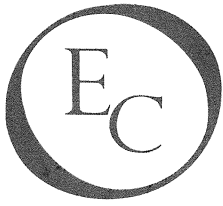


HESHIMA KENYA, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2015

HESHIMA KENYA, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Heshima Kenya, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Heshima Kenya, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 risk of material misstatements 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 the Heshima Kenya, 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 accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

E.C. Ortiz & Co., LLP
E.C. ORTIZ & CO., LLP
Chicago, Illinois
August 12, 2016

HESHIMA KENYA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$	126,413
Receivables:		
Grants		237,500
Others		905
Prepaid Expenses and Other Assets		<u>11,571</u>
Total Current Assets		<u>376,389</u>

Noncurrent Assets

Property and Equipment - Net of Accumulated Depreciation of \$29,275		<u>6,509</u>
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Total Assets	\$	<u><u>382,898</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses		<u>30,556</u>
Total Liabilities		<u>30,556</u>

Net Assets

Unrestricted (Deficit)		(72,196)
Temporarily Restricted		<u>424,538</u>
Total Net Assets		<u>352,342</u>

Total Liabilities and Net Assets	\$	<u><u>382,898</u></u>
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See accompanying notes to financial statements.

HESHIMA KENYA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Direct Public Support			
Foundation Grants	\$ 628,431	\$ 335,250	\$ 963,681
Gifts in Kind	47,981	-	47,981
Individual and Business Contributions	129,643	-	129,643
Total Direct Public Support	<u>806,055</u>	<u>335,250</u>	<u>1,141,305</u>
Federal Financial Assistance	424,885	89,288	514,173
Foreign Exchange Loss	(9,255)	-	(9,255)
Income Generating Program	111,554	-	111,554
Miscellaneous Income	2,785	-	2,785
Net Assets Released From Restrictions	45,733	(45,733)	-
Total Revenues, Gains and Other Support	<u>1,381,757</u>	<u>378,805</u>	<u>1,760,562</u>
EXPENSES			
Program Expenses			
Girls Empowerment Project	488,348	-	488,348
Heshima Kenya Safe House	235,418	-	235,418
Case Management Program	97,067	-	97,067
Sexual and Gender Based Violence Initiative	96,458	-	96,458
Child Protection	311,727	-	311,727
Total Program Expenses	<u>1,229,018</u>	<u>-</u>	<u>1,229,018</u>
Supporting Services			
Fundraising Expenses	186,418	-	186,418
Management and General	124,585	-	124,585
Total Supporting Services	<u>311,003</u>	<u>-</u>	<u>311,003</u>
Total Expenses	<u>1,540,021</u>	<u>-</u>	<u>1,540,021</u>
CHANGE IN NET ASSETS	(158,264)	378,805	220,541
NET ASSETS – BEGINNING OF YEAR	<u>86,068</u>	<u>45,733</u>	<u>131,801</u>
NET ASSETS – END OF YEAR	<u>\$ (72,196)</u>	<u>\$ 424,538</u>	<u>\$ 352,342</u>

See accompanying notes to financial statements.

HESHIMA KENYA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ 220,541</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	6,022
Unrealized and Realized Loss on Foreign Currency Translation	600
Changes in Assets and Liabilities:	
Receivables	(235,480)
Prepaid Expenses and Other Assets	886
Accounts Payable and Accrued Expenses	<u>2,988</u>
Net Cash Provided by Operating Activities	<u>(224,984)</u>
Cash Used in Investing Activity:	
Purchase of Property and Equipment	<u>(7,238)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,681)
CASH AND CASH EQUIVALENTS - BEGINNING	138,094
CASH AND CASH EQUIVALENTS - END	<u><u>\$ 126,413</u></u>

See accompanying notes to financial statements.

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) NATURE OF ACTIVITIES

The Heshima Kenya, Inc. (HKI) is an international nonprofit organization based in the United States of America and incorporated in the State of Missouri with a field office based in Nairobi, Kenya. The organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. It is also registered as a nongovernmental organization (NGO) in Kenya under the Non-Governmental Organizations Coordination Act. HKI is supported primarily through donor contributions and grants.

The HKI runs four programs:

- The Girl's Empowerment Project (GEP) - This is a multi-phase program offering a safe community for girls and young women to learn about their human rights and how to access them while addressing avenues for self-sufficiency and leadership building. Participants engage in basic education, life skills, vocational training, and income-generating projects.
- The Case Management Program (CM) - Due to a myriad of health, emotional and physical protection issues experienced by unaccompanied refugee children and youth, comprehensive case management support is necessary to ensure success in other programs. Heshima Kenya provides the following services to all participants: medical, psychosocial counseling, staff accompaniment to all appointments, and on a case-by-case basis, material assistance in the form of food, clothing and personal effects and foster care assistance to ensure protection and reduce future displacement through home visits, distribution of monthly food items and other resource provisions when necessary.
- The Heshima Kenya Safe House (SH) - Heshima Kenya's Safe House provides temporary shelter to unaccompanied refugee children and youth, and on an exceptional basis, vulnerable refugee women who are experiencing homelessness or significant protection issues related to sexual gender based violence or other forms of abuse. Participants begin to recover through a safe and peaceful environment and emotional support. Participants also have access to Heshima Kenya's other programs.
- Sexual and Gender Based Violence Initiative (SGBV) - This initiative creates awareness of and fosters access to SGBV prevention and response among the urban refugee populations through community trainings, the establishment of a more streamlined emergency referral system between organizations, and a fund for refugee women who have experienced trauma or are at a risk of SGBV.

