

KAKENYA CENTER FOR EXCELLENCE
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kakenya Center for Excellence
Washington DC

Report on Financial Statements

We have audited the accompanying financial statements of Kakenya Center for Excellence (KCE) (a District of Columbia not-for-profit organization) which comprises the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 KCE'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 Kakenya Center for Excellence as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 18, 2016

KAKENYA CENTER FOR EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|--------------------------|--------------------------|
| ASSETS: | | |
| Cash and cash equivalents | <u>\$ 385,882</u> | <u>\$ 393,069</u> |
| Total assets | <u><u>\$ 385,882</u></u> | <u><u>\$ 393,069</u></u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities - | | |
| Accounts payable and accrued expenses | <u>\$ 3,069</u> | <u>\$ -</u> |
| Net assets - | | |
| Temporarily restricted | \$ 67,407 | \$ 112,375 |
| Unrestricted | <u>315,406</u> | <u>280,694</u> |
| | <u>382,813</u> | <u>393,069</u> |
| Total liabilities and net assets | <u><u>\$ 385,882</u></u> | <u><u>\$ 393,069</u></u> |

KAKENYA CENTER FOR EXCELLENCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Support, revenue and gains: | | | |
| Grants and contributions | \$ 83,020 | \$ 374,545 | \$ 457,565 |
| In kind contributions | 12,197 | - | 12,197 |
| | <u>95,217</u> | <u>374,545</u> | <u>469,762</u> |
| Released from program restrictions | <u>431,711</u> | <u>(431,711)</u> | <u>-</u> |
| Expenses and losses: | | | |
| School, health, and leadership programs | <u>431,711</u> | <u>-</u> | <u>431,711</u> |
| General and administrative | 32,751 | - | 32,751 |
| Development and fund-raising | 15,556 | - | 15,556 |
| | <u>48,307</u> | <u>-</u> | <u>48,307</u> |
| Total expenses | <u>480,018</u> | <u>-</u> | <u>480,018</u> |
| <i>Change in net assets</i> | 46,910 | (57,166) | (10,256) |
| Net assets, beginning | <u>280,694</u> | <u>112,375</u> | <u>393,069</u> |
| <i>Net assets, ending</i> | <u>\$ 327,604</u> | <u>\$ 55,209</u> | <u>\$ 382,813</u> |

KAKENYA CENTER FOR EXCELLENCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|--------------------------|-----------------------------------|--------------------------|
| Support, revenue and gains: | | | |
| Grants and contributions | \$ 134,574 | \$ 367,955 | \$ 502,529 |
| In-kind contributions | 12,202 | - | 12,202 |
| | <u>146,776</u> | <u>367,955</u> | <u>514,731</u> |
| Released from program restrictions | <u>331,580</u> | <u>(331,580)</u> | <u>-</u> |
| Expenses and losses: | | | |
| School, health and leadership programs | <u>331,580</u> | <u>-</u> | <u>331,580</u> |
| General and administrative | 22,757 | - | 22,757 |
| Development and fund-raising | 14,126 | - | 14,126 |
| | <u>36,883</u> | <u>-</u> | <u>36,883</u> |
| Total expenses | <u>368,463</u> | <u>-</u> | <u>368,463</u> |
| <i>Change in net assets</i> | 109,893 | 36,375 | 146,268 |
| Net assets, beginning | <u>170,801</u> | <u>76,000</u> | <u>246,801</u> |
| <i>Net assets, ending</i> | <u><u>\$ 280,694</u></u> | <u><u>\$ 112,375</u></u> | <u><u>\$ 393,069</u></u> |

KAKENYA CENTER FOR EXCELLENCE
Statement of Functional Expenses
For the Year Ended December 31, 2015

| | School, Health and Leadership Programs | General and Administrative | Fund Raising | TOTAL |
|----------------------------|---|---------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Expenses | | | | |
| Expenses | | | | |
| Salaries and payroll taxes | \$ 168,025 | \$ 19,768 | \$ 9,884 | \$ 197,676 |
| Grant and contributions | 233,840 | - | - | 233,840 |
| Interns and consultants | 6,616 | 778 | 389 | 7,783 |
| Printing and copying | - | - | 3,916 | 3,916 |
| In kind donated services | 10,367 | 1,220 | 610 | 12,197 |
| Insurance | - | 1,890 | - | 1,890 |
| Office expenses | 6,175 | 727 | 363 | 7,265 |
| Travel | 5,800 | 7,107 | 341 | 13,249 |
| Taxes and licenses | - | 1,157 | - | 1,157 |
| Bank fees | 887 | 104 | 52 | 1,043 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses | <u>\$ 431,710</u> | <u>\$ 32,751</u> | <u>\$ 15,556</u> | <u>\$ 480,018</u> |

See auditor's report and notes to financial statements.

