

**SHINING HOPE FARMS, INC.**

**Mount Holly, North Carolina**

**Audited**  
**Financial Statements**  
**At**  
**December 31, 2015**  
**And**  
**For The Year Then Ended**

\* \* \* \* \*

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**Moyer, Smith & Roller, P.A.**  
Certified Public Accountants

7229 Albemarle Rd., Suite A  
Charlotte, NC 28227  
T: 704-566-0222  
F: 704-531-6197  
[cpacharlotte@msr-cpa.com](mailto:cpacharlotte@msr-cpa.com)  
[www.msr-cpa.com](http://www.msr-cpa.com)

**Independent Auditors' Report**

To the Board of Directors  
Shining Hope Farms, Inc.  
Mount Holly, North Carolina

We have audited the accompanying financial statements of Shining Hope Farms, Inc. (a nonprofit organization) which comprise the statements of financial position - modified cash basis as of December 31, 2015, and the related statements of activities and changes in net assets - modified cash basis and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shining Hope Farms, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

## **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Moyer, Smith + Roller, P.A.*

Charlotte, North Carolina  
July 1, 2016

**SHINING HOPE FARMS, INC.**  
**Statement of Financial Position**  
**Modified Cash Basis**  
**December 31, 2015**

**ASSETS**

<b>Current Assets</b>	
Cash	\$ <u>65,787</u>
Total Current Assets	<u>65,787</u>
<b>Property and Equipment</b>	
Land	183,553
Building	230,788
Leasehold Improvements	204,659
Office Furniture and Equipment	88,639
Livestock	<u>76,705</u>
	784,344
Less: Accumulated Depreciation	<u>( 174,297)</u>
Property and Equipment, Net	<u>610,047</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 675,834</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>	
Payroll Taxes Payable	\$ 4,932
Credit Card Payable	4,847
Current Portion of Long-Term Debt	<u>3,945</u>
Total Current Liabilities	<u>13,724</u>
<b>Long-Term Debt, Net</b>	<u>199,555</u>
Total Liabilities	<u>213,279</u>
<b>Net Assets</b>	
Unrestricted	449,871
Temporarily Restricted	<u>12,684</u>
Total Net Assets	<u>462,555</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 675,834</u></u>

See Independent Auditors' Report and Accompanying Notes

**SHINING HOPE FARMS, INC.**  
**Statement of Activities and Changes in Net Assets**  
**Modified Cash Basis**  
**For The Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support, Revenues and Other</b>			
Program Service Fees	\$ 283,179	\$ -	\$ 283,179
Contributions	97,684	1,799	99,483
Grants	3,500	42,103	45,603
Fund-Raising	5,525	-	5,525
In-Kind Contributions	272,160	-	272,160
Interest Income	22	-	22
Net Assets Released from Restrictions	52,481	( 52,481)	-
Other Income	<u>46,048</u>	<u>-</u>	<u>46,048</u>
 Total Support, Revenues and Other	 <u>760,599</u>	 <u>( 8,579)</u>	 <u>752,020</u>
 <b>Functional Expenses</b>			
Program Services	484,952	-	484,952
Support Services	29,500	-	29,500
Fund-Raising	<u>25,660</u>	<u>-</u>	<u>25,660</u>
 Total Expenses	 <u>540,112</u>	 <u>-</u>	 <u>540,112</u>
 <b>Excess of Support, Revenue and Other over Functional Expenses Before Other Income (Expenses)</b>	  220,487	  ( 8,579)	  211,908
 <b>Other Income (Expense)</b>			
Loss of Disposal of Fixed Assets	( <u>1,063</u> )	<u>-</u>	( <u>1,063</u> )
 Total Other Income (Expense)	 ( <u>1,063</u> )	 <u>-</u>	 ( <u>1,063</u> )
 <b>Increase (Decrease) in Net Assets</b>	  219,424	  ( 8,579)	  210,845
 <b>Net Assets, Beginning of Year</b>	  <u>230,447</u>	  <u>21,263</u>	  <u>251,710</u>
 <b>Net Assets, End of Year</b>	  <u>\$ 449,871</u>	  <u>\$ 12,684</u>	  <u>\$ 462,555</u>

See Independent Auditors' Report and Accompanying Notes

**SHINING HOPE FARMS, INC.**  
**Statement of Cash Flows**  
**Modified Cash Basis**  
**For The Year Ended December 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ 210,845
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	35,614
Gain (Loss) on Disposition of Fixed Assets	1,063
Changes in Operating Assets and Liabilities:	
Increase (Decrease) in Credit Card Payable	3,752
Increase (Decrease) in Payroll Taxes Payable	<u>( 654)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>250,620</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	( 248,009)
Proceeds from Sale of Fixed Assets	<u>1,000</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>( 247,009)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 3,611
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>62,176</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u>\$ 65,787</u>