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Heshima Kenya's safe house services have also been extended to include young women affected by sexual and gender based violence.

In 2015 and 2016, HKI serves as a Child Protection Implementing partner to the United Nations High Commissioner for Refugees (UNHCR) under the mandate of identifying and protecting unaccompanied refugee minors. This partnership is dependent on annual renewal. Therefore, it is a temporary program of Heshima Kenya.

- Child Protection (CP) / Protection of Urban Refugee Children – Through the partnership with UNHCR Kenya, the Child Protection Project aims to identify, protect and address the well-being of refugee children who are either unaccompanied, separated, orphans, at risk or with special needs in Nairobi, Mombasa and Nakuru. Activities covered under the Child Protection Project include but not limited to best interest assessments and determination, home assessments, family tracing, material support, identifying and training foster parents, creating safe spaces, birth registration and certification assistance.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Financial Statement Presentation

These financial statements have been prepared to focus on HKI as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted, or unrestricted as recommended by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, "Not-for-Profit Organizations".

Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of HKI and/or passage of time.

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that must be maintained by HKI. Generally, the donors to these assets permit HKI to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2015, HKI had no permanently restricted net assets.

(c) Cash and Cash Equivalents

The HKI considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

(d) Grants Receivable

Grants receivable at December 31, 2015 represents amount of grant funds collectible from two foundations.

(e) Property and Equipment

HKI capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is stated at cost. Depreciation is calculated on straight-line basis over estimated useful lives ranging from three to four years. As of December 31, 2015, property and equipment consisted of purchased vehicles. Depreciation expense for the year is \$6,022.

(f) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist principally of prepaid rent and rental security deposits.

(g) Revenue Recognition

Income from contributions and grants received are recorded as unrestricted or restricted support, depending on the existence or nature of any donor restrictions that limit use of the donated asset. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(h) Foreign Currency Translations

Assets and liabilities held in foreign currencies are translated at the exchange rate in effect at the end of the year. Transactions denominated in foreign currencies are translated at the approximate rates of exchange in effect at the time of the transactions. Translation gains and losses resulting from exchange rate fluctuations are included in current year foreign exchange gains (losses).

(i) Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Areas where estimates are used in the accompanying financial statements include depreciable lives of fixed assets. Actual results could differ from those estimates.

(j) Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(3) GRANTS RECEIVABLE

Grants receivable is expected to be collectible as follows:

In less than one year	\$ 37,500
In one to five years	<u>200,000</u>
Total	<u>\$ 237,500</u>

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(4) TAX-EXEMPT STATUS

HKI is a not-for-profit corporation as described in Section 501 (c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

HKI is subject to audits by taxing jurisdictions; however, no audit for any tax period is currently in progress. Management believes that HKI is no longer subject to such audits for years ended prior to December 31, 2015.

(5) RETIREMENT PLAN

All employees of HKI in Kenya are members of the National Social Security Fund (NSSF). Total contribution to NSSF by HKI for the year amounted to \$1,126. HKI established a retirement plan which was effective in February 2013 for Kenya employees and effective in January 2014 for US employees. HKI contributes five percent of basic salary to the retirement plan on behalf of all full time employees aged between 18 and 60 years old. Total contributions under the HKI established retirement plan was \$25,338. Combined contributions to both retirement plans totaled \$26,465 in 2015.

(6) LEASE COMMITMENTS

The facilities presently used for program activities are under operating leases that are cancelable, both short-term and long-term arrangements. Total rent expense for the year amounted to \$82,859.

(7) GIFTS IN-KIND

Gifts in kind are recorded at their estimated fair market value at the date of gift. These consisted of program supplies and services in the amount of \$3,060 and \$44,921, respectively. Gifts in services were received from interns who worked in HKI Kenya finance department, child protection and case management program. All such gifts have been recorded at fair market value and recorded as revenues and expenses as of December 31, 2015.

HESHIMA KENYA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(8) TEMPORARILY RESTRICTED NET ASSETS

Movement of net assets temporarily restricted for purpose in calendar year 2015 is as follows:

Temporarily restricted net assets, beginning balance	\$ 45,733
Add: Receipt of temporarily restricted grants	<u>424,538</u>
Total	470,271
Less: Released restrictions	<u>45,733</u>
Temporarily restricted net assets, ending balance	<u>\$ 424,538</u>

Below are the temporarily restricted net assets at December 31, 2015 and restricted for the following purpose:

<u>Donor/Grantor</u>	<u>Restriction</u>	<u>Amount</u>
Pathy/Seamont Foundation	Time and purpose	\$ 261,600
U.S. Department of State	Time and purpose	89,288
Zakat Foundation	Time and purpose	27,183
Imago Dei Foundation	Program purpose	20,000
Tariq Farid Foundation	Program purpose	20,725
IDEO.org	Program purpose	3,065
Circle of Sisterhood	Program purpose	<u>2,677</u>
Total		<u>\$ 424,538</u>

(9) EVALUATION OF SUBSEQUENT EVENTS

HKI has evaluated subsequent events through August 12, 2016 the date which the financial statements were available to be issued.

