

**REFUSHE, INC.**  
(formerly Heshima Kenya, Inc.)

**FINANCIAL STATEMENTS**  
**(In accordance with the Single Audit Act**  
**and Applicable Federal Regulation)**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

# REFUSHE, INC.

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
RefuSHE, Inc,  
(formerly Heshima Kenya, Inc.)

### **Report on the Financial Statements**

We have audited the accompanying financial statements of RefuSHE, Inc. formerly Heshima Kenya, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 RefuSHE, Inc. as of December 31, 2017, 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.


**Other Matter**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of functional expenses and schedule of expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of RefuSHE, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RefuSHE, Inc.'s internal control over financial reporting and compliance.

  
E.C. ORTIZ & CO., LLP  
Chicago, Illinois  
October 25, 2018

**REFUSHE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 1,018,686
Receivables:	
Grants	388,750
Contributions	19,653
Receivable from Employees	4,409
Inventory	19,764
Prepaid Expenses and Other Assets	62,001
Total Current Assets	<u>1,513,263</u>

Noncurrent Assets

Property and Equipment - Net of Accumulated Depreciation of \$18,002	<u>48,943</u>
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Total Assets	<u><u>\$ 1,562,206</u></u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable and Accrued Expenses	<u>\$ 74,413</u>
Total Liabilities	<u>74,413</u>

Net Assets

Unrestricted	576,593
Temporarily Restricted	911,200
Total Net Assets	<u>1,487,793</u>

Total Liabilities and Net Assets	<u><u>\$ 1,562,206</u></u>
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*See accompanying notes to financial statements.*

**REFUSHE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Direct Public Support			
Foundation Grants	\$ 489,386	\$ 663,212	\$ 1,152,598
Gifts in Kind	5,485	-	5,485
Individual and Business Contributions	170,184	-	170,184
Total Direct Public Support	665,055	663,212	1,328,267
Federal Financial Assistance	1,039,790	122,988	1,162,778
Special Events Revenue	162,121	-	162,121
Income Generating Program	109,280	-	109,280
Miscellaneous Income	26,688	-	26,688
Net Assets Released From Restrictions	652,355	(652,355)	-
Total Revenues, Gains and Other Support	2,655,289	133,845	2,789,134
<b>EXPENSES</b>			
Program Expenses			
Girls Empowerment Project	603,673	-	603,673
Heshima Kenya Safe House	341,040	-	341,040
Case Management Program	81,633	-	81,633
Sexual and Gender Based Violence Initiative	144,676	-	144,676
Child Protection	230,988	-	230,988
Livelihood Project	69,509	-	69,509
Total Program Expenses	1,471,519	-	1,471,519
Supporting Services			
Fundraising Expenses	239,935	-	239,935
Management and General	371,272	-	371,272
Total Supporting Services	611,207	-	611,207
Total Expenses	2,082,726	-	2,082,726
<b>CHANGE IN NET ASSETS</b>	572,563	133,845	706,408
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,030	777,355	781,385
<b>NET ASSETS, END OF YEAR</b>	\$ 576,593	\$ 911,200	\$ 1,487,793

*See accompanying notes to financial statements.*

**REFUSHE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	<u>\$ 706,408</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	16,823
Gain on sale of vehicles	(16,612)
Changes in Assets and Liabilities:	
Receivables	119,350
Inventory	(4,576)
Prepaid Expenses and Other Assets	(46,251)
Accounts Payable and Accrued Expenses	25,006
Net Cash Provided by Operating Activities	<u>93,740</u>
Net Cash Flows Provided by Operating Activities	<u>800,148</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchased of property and equipment	(64,588)
Proceeds from the sale of vehicles	19,630
Net Cash Flows Used in Investing Activities	<u>(44,958)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	755,190
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	263,496
<b>CASH AND CASH EQUIVALENTS - END</b>	<u><u>\$ 1,018,686</u></u>

*See accompanying notes to financial statements.*

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) NATURE OF ACTIVITIES**

The RefuSHE, Inc. (formerly Heshima Kenya, Inc) (Organization) 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 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. The Organization is supported primarily through donor contributions and grants.

