

**MUSANA COMMUNITY
DEVELOPMENT ORGANIZATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

April 21, 2016

INDEPENDENT AUDITORS' REPORT

Board of Directors
Musana Community Development Organization
Lafayette, Colorado

We have audited the accompanying financial statements of **Musana Community Development Organization**, (a Colorado nonprofit corporation) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows 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 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 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 of 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 auditors' 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.

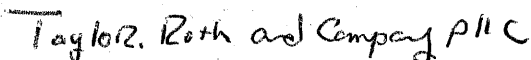
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Musana Community Development Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Musana Community Development Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
<u>Assets</u>		
Cash and cash equivalents	\$ 394,589	\$ 600,723
Cash and cash equivalents - temporarily restricted	270,058	66,390
Donations receivable	74,714	10,590
Investments (Note 3)	3,415	2,467
Property and equipment (Note 2)	-	-
Total assets	\$ 742,776	\$ 680,170
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 3,984	\$ 9,029
Due to NGO (Note 4)	30,182	40,186
Accrued payroll costs	1,777	2,439
Total liabilities	35,943	51,654
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	436,775	562,126
Temporarily restricted (Note 5)	270,058	66,390
Total net assets	706,833	628,516
Total liabilities and net assets	\$ 742,776	\$ 680,170

The accompanying notes are an integral part of these financial statements

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Contributions	\$ 373,078	410,424	\$ 783,502	\$ 387,669
Grants	11,500	27,500	39,000	13,740
Investment income	1,493	-	1,493	809
In-kind contributions (Note 6)	2,000		2,000	2,000
Other	126	-	126	770
Net assets released from restrictions (Note 7)	234,256	(234,256)	-	-
Total revenue and other support	<u>622,453</u>	<u>203,668</u>	<u>826,121</u>	<u>404,988</u>
<u>Expense</u>				
Program services	662,862	-	662,862	472,853
Supporting services				
Management and general	45,927	-	45,927	37,028
Fundraising	39,015	-	39,015	15,782
Total expense	<u>747,804</u>	<u>-</u>	<u>747,804</u>	<u>525,663</u>
Change in net assets	(125,351)	203,668	78,317	(120,675)
Net assets, beginning of year	<u>562,126</u>	<u>66,390</u>	<u>628,516</u>	<u>749,191</u>
Net assets, end of year	<u>\$ 436,775</u>	<u>\$ 270,058</u>	<u>\$ 706,833</u>	<u>\$ 628,516</u>

The accompanying notes are an integral part of these financial statements

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	<u>Supporting Services</u>				
	<u>Program</u>	<u>Management</u>	<u>Fund-</u>	<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>and</u>	<u>raising</u>		
		<u>General</u>			
Salaries	\$ 66,288	\$ 12,000	\$ 22,497	\$ 100,785	\$ 88,871
Payroll taxes & benefits	15,831	959	1,798	18,588	13,730
Grants (Note 4)	562,387	-	-	562,387	379,422
Contract & professional fees	9,600	10,445	-	20,045	10,280
Advertising	-	-	10,484	10,484	3,514
Travel	6,010	766	3,255	10,031	13,193
Bank and finance charges	-	7,897	-	7,897	7,817
Information technology	-	4,455	-	4,455	-
Professional development	-	2,970	-	2,970	-
Telephone	1,565	652	391	2,608	2,704
Insurance	-	2,078	-	2,078	1,478
Donated rent and support	-	2,000	-	2,000	2,000
Postage	1,181	197	590	1,968	873
Supplies USA	-	265	-	265	527
All other	-	1,243	-	1,243	1,254
Total	\$ 662,862	\$ 45,927	\$ 39,015	\$ 747,804	\$ 525,663

The accompanying notes are an integral part of these financial statements

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 78,317	\$ (120,675)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	(420)	(129)
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(64,124)	(10,590)
Increase(decrease) in accounts payable	(5,045)	7,980
Increase(decrease) in due to NGO	(10,004)	37,686
Increase(decrease) in payroll accruals	(662)	1,015
Net cash provided(used) by operating activities	(1,938)	(84,713)
 <u>Cash flows from investing activities</u>		
(Purchase) of investments	(528)	(552)
Net cash provided(used) by investing activities	(528)	(552)
Net increase(decrease) in cash and cash equivalents	(2,466)	(85,265)
Cash and cash equivalents, beginning of year	667,113	752,378
Cash and cash equivalents, end of year	\$ 664,647	\$ 667,113

The accompanying notes are an integral part of these financial statements

MUSANA COMMUNITY DEVELOPMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - NATURE OF ACTIVITIES

Musana Children's Home was started in 2008 to provide a safe place for orphaned children in Iganga, Uganda where they would be housed, fed, educated and loved. At this time funds were raised by a small group of people in the United States.

In February 2009, Musana Children's Home incorporated as a nonprofit corporation under the laws of the State of Colorado and received exempt status under section 501(c)(3) of the Internal Revenue Code. In July 2012, the name of the organization was changed to Musana Community Development Organization (MCDO)(the Organization) to better reflect the expanding activities in Uganda. Later that same year, the Uganda activities became a registered Non-Governmental Organization (NGO) with the same name but a new entity separate from the US organization.

