

WEEMA International, Inc.

Financial Statements

December 31, 2016

WEEMA International, Inc.

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FRITZ DEGUGLIELMO LLC
*CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WEEMA International, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of WEEMA International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 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 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 WEEMA International, 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.

Fritz Deguglielmo LLC
Certified Public Accountants

Newburyport, Massachusetts
October 18, 2017

WEEMA International, Inc.
Statement of Financial Position
December 31, 2016

ASSETS

Current Assets	
Cash and cash equivalents	\$ 615,979
Prepaid expenses	14,971
Refundable security deposits	<u>810</u>
Total Current Assets	<u>631,760</u>
Property and Equipment	
Vehicles, furniture and equipment	68,049
Less: accumulated depreciation	<u>(9,071)</u>
Property and Equipment, net	<u>58,978</u>
Total Assets	<u><u>\$ 690,738</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 24,013
Accrued expenses	<u>7,984</u>
Total Current Liabilities	<u>31,997</u>
Total Liabilities	<u>31,997</u>
Net Assets	
Unrestricted net assets	658,741
Temporarily restricted net assets	<u>-</u>
Total Net Assets	<u>658,741</u>
Total Liabilities and Net Assets	<u><u>\$ 690,738</u></u>

See accompanying notes to financial statements and independent auditor's report.

WEEMA International, Inc.
Statement of Activities
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions and grants	\$ 919,082	\$ -	\$ 919,082
Interest income	244	-	244
Foreign exchange gain	345		345
Net assets released from restrictions:			
Satisfaction of donor restrictions	-	-	-
Total Public Support and Revenue	<u>919,671</u>	<u>-</u>	<u>919,671</u>
Expenses			
Program	889,463	-	889,463
Management and general	56,654	-	56,654
Fundraising	43,040	-	43,040
Total Expenses	<u>989,157</u>	<u>-</u>	<u>989,157</u>
Change in Net Assets	(69,486)	-	(69,486)
Net Assets, beginning of year	<u>728,227</u>	<u>-</u>	<u>728,227</u>
Net Assets, end of year	<u><u>\$ 658,741</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 658,741</u></u>

See accompanying notes to financial statements and independent auditor's report.

WEEMA International, Inc.
Statement of Functional Expenses
For the year ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation and related expenses	\$ 217,151	\$ -	\$ -	\$ 217,151
Program expense	430,046	-	-	430,046
Bank fees	929	4	1,101	2,034
Contract Services	74,971	-	-	74,971
Depreciation	8,127	-	-	8,127
Dues and subscriptions	-	840	-	840
Fundraising expense	-	-	12,513	12,513
Insurance	2,502	3,327	-	5,829
Miscellaneous	3,451	1,542	310	5,303
Occupancy	19,148	7,470	-	26,618
Office expenses	24,549	920	1,316	26,785
Printing and copying	560	-	-	560
Professional fees	170	37,442	27,800	65,412
Telecommunications	12,028	876	-	12,904
Travel	95,831	4,233	-	100,064
	<u>\$ 889,463</u>	<u>\$ 56,654</u>	<u>\$ 43,040</u>	<u>\$ 989,157</u>

See accompanying notes to financial statements and independent auditor's report.

WEEMA International, Inc.
Statement of Cash Flows
For the year ended December 31, 2016

Operating Activities	
Change in net assets	\$ (69,486)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	8,127
Changes in operating assets and liabilities:	
Prepaid expenses	(10,732)
Refundable security deposits	(810)
Accounts payable	16,357
Accrued expenses	<u>1,920</u>
Net Cash Used in Operating Activities	<u>(54,624)</u>
Investing Activities	
Purchase of vehicles, furniture, and equipment	<u>(62,385)</u>
Net Cash Used in Investing Activities	<u>(62,385)</u>
Net decrease in cash and cash equivalents	(117,009)
Cash and cash equivalents, beginning of year	<u>732,988</u>
Cash and cash equivalents, end of year	<u>\$ 615,979</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

See accompanying notes to financial statements and independent auditor's report.

WEEMA International, Inc.