The Organization 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 RefuSHE Safe House (SH) – The Organization'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 the Organization's other programs.
- 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. The Organization 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.
- 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.



**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

The Organization has partnered with the United Nations High Commissioner for Refugees (UNHCR) Kenya to run the following temporary programs.

- Child Protection (CP) / Protection of Urban Refugee Children – In 2015 and 2016, the Organization has served as a Child Protection Implementing partner with UNHCR under the mandate of identifying and protecting unaccompanied refugee minors. 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.
- Livelihoods Project (LP) - In 2016, the Organization received a grant from the UNHCR for a pilot Livelihoods Project titled “Youth Initiative Fund - Kakuma Project”. This project seeks to strengthen the capacity of Kenya's urban and camp-based refugees by bringing together two groups of refugees (Maisha Collective and Ref-threads) to collaborate across borders on a line of hand bags. Capacity building trainings and base line survey was undertaken. A fully fledged project will be undertaken in the future.

**(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 the Organization 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

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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 the Organization and/or passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that must be maintained by the Organization. Generally, the donors to these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2017, the Organization had no permanently restricted net assets.

(c) Cash and Cash Equivalents

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

(d) Receivables

Grants receivable at December 31, 2017 represents amount of grant funds collectible from five foundations.

Contributions receivable of \$19,653 is collectible within one year.

(e) Inventory

Inventory consisting of fabrics, threads, dyes and finished scarves and other products is stated at lower of cost or market and on an average cost basis. The total value of inventory was \$19,764 as of December 31, 2017.

(f) Property and Equipment

The Organization 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.

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

(g) Prepaid Expenses and Other Assets

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

(h) 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.

(i) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated at the approximate rates of exchange in effect at the time of the transactions. Monetary assets and liabilities held in foreign currencies are translated at the exchange rate in effect at the end of the year. The resulting unrealized gain or loss is included in the Statement of Activities.

(j) 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.

(k) 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.

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(3) GRANTS RECEIVABLE**

Grants receivable is expected to be collectible as follows:

In less than one year	\$ 338,750
In one to five years	50,000
Total	<u>\$ 388,750</u>

**(4) INVENTORY**

Inventory at December 31, 2017 is composed of:

Raw materials and work in process	\$ 9,367
Finished goods	10,397
Total	<u>\$ 19,764</u>

**(5) PROPERTY AND EQUIPMENT**

Property and equipment activity for the year ended December 31, 2017 is as follows:

	<b>Balance December 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2017</b>
Cost				
Vehicles	\$ 33,427	\$ 63,270	\$ 33,427	\$ 63,270
Computers	2,357	1,318	-	3,675
Total cost being depreciated	<u>35,784</u>	<u>64,588</u>	<u>33,427</u>	<u>66,945</u>
Less: Accumulated depreciation				
Vehicles	30,409	15,818	30,409	15,818
Computers	1,179	1,005	-	2,184
Total accumulated depreciation	<u>31,588</u>	<u>16,823</u>	<u>30,409</u>	<u>18,002</u>
Property and equipment, net of depreciation	<u>\$ 4,196</u>	<u>\$ 47,765</u>	<u>\$ 3,018</u>	<u>\$ 48,943</u>

Depreciation expense for the year is \$16,823.

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(6) TAX-EXEMPT STATUS**

The Organization 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.

The Organization is subject to audits by taxing jurisdictions; however, no audit for any tax period is currently in progress. Management believes that the Organization is no longer subject to such audits for years ended prior to December 31, 2017.

**(7) RETIREMENT PLAN**

All employees of the Organization in Kenya are members of the National Social Security Fund (NSSF). Total contribution to NSSF by the Organization for the year amounted to \$1,052. The Organization established a retirement plan which was effective in February 2013 for Kenya employees and effective in January 2014 for US employees. The Organization 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 Organization established retirement plan was \$26,717. Combined contributions to both retirement plans totaled \$27,769 in 2017.

**(8) 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 \$140,464.

**(9) CONTINGENCIES**

The Organization is currently involved in litigation that arose in the ordinary course of its business. Management believes that the ultimate outcome will be in the Organization's favor and will have no material effect on the Organization's financial position.