See Independent Auditors' Report and Accompanying Notes



**SHINING HOPE FARMS, INC.**  
**Statement of Functional Expenses**  
**Modified Cash Basis**  
**For The Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation	\$ 234,157	\$ 17,806	\$ 8,859	\$ 260,822
Fund-Raising Expense	-	-	8,278	8,278
Insurance	20,574	677	1,391	22,642
Depreciation	34,034	1,580	-	35,614
Professional Fees	1,185	6,191	-	7,376
Farm Supplies and Maintenance	37,861	-	-	37,861
Marketing	1,136	-	1,361	2,497
Office Expense	13,814	1,564	-	15,378
Bank Charges	2,071	10	604	2,685
Equine Care and Expense	71,904	-	-	71,904
Therapy	29,861	-	-	29,861
Vehicle Expense	5,274	74	244	5,592
Occupancy	24,472	169	571	25,212
Other	<u>8,609</u>	<u>1,429</u>	<u>4,352</u>	<u>14,390</u>
 Total	 <u>\$ 484,952</u>	 <u>\$ 29,500</u>	 <u>\$ 25,660</u>	 <u>\$ 540,112</u>

See Independent Auditors' Report and Accompanying Notes

**SHINING HOPE FARMS, INC.**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Shining Hope Farms, Inc. (the Organization) is a North Carolina non-profit entity organized on February 27, 2002 to utilize horseback riding and related activities as well as occupational and speech therapy to enrich the lives of, and provide therapeutic benefits to, individuals with special needs through improvement in their emotional, cognitive and physical status. The Organization operates farms in Gaston and Mecklenburg Counties, North Carolina

**Basis of Accounting and Net Assets**

The accounts of the Organization are maintained and the financial statements have been prepared on the modified cash basis of accounting and, accordingly, do not include all accrued income and expenses that would be necessary to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In accordance with FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporary restricted net assets and permanently restricted net assets.

Unrestricted – Net assets not subject to donor-imposed stipulations, including all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may be met or will be met by fulfillment of the stipulated purpose and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that can neither be removed by fulfillment of a stipulated purpose nor expire with the passage of time. At December 31, 2015, there were no permanently restricted net assets.

**Cash and Cash Equivalents**

The Organization considers all highly liquid unrestricted investments with maturities of three months or less to be cash equivalents for purpose of the statement of cash flows. The Organization maintains cash deposits with various financial institutions. Those cash deposits, at times, may exceed federally insured limits.

**SHINING HOPE FARMS, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributed Service Revenue**

Many individuals volunteer time and services in a variety of tasks to assist the Organization in achieving its mission. These services do not meet the criteria for recognition as contributed services.

**Contributed Facilities**

The Organization receives the free use of land and buildings for its Mecklenburg County operations from a benefactor who owns the property. Contributions and expenses related to the donated facilities amounting to \$17,400 have been reflected in the accompanying statement of functional expenses.

**Property and Equipment**

Property and equipment is carried at cost. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets.

Donated property and equipment is recorded at fair value.

**Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing the various programs and services have been summarized on a functional basis. Expenses not associated with a specific functional classification are allocated among the various classifications based upon the estimated time spent by the staff members.

**Income Taxes**

The Organization is exempt from income taxes under Section 501©(3) of the Internal Revenue Code. Accordingly, no income tax liability or expense has been recorded.

The Organization's Form 990 Return of Organization Exempt from Income Tax, for the years ending December 31, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they are filed.

**SHINING HOPE FARMS, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2015**

**NOTE B - RELATED PARTY TRANSACTIONS**

During 2015, the Organization purchased its Gaston County location from the executive director and her husband at a discount compared to fair market value. The property and buildings were recorded at appraised fair market value with the difference being recorded as a contribution.

**NOTE C - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 1, 2016, the date the financial statements were available to be issued.

**NOTE D - LONG-TERM DEBT**

Long-term debt at December 31, 2015 consists of a note payable to a government agency, payable in yearly installments of \$11,067, including interest at 3.50%, due June 23, 2045, secured by land. The balance of the note at December 31, 2015 is \$203,500.

Maturities of long-term debt are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2016	\$ 3,945
2017	4,083
2018	4,225
2019	4,373
2020	4,526
Thereafter	<u>182,348</u>
Total	<u>\$ 203,500</u>