Notes to Financial Statements

December 31, 2016

NOTE A – ORGANIZATION AND DESCRIPTION OF ACTIVITIES

Organization

WEEMA International, Inc. (“the Organization”) was incorporated in Massachusetts in August 2011. The primary purpose of the Organization is to empower Ethiopian communities through clean water access, education, economic opportunity and health care. The Organization has been organized exclusively for charitable and educational purposes as defined in Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status. The Organization has offices in The United States of America and Ethiopia to efficiently serve the populations in need in foreign countries.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The functional currency for the majority of the Organization's foreign operations is the applicable local currency. The translation of the applicable foreign currencies into US dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the current exchange rate in effect as of the transaction date.

Basis of Presentation

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 (formerly SFAS No. 117, “*Financial Statements of Not-for-Profit Organizations*”). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as defined below.

Unrestricted Net Assets – consist of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – include funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets – include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents includes checking, savings and money market accounts and certificates of deposit with an initial maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization's 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

WEEMA International, Inc.

Notes to Financial Statements

December 31, 2016

NOTE B – *continued*

Property and Equipment

Property and equipment consists of computers, cameras, furniture, and equipment and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Cameras and computers:	3 years
Furniture and equipment:	5 years
Vehicles:	5 years

Depreciation expense was \$8,127 for the year ended December 31, 2016.

Contributions

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

The Organization's policy is to report as unrestricted support any contributions received with donor-imposed restrictions if those restrictions are met in the same year that the contribution was received. Unless required by explicit donor stipulation, investment income is allocated entirely to unrestricted net assets.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Management and General – includes all activities related to the Organization's internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of public support.

Subsequent Events

Subsequent events have been evaluated through October 18, 2017, which is the date the financial statements were available to be issued.

NOTE C – UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS

The unrestricted net assets represent amounts for unrestricted purposes. Unrestricted net assets may be used for carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws. As of December 31, 2016, the Organization did not have any unspent temporarily restricted net assets.

WEEMA International, Inc.

Notes to Financial Statements

December 31, 2016

NOTE D – CONCENTRATION OF CREDIT RISK

The Organization maintains operating funds in foreign banks. These funds are not insured by the Federal Deposit Insurance Corporation or any other entity in the United States. The amounts at risk in these accounts at December 31, 2016, were \$15,439. Additionally, the Organization maintains accounts in a United States bank, which, at times during fiscal 2016, exceeded the \$250,000 limit insured by the Federal Deposit Insurance Corporation.

NOTE E – RELATED PARTY TRANSACTIONS AND CONCENTRATION OF REVENUE

During the year ended December 31, 2016, the Organization received a contribution of \$750,000 from a close relative of a board member. This contribution from a related party represents 82% of total revenue.

Management and fundraising services are provided to the Organization by a consulting firm of which the spouse of one of the Organization's board members is the owner. During the year ended December 31, 2016, the Organization incurred \$55,517 of professional fees from the consulting firm. The Organization also rents office space from the consulting firm under an operating lease agreement. During the year ended December 31, 2016, the Organization paid \$7,470 of rent expense to the consulting firm.

NOTE F – TAX POSITION

The Organization has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, "Accounting For Uncertainty in Income Taxes"). The primary tax positions made by the Organization are the existence/non-existence of Unrelated Business Income Tax and the Organization's status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the years presented, and as a result of adoption, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2016 and 2015, six months ending December 31, 2014, and year ending June 30, 2014 are subject to examination by the IRS. Returns are generally subject to examination for 3 years after they are filed.

NOTE G – OPERATING LEASES

The Organization leases office space for program use in Ethiopia under operating lease agreements. Monthly rent under the agreements ranges from \$607 to \$2,128, commencing from January 2016 and ending as late as February 2019. The Organization incurred \$16,638 in rent expense under these agreements during the year ended December 31, 2016.

The Organization has entered into an lease agreement for office space in the US with a related party as described in Note E. Monthly rent under the lease was \$810 from June 1, 2016 through May 31, 2017. For the year ended December 31, 2016, the Organization paid \$7,470 in rent under the lease agreement. Commencing June 1, 2017, the Organization has entered into an at-will lease agreement for office space in the US. Monthly rent under the lease agreement is \$1,650.

Future minimum lease payments under all of the operating leases as of December 31, 2016 are:

2017	\$ 29,889
2018	25,536
2019	<u>2,128</u>
	<u>\$ 57,553</u>