**(10) GIFTS IN-KIND**

Gifts in kind are recorded at their estimated fair market value at the date of gift. These consisted of program supplies in the amount of \$5,485. All such gifts have been recorded as revenues and expenses as of December 31, 2017.

**REFUSHE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(11) TEMPORARILY RESTRICTED NET ASSETS**

Movement of net assets temporarily restricted for purpose in calendar year 2017 is as follows:

Temporarily restricted net assets, beginning balance	\$ 777,355
Add: Receipt of temporarily restricted grants	<u>786,200</u>
Total	1,563,555
Less: Released restrictions	<u>652,355</u>
Temporarily restricted net assets, ending balance	<u>\$ 911,200</u>

Below are the temporarily restricted net assets at December 31, 2017 and restricted for the following purpose:

<u>Donor/Grantor</u>	<u>Restriction</u>	<u>Amount</u>
Mastercard Foundation	Time	\$ 245,472
NoVo Foundation	Time	200,000
U.S. Department of State	Time and purpose	122,988
Imago Foundation	Time and purpose	101,272
Pathy/Seamont Foundation	Time and purpose	80,670
Zakat Foundation	Time and purpose	65,412
Manaaki Foundation	Time and purpose	39,805
Jolie and Pritt Foundation	Time and purpose	30,000
The Global Fund for Children	Time and purpose	17,937
Circle of Sisterhood	Time and purpose	4,959
Italian Agency for International Corporation	Time and purpose	<u>2,685</u>
Total		<u>\$ 911,200</u>

**(13) EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 25, 2018 the date which the financial statements were available to be issued.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
RefuSHE, Inc.  
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the RefuSHE, Inc. formerly Heshima Kenya, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the RefuSHE, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RefuSHE Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the RefuSHE, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether RefuSHE, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 E.C. ORTIZ & CO., LLP  
Chicago, Illinois  
October 25, 2018





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors  
RefuSHE, Inc.  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the RefuSHE, Inc.'s (formerly Heshima Kenya, Inc.) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the RefuSHE, Inc.'s major federal program for the year ended December 31, 2017. The RefuSHE, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the RefuSHE, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the RefuSHE, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the RefuSHE, Inc.'s compliance.

### ***Opinion on Each of the Major Federal Program***

In our opinion, the RefuSHE Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2017.

### **Other Matters**

The results of our auditing procedures discussed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-01 and 2017-02. Our opinion on each of the major program is not modified for with respect to these matters.

The RefuSHE, Inc. response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The RefuSHE, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the RefuSHE, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the RefuSHE, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RefuSHE, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2017-01 and 2017-02, that we consider to be significant deficiencies.

The RefuSHE Inc.'s responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The RefuSHE Inc.'s response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



E.C. ORTIZ & CO., LLP  
Chicago, Illinois  
October 25, 2018

**REFUSHE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR'S RESULTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   ✓   No
- Significant deficiency(ies) identified?        Yes   ✓   None reported

Noncompliance material to financial statements noted?        Yes   ✓   No

**Federal Awards**

Internal control over major program:

- Material weakness(es) identified?        Yes   ✓   No
- Significant deficiency(ies) identified?   ✓   Yes        None reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)        Yes   ✓   No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
19.517	Overseas Refugee Assistance Programs for Africa

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   ✓   No

**REFUSHE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Material Weaknesses:**

None noted.

**Significant Deficiencies:**

None noted.

**Instances of Noncompliance:**

None noted.

**REFUSHE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CURRENT FINDINGS - FEDERAL COMPLIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-01. Inadequate Controls over Distribution of Salaries and Wages of Employees**

Federal Agency: U.S. Department of State  
CFDA Number: 19.517  
Program Name: Overseas Refugee Assistance Programs for Africa  
Program Expenditures: \$1,142,951  
Federal Award Numbers: S-PRMCO-16-CA-1291; S-PRMCO-17-CA-2146  
Federal Award Year: 09/15/2016 to 09/14/2017; 09/01/2017 to 09/14/2018  
Questioned Costs: None

The RefuSHE, Inc. (Organization) did not have adequate controls to ensure that the allocation of employee hours to various programs and activities is supported by personnel activity report.

