

THE MAISHA PROJECT, INC.
OKLAHOMA CITY, OKLAHOMA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

THE MAISHA PROJECT, INC.
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Bell & Rhodes, PC
Certified Public Accountants
14220 Barbour Avenue
Oklahoma City, Oklahoma 73134

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Maisha Project, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of The Maisha Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional allocation of expenses 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 misstatements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Maisha Project, Inc. as of December 31, 2016, 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.

Bell & Rhodes, P.C.

March 16, 2017

The Maisha Project
Statement of Financial Position
December 31, 2016

Assets

Current Assets

Cash	\$	68,088
Funds held by third party		<u>6,094</u>
Total Current Assets		74,182

Fixed Assets

Computer equipment		6,700
Office equipment		<u>7,744</u>
		14,444
Less: accumulated depreciation		<u>(6,711)</u>
		<u>7,733</u>
Total Assets	\$	<u><u>81,915</u></u>

Liabilities and Net Assets

Accounts Payable	\$	<u>15,241</u>
Total current liabilities		15,241

Net Assets

Unrestricted		59,674
Temporarily restricted		<u>7,000</u>
Total Net Assets		<u>66,674</u>
Total Liabilities and Net Assets	\$	<u><u>81,915</u></u>

The Maisha Project
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016

Revenue and Other Support	Unrestricted	Temporarily Restricted	Total
Donations and grants	\$ 671,999	\$ 7,000	\$ 678,999
In-kind donations	42,763		42,763
Special event revenue net of direct expenses of 43,928	<u>70,911</u>	<u>-</u>	<u>70,911</u>
Total Revenue and other Support	785,673	7,000	792,673
Expenses			
Program	648,103	-	648,103
Administrative	112,764	-	112,764
Fundraising	<u>34,519</u>	<u>-</u>	<u>34,519</u>
Total Expenses	<u>795,386</u>	<u>-</u>	<u>795,386</u>
Change in net assets	(9,713)	7,000	(2,713)
Net assets at beginning of year	<u>69,387</u>	<u>-</u>	<u>69,387</u>
Net assets at end of year	<u>\$ 59,674</u>	<u>\$ 7,000</u>	<u>\$ 66,674</u>

The Maisha Project
Statement of Cash Flows
Year Ended December 31, 2016

Cash Flows from Operating Activities

Change in net assets from operations	\$ (2,713)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	2,137
Increase in accounts receivable	(6,094)
Increase in accounts payable	15,382
Net cash provided by operating activities	8,712

Cash Flows From Investing Activities

Purchase of Furniture and Equipment	(4,644)
Net increase in cash	4,068

Cash at beginning of year	64,020
Cash at end of year	\$ 68,088

Interest Expense paid in 2016	\$ -
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The Maisha Project
Statement of Functional Expenses
Year Ended December 31, 2016

<u>Description</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll expenses	\$ 65,203	\$ 68,725	\$ 18,502	\$ 152,430
Grants Overseas	333,800	-	-	333,800
Mission Trips	146,662	-	-	146,662
Promotions & Marketing	16,504	2,016	-	18,520
Supplies	1,804	870	-	2,674
Occupancy	6,140	4,992	1,108	12,240
Legal and Professional Fees	3,927	6,431	11,483	21,841
Shipments	56,418	-	-	56,418
Dues, fees & Subscriptions	2,156	2,570	2,627	7,353
Postage	2,306	591	-	2,897
Travel	-	2,316	-	2,316
Bank and Merchant Processing Fees	-	12,591	-	12,591
Software Expense	594	-	-	594
Printing & Publication	2,593	-	-	2,593
Miscellaneous	851	2,618	316	3,785
Repair and Maintenance	-	1,150	-	1,150
Telephone	7,453	2,073	483	10,009
Depreciation expense	-	2,137	-	2,137
Insurance	1,192	3,684	-	4,876
Facility charges	500	-	-	500
Total	<u>\$ 648,103</u>	<u>\$ 112,764</u>	<u>\$ 34,519</u>	<u>\$ 795,386</u>

The Maisha Project, Inc.

Notes to the Financial Statements

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Maisha means “life” in Swahili. The Maisha Project, Inc. (Maisha) was incorporated as a nonprofit organization under the laws of Oklahoma in 2014. Maisha is committed to bringing hope to the hopeless and light to the darkness. Since its inception, Maisha has worked with the abandoned, orphaned and destitute children of western Kenya. Our on-the-ground operations are run by local Kenyans who are trained in development, education, HIV/AIDS counseling and home-based care. To meet the goals of Maisha, we initiated projects to address the most pressing needs of water, hunger, shelter, education, health, and economic security. Maisha projects give the people we serve the tools they need to transform their community.

