practical expedient, the fair value of investments within scope to be estimated using the net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

The table below summarizes SHOFCO's investments by level within the fair value hierarchy and those measured at NAV as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 2,222,364	\$ -	\$ -	\$ 2,222,364
Corporate bonds	-	11,606,824	-	11,606,824
U.S. agency bonds	<u>3,308,631</u>	<u>-</u>	<u>-</u>	<u>3,308,631</u>
Sub total investments using fair value hierarchy	5,530,995	11,606,824	-	17,137,819
Private equity measured at NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,221,280</u>
TOTAL	<u>\$ 5,530,995</u>	<u>\$ 11,606,824</u>	<u>\$ -</u>	<u>\$ 22,359,099</u>

The table below summarizes, by level within the fair value hierarchy, SHOFCO's investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Corporate Bonds	<u>\$ 11,562,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,562,879</u>

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major asset category as of December 31, 2023:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
Scopia PX International Limited	<u>\$ 5,221,280</u>	<u>\$ -</u>	Daily	None

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Included in net investment return are the following:

	2023	2022
Interest and dividends (net of management fees)	\$ 554,694	\$ 153,697
Unrealized gain (loss) on investments	333,912	(22,565)
Realized loss on sales of investments	(25,770)	-
Management fees	(4,943)	-
TOTAL NET INVESTMENT RETURN	\$ 857,893	\$ 131,132

3. GRANTS RECEIVABLE

As of December 31, 2023 and 2022, contributors to SHOFCO have made written promises to give of which \$4,046,643 and \$5,381,382, respectively, has yet to be received. Grants receivable due in more than one year have been recorded at the present value of the estimated cash flows, using discount rates ranging from 0.73% to 4.43%.

Grants receivable are due as follows at December 31:

	2023	2022
Less than one year	\$ 3,266,383	\$ 2,770,862
One to five years	780,260	2,610,520
Total	4,046,643	5,381,382
Less: Allowance to discount balance to present value	(18,264)	(144,081)
GRANTS RECEIVABLE	\$ 4,028,379	\$ 5,237,301

4. 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, 2023 and 2022, 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:

	2023	2022
Undesignated net assets	\$ 34,149,570	\$ 32,182,827
Board designated net assets	750,000	750,000
TOTAL NET ASSETS WITHOUT RESTRICTIONS	\$ 34,899,570	\$ 32,932,827

SHINING HOPE FOR COMMUNITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Program	\$ 5,333,815	\$ 8,534,730
Time restricted	-	100,000
TOTAL NET ASSETS WITH RESTRICTIONS	<u>\$ 5,333,815</u>	<u>\$ 8,634,730</u>

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:

	2023	2022
Program	\$ 19,079,241	\$ 3,403,995
Passage of time	100,000	275,000
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 19,179,241</u>	<u>\$ 3,678,995</u>

6. 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, 2023 and 2022 were as follows:

	2023	2022
Cash and cash equivalents	\$ 21,252,667	\$ 30,793,593
Investments	22,359,099	11,562,879
Grants receivable	3,266,383	2,770,862
Subtotal financial assets	46,878,149	45,127,334
Less: Amounts unavailable for general expenditures within one year due to donor's restriction	(5,333,815)	(8,534,730)
Less: Amounts unavailable to management without Board approval: Board designated Shining Hope Fund	(750,000)	(750,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 40,794,334</u>	<u>\$ 35,842,604</u>

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, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

6. LIQUIDITY AND AVAILABILITY (Continued)

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.

7. 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, 2023 and 2022, 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. After the lease expired, SHOFCO began negotiations to extend the lease and continued operating under the pre-existing lease on a month to month basis. The lease requires monthly payments of KES 300,000 (roughly \$2,675).

Rent expense during the years ended December 31, 2023 and 2022 totaled \$234,861 and \$172,322, respectively.

8. 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, 2023 and 2022 totaled \$23,834 and \$19,719, respectively, and is included with salaries with benefits and taxes on the accompanying statements of functional expenses.

SHOFCO and its Kenyan employees also contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. Contributions to the NSSF are included with salaries with benefits and taxes on the accompanying statements of functional expenses.

9. CONCENTRATION OF REVENUE

Approximately 62% of SHOFCO's revenue for the year ended December 31, 2023 was derived from a single donor. Approximately 47% of SHOFCO's revenue for the year ended December 31, 2022 was derived from two donors. SHOFCO has no reason to believe that relationships with this donor will be discontinued in the foreseeable future. However, any interruption of this relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect SHOFCO's ability to finance ongoing operations.

10. SUBSEQUENT EVENTS

In preparing these financial statements, SHOFCO has evaluated events and transactions for potential recognition or disclosure through June 5, 2024, the date the financial statements were issued.