During our review of payroll documents of 40 employees who received salaries and wages from federal funded grants, we noted that the Organization did not have personnel activity report that reflect the after-the-fact determination of the actual activity of each employee. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) 2 CFR 230 Appendix B Subsection M states charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payroll approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports. The report reflecting the distribution of activity of each employee must be maintained for all staff members (professional and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. Reports maintained by a non-profit organizations to satisfy these requirements must meet the following standards: (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (*i.e.*, estimated determined before the services are performed) do not qualify as support for charges to awards; (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization; (c) The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employees, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports; (d) The reports must be prepared at least monthly and must coincide with one of more pay periods.

Organization officials stated the required personnel activity reports were not prepared because they were not aware of the requirement since this is their first exposure under single audit compliance.

**REFUSHE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CURRENT FINDINGS - FEDERAL COMPLIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Failure to ensure the allocation of employee hours to various programs and activities is supported by personnel activity report may hinder the ability of the Organization to determine whether salaries charged to federal grant fund are accurate, allowable, or properly allocated.

**Recommendation**

We recommend the Organization review its current time reporting process and implement controls to ensure distribution of salaries of employees is supported by personnel activity report.

**Management Response**

The Organization accepts the recommendation.

**Corrective Action Plan**

The Organization has begun revising its time reporting process to include the personal activity information and other federal requirements to ensure proper allocation of employee hours to various programs and activities.

**Anticipated Date of Completion**

November 30, 2018

**Contact Person Responsible for Corrective Action**

Marion S. Ostrega, Director for Finance and Operations

**REFUSHE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CURRENT FINDINGS - FEDERAL COMPLIANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-02. Inadequate Controls over Reporting**

Federal Agency: U.S. Department of State  
CFDA Number: 19.517  
Program Name: Overseas Refugee Assistance Programs for Africa  
Program Expenditures: \$1,142,951  
Federal Award Numbers: S-PRMCO-16-CA-1291; S-PRMCO-17-CA-2146  
Federal Award Year: 09/15/2016 to 09/14/2017; 09/01/2017 to 09/14/2018  
Questioned Costs: None

The RefuSHE, Inc. (Organization) did not file the federal compliance report timely.

During our review of federal compliance reports, we noted the following were not filed timely:

- a. One (20%) of five Federal Financial Reports was filed 65 days after its due date.

According to the Awards Provision, the Federal Financial Report Schedule shall be submitted within thirty (30) days following the end of each calendar year quarter (January 30th, April 30th, July 30th, and October 30th) during the validity period.

- b. One (20%) of five Performance Progress Reports was filed 19 days after its due date.

According to the Awards Provision, the Performance Progress Report Schedule shall be submitted within thirty (30) days following the end of each report quarter during the validity period.

- c. The Inventory Report was filed 27 days after its due date. In addition, the Organization missed to report acquisitions of two vehicles totaling \$63,270 during the year.

According to the Awards Provision, a report shall be submitted within thirty (30) days prior to the expiration of the grant agreement listing all items and purchase price of all non-expendable tangible personal property having a useful life of more than one year and having a current per unit fair market value of \$5,000 or more per unit which were purchased with funds provided under the agreement. The report must include the following information for each item purchased: description, date of purchase, serial number, and the country in which the item was used.

The sample was not intended to be, and was not, a statistically valid sample.



**REFUSHE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
CURRENT FINDINGS - FEDERAL COMPLIANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Organization officials stated the required federal compliance report were not timely submitted and the incomplete information in the inventory report were due to administrative oversight.

Failure to comply with these reporting requirements may jeopardize the Organization's eligibility for future agreements

**Recommendation**

We recommend the Organization to strengthen its procedures to ensure timely and accurate preparation of reports.

**Management Response**

The Organization accepts the recommendation.

**Corrective Action Plan**

The Grants Manager has created a grants report calendar to tract report deadlines and schedule reminder updates to the Finance office starting two weeks before each funding sponsor's deadlines.