Through our projects, Maisha serves children from newborns to teens, providing daily meals, sponsorships for education, home-based care to people living with HIV/AIDS, economic empowerment and sustainable farming training, and facilitation of community development projects.

Basis of Accounting and Financial Statement Presentation

Maisha follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other assets and liabilities.

The financial statements are presented in accordance with Generally Accepted Accounting Principles, (GAAP) which require the organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Restriction on Assets – Net assets and revenues, expenses, gains, and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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The Maisha Project, Inc.

Notes to the Financial Statements

December 31, 2016

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. Maisha had no permanently restricted net assets as of December 31, 2016.

Use of 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. Such estimates are involved in management's valuation of its contribution receivable and the related discount rate and determination of an appropriate allowance for uncollectability. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of the donation. Depreciation is provided over the estimated useful lives of the respective assets using the Straight-line method. The organization capitalizes items valued at \$1,000 or more. The estimated useful lives of assets held by Maisha are seven years for furniture, five years for office equipment and vehicles, and three years for computers. Depreciation expense for the year ending December 31, 2016, was \$2,137. Repairs that do not materially extend the useful life of an asset are expensed when incurred.

Contribution Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues or gains in the period received by Maisha, and assets or decreases in liabilities depending on the form of the benefit received. **Conditional promises to give** are not recognized until the conditions on which they depend are substantially met. In most cases such contributions are considered conditional until they are received by the organization. **Unconditional promises to give** are recognized at the time they are given. There were no unconditional promises to give received by Maisha for the year ending December 31, 2016.

Contributions are reported as increases in the appropriate category of net assets. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled

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The Maisha Project, Inc.

Notes to the Financial Statements

December 31, 2016

and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

In-Kind Contributions of Assets or Services

Contributions of donated noncash assets are recorded at fair value on the date of the gift with the exception of gifts of stock, which are sold upon their receipt and recorded at the net proceeds from the sale.

Contributions of donated services that create or enhance nonfinancial assets (i.e. that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation), are recorded at fair value in the period the services are provided. No services meeting the requirements for recognition were recognized in the statement of activities for the year ending December 31, 2016.

Fair Value Measurement

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date. The Organization's investment in a publicly traded security and a money fund are valued using Level 1 inputs.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. quoted prices for similar assets or liabilities in active markets;
- b. quoted prices for identical or similar assets in markets that are not active;
- c. observable inputs other than quoted prices for the assets or liability (for example, interest rates and yield curves); and
- d. inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

There were no assets held by Maisha as of December 31, 2016, requiring fair value measurement using such inputs.

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Notes to the Financial Statements

December 31, 2016

Functional Allocation of Expenses and Joint Costs

The cost of providing various programs and other activities have been allocated on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint Costs - Most fundraising costs are directly allocated expenses. However, certain employee costs are jointly allocated to fundraising based on approximate time related to the fundraising activity. A total of \$98,669 of payroll related expenses were jointly allocated with \$36,930 allocated to program costs, \$43,237 allocated to general/administrative costs, and \$18,502 allocated to fundraising costs.

Fundraising Events

Maisha conducted a fundraising event during the year generating \$114,839 of revenue. Direct fundraising event costs of \$43,928 have been netted against revenue on the statement of activities. Included in both fundraising event revenue and expenses are in-kind donations valued at \$2,073.

Income Taxes

Maisha is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), and the Oklahoma taxation statutes, and accordingly has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of IRC Section 509(a). Management has determined that there was no unrelated business income for the year ending December 31, 2016. The Organization is required to file information tax returns each year with the years 2014, 2015 and the current year, still open for examination by taxing authorities.

Subsequent Event Evaluation

Subsequent events have been evaluated through March 16, 2017, the date of the issuance of the auditor's report, which corresponds to the date the financial statements were available to be issued.

NOTE 2: Leases

Maisha leases a copier with the lease expiring in 2017. The total future obligation under this lease is \$1,330.

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016, totaled \$7,000 and were comprised of donations given for specified purposes not to occur until 2017.

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The Maisha Project, Inc.

Notes to the Financial Statements

December 31, 2016

NOTE 4: FUNDS HELD BY THIRD PARTY

Donations made for the benefit of Maisha were on deposit with third party Paypal at December 31, 2016. The total of those funds was \$6,094.