HESHIMA KENYA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program					Total Program	Supporting		Total Expenses
	GEP	SH	CM	SGBV	CP		Fundraising	General Operations	
Salaries	\$ 154,664	\$ 85,242	\$ 52,355	\$ 57,840	\$ 105,330	\$ 455,431	\$ 80,326	\$ 53,939	\$ 589,696
Contract Services	41,940	512	1,546	1,107	37,983	83,088	16,789	14,632	114,509
Payroll Taxes	2,228	1,009	426	1,371	223	5,257	5,177	5,282	15,716
Health Insurance	7,288	4,183	3,814	6,356	-	21,641	7,138	2,484	31,263
Pension	9,570	3,306	1,027	1,505	4,495	19,903	2,927	2,508	25,338
Activities	2,126	270	181	340	-	2,917	128	-	3,045
Clothing	-	1,428	66	-	-	1,494	-	-	1,494
Construction	1,555	-	-	-	-	1,555	-	-	1,555
Educational Expense	4,102	-	10	-	-	4,112	-	-	4,112
Emergency Case Management	-	1,084	7,190	841	-	9,115	-	270	9,385
Meals	24,890	38,808	238	160	13	64,109	-	16	64,125
Medical	7	2,579	4,774	-	-	7,360	-	-	7,360
Outreach Supplies	-	-	-	288	-	288	-	-	288
Program Supplies	13,703	4	26	162	90,967	104,862	-	-	104,862
Residential Care	1,961	20,133	-	-	-	22,094	-	-	22,094
Seed Grant	-	-	-	4,209	-	4,209	-	-	4,209
Stipends	35,199	-	-	1,800	-	36,999	-	-	36,999
Transitional Support	-	6,474	980	-	-	7,454	-	261	7,715
Travel Assistance	55,169	3,460	5,379	302	71	64,381	-	-	64,381
Tuition and Related Fees	2,062	-	-	-	-	2,062	-	-	2,062
Vocational Training	1,363	-	-	-	-	1,363	-	70	1,433
Workshops	71	-	-	598	-	669	317	-	986
Materials for Maisha	21,833	-	-	-	-	21,833	-	-	21,833
Professional Development	1,503	76	583	76	-	2,238	1,303	1,624	5,165
Dues, Fees and Taxes	6,083	167	167	282	1,439	8,138	4,006	5,299	17,443
Occupancy/Rents	26,440	34,289	6,257	6,737	12,301	86,024	9,730	8,371	104,125
Advertising/Marketing	186	64	64	64	489	867	40	40	947
Automobile Expenses	4,231	7,569	105	11	9,143	21,059	27	670	21,756
Information/Technology	4,874	2,643	1,983	1,924	1,234	12,658	3,976	2,770	19,404
Repairs and Maintenance	6,571	4,475	417	465	347	12,275	228	838	13,341
Conferences and Meetings	-	-	-	-	13,949	13,949	-	-	13,949
Travel/Transport Costs	20,738	6,336	2,620	2,801	10,779	43,274	21,897	10,931	76,102
Events	6,973	-	-	-	-	6,973	15,520	114	22,607
Office Supplies	5,303	790	446	761	5,420	12,720	1,639	4,133	18,492
Postage/Mailings	9,136	32	32	32	-	9,232	2,556	598	12,386
Insurance	2,005	1,057	948	1,002	-	5,012	626	724	6,362
Printing/Copying/Communications	154	30	91	82	3,175	3,532	1,007	421	4,960
Legal Fees	65	32	32	32	-	161	20	1,704	1,885
Accounting	10,619	5,309	5,310	5,310	-	26,548	10,751	4,144	41,443
Maisha Sales Commission	934	-	-	-	-	934	-	-	934
Depreciation	-	4,057	-	-	-	4,057	-	1,965	6,022
Charitable Contributions Expense	-	-	-	-	-	-	-	170	170
Refugee Support	2,802	-	-	-	-	2,802	69	607	3,478
Administrative costs for UNHCR	-	-	-	-	14,341	14,341	-	-	14,341
Miscellaneous	-	-	-	-	28	28	221	-	249
	<u>\$ 488,348</u>	<u>\$ 235,418</u>	<u>\$ 97,067</u>	<u>\$ 96,458</u>	<u>\$ 311,727</u>	<u>\$ 1,229,018</u>	<u>\$ 186,418</u>	<u>\$ 124,585</u>	<u>\$ 1,540,021</u>