**Anticipated Date of Completion**

November 15, 2018

**Contact Person Responsible for Corrective Action**

Marion S. Ostrega, Director for Finance and Operations

**REFUSHE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PRIOR FINDING NOT REPEATED  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding: Inadequate Control over Financial Reporting**

During the prior audit, the RefuSHE, Inc. did not account the inventory and associated cost of goods sold related to its Maisha program resulting to an audit adjustment.

During the current audit, our testing disclosed that the RefuSHE, Inc. has established a methodology to account for its inventory and related cost of goods sold. (Finding Code 2016-01)

**SUPPLEMENTARY INFORMATION**

**REFUSHE, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program						Supporting				Total	
	Girl		Case		Child		Program		General			Total
	Empowerment	Safe House	Management	SGBV	Protection	Livelihood	Program	Fundraising	Operations	Supporting		Expenses
Salaries	\$ 246,626	\$ 127,008	\$ 39,813	\$ 54,743	\$ 115,613	\$ 8,525	\$ 592,328	\$ 137,330	\$ 179,779	\$ 317,109	\$ 909,437	
Contract Services	4,379	406	-	12,508	1,012	14,778	33,083	10,166	24,970	35,136	68,219	
Payroll Taxes	8,328	2,343	1,923	2,291	14	10	14,909	9,836	2,821	12,657	27,566	
Health Insurance	28,121	15,876	1,038	2,690	4,914	-	52,639	2,851	5,086	7,937	60,576	
Pension	12,474	4,907	963	1,991	135	-	20,470	3,268	2,979	6,247	26,717	
Activities	2,731	974	15	7,047	122	-	10,889	-	-	-	10,889	
Clothing	-	1,585	-	-	-	-	1,585	-	-	-	1,585	
Educational Expense	8,000	74	-	-	644	-	8,718	-	-	-	8,718	
Emergency Case Management	-	2,250	12,828	11,479	-	-	26,557	-	85	85	26,642	
Meals	29,934	38,549	140	-	3,790	-	72,413	-	44	44	72,457	
Medical	631	3,729	3,314	525	-	-	8,199	-	3	3	8,202	
Program Supplies & Assistance	11,007	1,406	693	2,222	62,474	8,990	86,792	-	242	242	87,034	
Project Review	34	-	-	5,661	-	60	5,755	-	-	-	5,755	
Residential Care	400	24,334	-	-	-	-	24,734	-	-	-	24,734	
Seed Grant	1,440	77	-	1,741	-	-	3,258	-	-	-	3,258	
Staff Training	2,066	7,626	126	226	-	-	10,044	50	6,522	6,572	16,616	
Stipends	-	-	-	1,523	-	-	1,523	-	-	-	1,523	
Transitional Support	232	5,628	-	-	-	-	5,860	-	-	-	5,860	
Travel Assistance	42,734	4,289	3,413	1,625	-	-	52,061	9	-	9	52,070	
Tuition & Related Fees	2,042	-	-	-	-	-	2,042	-	-	-	2,042	
Vocational Training	1,116	1,147	-	11,458	-	-	13,721	-	-	-	13,721	
Workshops	-	-	-	276	-	-	276	-	-	-	276	
Adult & Financial Literacy	-	-	-	229	-	-	229	-	-	-	229	
Materials for Maisha	73,099	-	-	-	-	-	73,099	-	-	-	73,099	
Professional Development	1,940	2,141	111	207	823	41	5,263	25	13,043	13,068	18,331	
Dues, Fees & Taxes	9,654	538	159	346	887	290	11,874	3,566	7,280	10,846	22,720	
Occupancy/Rents	55,592	56,800	7,676	8,720	5,009	-	133,797	6,167	13,712	19,879	153,676	
Advertising/Marketing	146	510	-	-	102	-	758	4	-	4	762	
Automobile Expenses	150	7,083	56	29	5,809	-	13,127	-	2,336	2,336	15,463	
Information/Technology	3,451	1,347	1,151	1,463	319	-	7,731	2,523	15,145	17,668	25,399	
Repairs & Maintenance	11,924	5,163	419	4,077	644	1,305	23,532	697	14,794	15,491	39,023	
Conference & Meetings	332	-	-	-	4,530	9,899	14,761	3,283	2,741	6,024	20,785	
Travel/Transport Costs	16,216	1,940	2,017	1,950	6,370	18,088	46,581	10,589	33,116	43,705	90,286	
Events	4,870	-	-	-	-	-	4,870	36,666	568	37,234	42,104	
Office Supplies	2,970	1,208	363	4,087	1,551	2,307	12,486	1,168	15,417	16,585	29,071	
Postage/Mailings	8,317	9	9	9	-	1,036	9,380	1,494	2,533	4,027	13,407	
Insurance	75	398	56	94	-	-	623	35	5,127	5,162	5,785	
Printing/Copying/Communications	835	49	17	15	6,800	505	8,221	4,271	557	4,828	13,049	
Legal Fees	72	36	36	36	-	-	180	22	1,200	1,222	1,402	
Accounting	11,215	5,297	5,297	5,296	-	-	27,105	5,627	15,561	21,188	48,293	
Maisha Sales Commission	419	-	-	-	-	-	419	-	-	-	419	
Miscellaneous	101	-	-	-	-	3,675	3,776	264	(1)	263	4,039	
Depreciation & Amortization	-	15,817	-	-	-	-	15,817	-	1,006	1,006	16,823	