The US organization (Musana USA) still provides the NGO (Musana Uganda) with grants of funds needed to support its operating budget. However, Musana Uganda is targeting self-sustainability and in 2015 generated over 85% of its operating budget locally. At this time the primary focus of Musana USA is to provide grants to develop the NGO's capital infrastructure. These funds are generated through donations from individuals and businesses and through grants from nonprofits and foundations that support Musana's mission. MCDO is currently concentrating on two capital campaigns; a Vocational Secondary School and a Health Center.

The Vocational Secondary School will provide the opportunity for the children at Musana's Nursery and Primary School to continue their high-quality education. Musana now has children whose journey began hopeless and hungry who are graduating with one of the best primary educations in the country. At this time, they are continuing on to other community secondary (high) schools and technical schools. Unfortunately, the values and critical thinking they have learned at Musana are not being reinforced at these schools. At Musana Vocational Secondary School, the curriculum and approach to learning will build upon the foundation they received at Musana Nursery and Primary School so they can lead change in their communities. The school will also be open to children in the local community that did not attend Musana Primary School.

Construction of phase one of the health center is complete and Musana is now operating an outpatient health facility in Iganga. As with all Musana's projects, the Health Center will ultimately become self-sustainable as Musana charges those that can pay for services in order to assist those that cannot. There is still a need to raise funds for the inpatient phases of the health center.

Musana Uganda shares the Musana USA vision of seeing rural communities develop using sustainable solutions that give hope and dignity to the most vulnerable. Musana focuses on education, health, skill development, agriculture, livestock management and business. Currently Musana Uganda operates a nursery and primary school that educates 780 students, women's groups that have trained and employ 120 vulnerable women, a farm that grows crops and operates a dairy and a piggery, and a restaurant. In addition it provides community outreach that supports the most vulnerable in the community, helping them to access good education and health care services.

NOTE 1 - NATURE OF ACTIVITIES – (Continued)

The NGO, as required by Uganda law, owns all the assets in Uganda. There is a Ugandan board of directors that oversees the operations of all the local projects. It includes a director who is also a member of the MCDO board of directors in the United States and who acts as a liaison between the two boards.

The Organization is funded primarily by contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. At year-end, the organization had no assets in excess of the capitalization limit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The Organization's Federal Return of Organization Exempt From Income Tax (Form 990) is subject to examination by the IRS, generally for three years after filing.

The Organization follows the guidance of FASB codification (ASC) 740-10 and related subsections. The Organization determined that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

8. Functional Reporting of Expenses

For the year ended December 31, 2015, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

10. Summarized Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

11. Subsequent Events

Management has evaluated subsequent events through April 21, 2016, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The carrying value of investments is based on quoted market prices (Level 1 inputs):

<u>Description</u>	<u>Amount</u>
Stock	<u>\$ 3,415</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gains	\$ 420
Interest and dividend income	68
Less: fees	<u>(93)</u>
Net investment return	<u>\$ 395</u>

The Organization also earned interest income of \$1,098 on its operating cash accounts.

NOTE 4 - MUSANA COMMUNITY DEVELOPMENT ORGANIZATION (IN UGANDA)

- DUE TO NGO

The United States Organization' owes for merchandise sales to the NGO in Uganda. At year-end, the Organization had committed to, but had not distributed \$30,182.

- GRANTS TO NGO

During the year, the United States Organization made the following grants to the Ugandan NGO.

<u>Description</u>	<u>Amount</u>
Capital grants	\$ 533,918
Operating grants	<u>28,469</u>
Total	<u>\$ 562,387</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Capital	
Secondary school	\$ 187,775
Capital grants	<u>10,171</u>
Total Capital funds	<u>\$ 197,946</u>
Operating	
Child sponsorships	\$ 66,612
Operating	5,388
Other	<u>112</u>
Total Operating funds	<u>\$ 72,112</u>
Total all funds	<u>\$ 270,058</u>

NOTE 6 - IN-KIND CONTRIBUTIONS

In-kind contributions for the year consist of:

<u>Description</u>	<u>Amount</u>
Donated space and support	<u>\$ 2,000</u>

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses or making grants to satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Capital	
Health center	\$ 82,378
Biomass	65,000
Secondary school	55,100
Pay it forward	1,880
Other	<u>1,429</u>
Total Capital funds	<u>\$ 205,787</u>
Operating	
Child sponsorships	\$ 17,287
Tuition	9,432
Other	<u>1,750</u>
Total Operating funds	<u>\$ 28,469</u>
Total all funds	<u>\$ 234,256</u>

NOTE 8 - CONCENTRATION OF FUNDING SOURCE – RELATED PARTY

The Organization received 36% of its revenue from one funder. Management believes that the nature and grant term of the awards provides stability for the near future. The Organization's treasurer is also the CFO of the funding organization. The board and management have evaluated this arrangement and believe they are in the best interest of the Organization and were approved in accordance with the Organization's conflict of interest policy.