

**SPLASHES OF HOPE, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2015 AND 2014**  
**TOGETHER WITH**  
**ACCOUNTANT'S REVIEW REPORT**

**SPLASHES OF HOPE, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2015 AND 2014**

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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors of  
Splashes of Hope, Inc.:

We have reviewed the accompanying financial statements of Splashes of Hope, Inc. (the "Organization") which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Report Comparative Information**

The comparative information presented herein as of and for the year ended September 30, 2014 has been reviewed by other auditors. Those auditors were not aware of any material modifications in their report dated December 16, 2014.

Melville, New York  
April 18, 2016

*Nawrocki Smith LLP*

**SPLASHES OF HOPE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2015 AND 2014**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 53,096	\$ 66,457
Contributions receivable	<u>33,640</u>	<u>18,400</u>
Total current assets	<u>86,736</u>	<u>84,857</u>
<b>FIXED ASSETS, net of accumulated depreciation of \$55,252 and \$54,401, respectively</b>		
	<u>1,834</u>	<u>1,958</u>
Total assets	<u><u>\$ 88,570</u></u>	<u><u>\$ 86,815</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	<u>\$ 5,715</u>	<u>\$ 5,736</u>
Total liabilities	<u>5,715</u>	<u>5,736</u>
<b>NET ASSETS:</b>		
Unrestricted	67,335	76,092
Temporarily restricted	<u>15,520</u>	<u>4,987</u>
Total net assets	<u>82,855</u>	<u>81,079</u>
Total liabilities and net assets	<u><u>\$ 88,570</u></u>	<u><u>\$ 86,815</u></u>

The accompanying accountant's review report and notes to financial statements  
should be read in conjunction with these statements.

**SPLASHES OF HOPE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES:</b>						
Contributions - Projects	\$ 193,665	\$ 15,520	\$ 209,185	\$ 27,480	\$ 146,738	\$ 174,218
Contributions - Other	7,859	-	7,859	24,783	13,263	38,046
Special events, net of expenses	72,987	-	72,987	36,533	-	36,533
In-kind donations	22,666	-	22,666	28,298	-	28,298
Grants	5,000	-	5,000	5,000	-	5,000
Interest	19	-	19	23	-	23
Net assets released from restrictions	4,987	(4,987)	-	167,514	(167,514)	-
<b>Total support and revenues</b>	<b>307,183</b>	<b>10,533</b>	<b>317,716</b>	<b>289,631</b>	<b>(7,513)</b>	<b>282,118</b>
<b>EXPENSES:</b>						
Program services	249,258	-	249,258	251,262	-	251,262
Management and general	39,343	-	39,343	38,366	-	38,366
Fundraising	27,339	-	27,339	22,783	-	22,783
<b>Total expenses</b>	<b>315,940</b>	<b>-</b>	<b>315,940</b>	<b>312,411</b>	<b>-</b>	<b>312,411</b>
<b>CHANGE IN NET ASSETS</b>	<b>(8,757)</b>	<b>10,533</b>	<b>1,776</b>	<b>(22,780)</b>	<b>(7,513)</b>	<b>(30,293)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>76,092</b>	<b>4,987</b>	<b>81,079</b>	<b>98,872</b>	<b>12,500</b>	<b>111,372</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 67,335</b>	<b>\$ 15,520</b>	<b>\$ 82,855</b>	<b>\$ 76,092</b>	<b>\$ 4,987</b>	<b>\$ 81,079</b>

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should be read in conjunction with these statements.

**SPLASHES OF HOPE, INC.**  
**STATEMENTS OF CASH FLOWS (INDIRECT METHOD)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,776	\$ (30,293)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	852	874
Increase in contributions receivable	(15,240)	(16,025)
Decrease in prepaid expense	-	8,579
Decrease in accounts payable and accrued expenses	<u>(21)</u>	<u>(5,333)</u>
Net cash used by operating activities	<u>(12,633)</u>	<u>(42,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(728)</u>	<u>-</u>
Net cash used by investing activities	<u>(728)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,361)	(42,198)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>66,457</u>	<u>108,655</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 53,096</u>	<u>\$ 66,457</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 2,889</u>

The accompanying accountant's review report and notes to financial statements  
should be read in conjunction with these statements.