**REFUSHE, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program				Supporting				Total Expenses			
	Girl Empowerment	Safe House	Case Management	SGBV	Child Protection	Livelihood	Total Program	Fundraising		General Operations	Total Supporting	
Charitable Contributions Expense	-	-	-	-	-	-	-	-	383	383	383	383
Refugee Support	-	-	-	-	-	-	-	24	456	480	480	480
UNHCR Administrative Costs	-	-	-	-	9,426	-	9,426	-	-	-	-	9,426
Exchange gain/loss	-	496	-	112	-	-	608	-	3,767	3,767	3,767	4,375
<b>\$</b>	<b>603,673</b>	<b>\$ 341,040</b>	<b>\$ 81,633</b>	<b>\$ 144,676</b>	<b>\$ 230,988</b>	<b>\$ 69,509</b>	<b>\$ 1,471,519</b>	<b>\$ 239,935</b>	<b>\$ 371,272</b>	<b>\$ 611,207</b>	<b>\$ 2,082,726</b>	<b>\$ 2,082,726</b>

**REFUSHE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2017**

Federal Grantor/Pass-Through Grantor/Program/Grant Title	CFDA Number	Federal Award Number	Federal Expenditures	Pass-Through to Subrecipient
Major Program: U.S. Department of State Overseas Refugee Assistance Programs for Africa Promoting Protection Spaces to Safeguard the Rights of Unaccompanied and Separated Refugee Girls and Young Women Displaced in Nairobi, Kenya	19.517	S-PRMCO-16- CA-1291	\$ 832,211	\$ -
	19.517	S-PRMCO-16- CA-2146	310,740	-
Total Overseas Refugee Assistance Programs for Africa			1,142,951	-
Total U.S. Department of State			<u>\$ 1,142,951</u>	<u>\$ -</u>

**REFUSHE, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2017**

**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

The RefuSHE, Inc. is a not-for-profit corporation organized in the State of Illinois. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the RefuSHE, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The RefuSHE, Inc. has elected not to use the 10% minimum indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 - DESCRIPTION OF FEDERAL PROGRAM AUDITED AS A MAJOR PROGRAM**

The Promoting Protection Spaces to Safeguard the Rights of Unaccompanied and Separated Refugee Girls and Young Women Displaced in Nairobi, Kenya aims to enhance the protection of and empower unaccompanied and separated refugee girls and young women, including their own health and livelihoods through coordinated prevention and response to Sexual and Gender-Based Violence (SGBV)/Sexual Exploitation and Abuse (SEA).

**NOTE 3 - LOANS AND LOANS GUARANTEES**

There were no federal awards received or disbursed by the RefuSHE, Inc. for the purpose of loans or loan guarantees.

**NOTE 4 - NONCASH ASSISTANCE**

During the year, the RefuSHE, Inc. did not receive any federal noncash assistance.

**NOTE 5 - INSURANCE**

During the year, the RefuSHE, Inc. has no federally-funded insurance in effect.