**SPLASHES OF HOPE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
**(With Summarized Totals For 2014)**

	Program Services- Murals and Artwork	Supporting Services			Total	
		Management and General	Fundraising	Total Supporting Services	Total	
					2015	2014
Salaries	\$ 124,780	\$ 21,701	\$ 14,467	\$ 36,168	\$ 160,948	\$ 174,539
Rent and utilities	18,132	2,267	2,267	4,534	22,666	14,400
Insurance	14,606	3,652	104	3,756	18,362	15,785
Artists	17,398	-	-	-	17,398	15,812
Medical insurance	12,900	2,249	1,491	3,740	16,640	17,288
Payroll taxes	12,551	2,182	1,455	3,637	16,188	17,462
Travel, meals and lodging	13,225	-	-	-	13,225	10,039
Outreach projects	6,765	-	-	-	6,765	8,276
Supplies-art and reference	6,336	-	325	325	6,661	7,591
Computer and internet	4,550	662	662	1,324	5,874	2,864
Professional fees	-	4,936	-	4,936	4,936	3,500
Office expenses	3,260	1,086	-	1,086	4,346	2,985
Postage and shipping	496	-	3,237	3,237	3,733	2,422
Equipment rental	2,040	-	400	400	2,440	2,040
Printing and reproduction	2,031	-	300	300	2,331	2,388
Meeting expense	2,107	-	101	101	2,208	982
Retirement plan contributions	1,452	253	168	421	1,873	1,932
Conferences	1,780	-	-	-	1,780	2,657
Gifts and flowers	444	-	1,020	1,020	1,464	2,092
Telephone	1,149	150	150	300	1,449	1,072
Dues, fees and publications	1,404	-	-	-	1,404	375
Depreciation	852	-	-	-	852	874
Bank fees	-	-	669	669	669	778
Advertising and promotion	110	-	523	523	633	746
Miscellaneous	601	-	-	-	601	278
Repairs and maintenance	289	-	-	-	289	1,037
Interest and finance charges	-	205	-	205	205	197
Art competition/contest	-	-	-	-	-	2,000
	<u>\$ 249,258</u>	<u>\$ 39,343</u>	<u>\$ 27,339</u>	<u>\$ 66,682</u>	<u>\$ 315,940</u>	<u>\$ 312,411</u>

The accompanying accountant's review report and notes to financial statements should be read in conjunction with this statement.

**SPLASHES OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**(1) Organization**

Splashes of Hope, Inc. (the "Organization") was founded on November 11, 1996 and is incorporated under the laws of the State of New York as a not-for-profit corporation. The mission of the Organization is to transform, enrich and facilitate healing through art.

**(2) Summary of significant accounting policies:**

Basis of presentation -

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Standards of accounting and financial reporting -

The accompanying financial statements distinguish among unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The Organization's net assets consist of the following:

Unrestricted - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

Temporarily restricted - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

As of September 30, 2015 and 2014, the Organization did not possess any permanently restricted net assets.

As required by U.S. generally accepted accounting principles, the Organization has also presented Statements of Cash Flows for the years ended September 30, 2015 and 2014.

Revenue and expense recognition -

Contributions are generally recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned. Expenses are generally recognized as incurred under the accrual basis of accounting.



#### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### Fair value measurement -

U.S. generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, contributions receivable and liabilities. For these financial instruments, carrying values approximate fair value.

#### Donated services -

A number of volunteers have donated significant amounts of their time to the Organization. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

#### Fixed assets -

Fixed assets consist of office equipment which is capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally three to five years).

#### Income taxes -

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State tax code.

#### Uncertainty in income taxes -

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2012 and subsequent remain subject to examination by the applicable taxing authorities.

#### The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

#### Reclassifications -

Certain reclassifications of the prior year's balance on the Statements of Activities and Changes In Net Assets have been made to conform to current year presentation. These reclassifications had no effect on the decrease in net assets in 2014.

(3) **Fixed assets**

Fixed assets as of September 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 49,000	\$ 49,000
Furniture and fixtures	4,882	4,882
Computer and printer	2,654	1,927
Office equipment	<u>550</u>	<u>550</u>
	57,086	56,359
Less: accumulated depreciation	<u>(55,252)</u>	<u>(54,401)</u>
	<u>\$ 1,834</u>	<u>\$ 1,958</u>

(4) **In-kind contributions**

The Organization occupies space for free in Huntington, New York. U.S. generally accepted accounting principles require the Organization to recognize rent expense and corresponding contribution revenue on this favorable arrangement, at fair value. As such, \$14,400 has been included in the accompanying financial statements as in-kind donations and corresponding rent expense for each of the years ended September 30, 2015 and 2014.

In addition, the Organization received donations of art supplies and various other items for fulfillment of its programs. The values of these donations have been reflected in the appropriate expense categories and in-kind donations in the accompanying financial statements.

(5) **Commitments and contingencies:**

Future minimum lease commitments -

The Organization is obligated under operating leases for certain equipment, expiring on March 30, 2018.

Future minimum lease payments under these leases are as follows:

<u>Year Ending September 30,</u>	
2016	\$ 2,040
2017	2,040
2018	<u>1,020</u>
	<u>\$ 5,100</u>

(6) **Subsequent events**

The Organization has evaluated subsequent events through April 18, 2016 which is the date these financial statements were available to be issued, noting no matters requiring financial statement disclosure.