KAKENYA CENTER FOR EXCELLENCE
Statement of Functional Expenses
For the Year Ended December 31, 2014

| | School, Health and Leadership Programs | General and Administrative | Fund Raising | TOTAL |
|--------------------------------------|---|---------------------------------------|-------------------------|-------------------|
| Expenses | | | | |
| Salaries, payroll taxes and benefits | \$ 135,583 | \$ 15,951 | \$ 7,975 | \$ 159,509 |
| Grant and contributions | 151,787 | - | - | 151,787 |
| Interns and consultants | 9,030 | 1,062 | 531 | 10,623 |
| Printing and copying | - | - | 3,707 | 3,707 |
| In kind donated services - occupancy | 10,372 | 1,220 | 610 | 12,202 |
| Office expenses | 21,368 | 2,514 | 1,257 | 25,139 |
| Travel | 2,693 | 1,476 | - | 4,169 |
| Taxes and licenses | - | 446 | - | 446 |
| Bank fees | 748 | 88 | 44 | 880 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Expenses | <u>\$ 331,580</u> | <u>\$ 22,757</u> | <u>\$ 14,126</u> | <u>\$ 368,463</u> |

See auditor's report and notes to financial statements.

KAKENYA CENTER FOR EXCELLENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------------|-------------------------|
| Change in net assets | (\$10,256) | \$146,268 |
| Cash provided by (used in) operating activities: | | |
| Add items not affecting cash: | | |
| Increase in accounts payable and accrued expenses | <u>3,069</u> | <u>(882)</u> |
| Total adjustments | <u>(7,187)</u> | <u>145,386</u> |
| Cash and cash equivalents, beginning of year | <u>393,069</u> | <u>247,683</u> |
| Cash and cash equivalents, end of year | <u><u>\$385,882</u></u> | <u><u>\$393,069</u></u> |

There were no non-cash investing or financing activities for the year ended December 31, 2015 and 2014.

**KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

1. ORGANIZATION

The Kakenya Center for Excellence (KCE or the Organization) was established in 2008 as a nonprofit IRC 501 (c)(3) organization formed in the District of Columbia. KCE seeks to empower and motivate young girls through education to become agents of change and to break the cycle of destructive cultural practices in Kenya, such as female genital mutilation and early forced marriage. These future leaders will improve their community, their nation, and the world. KCE challenges themselves to come up with the best educational system for young African girls with the promise to share our model with others.

KCE believes in impacting one girl at a time, one community at a time, until all girls in Africa have the opportunities they need to learn and thrive as individuals and achieve their full potential. The Organization started their mission in Ensoya, Kenya, where they have built the first girls' primary boarding school.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of KCE have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

Basis of presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958 accounting for contributions received and contributions made. Contributions are recognized as revenue when they are received or unconditionally pledged. FASB ASC Topic 958 eliminates the utilization of fund accounting for financial reporting purposes and requires that net assets be classified as (1) unrestricted; (2) temporarily restricted; or (3) permanently restricted depending on limitations placed on the net assets by donors. Net assets and revenues, expenses, gains and losses are classified based 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 specific 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.

**KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Permanently restricted net assets - net assets subjected to donor imposed stipulations that these funds 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 related investments for general or specific purposes. As of December 31, 2015 and 2014, KCE has no permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, cash on hand and money market accounts. Because of their short-term and high liquidity, these investments are considered cash equivalents. Additionally, as of December 31, 2015 and 2014, KCE's cash balances in one financial institution exceeded federally insured deposit limits of \$250,000 by \$135,882 and 143,069, respectively. Management periodically assesses the financial conditions of the banking institutions and believes that the risk of any loss is minimal.

Furniture, fixtures and equipment

Furniture, fixtures and equipment are recorded at cost and depreciated over the estimated useful lives of the asset, using the straight-line method, between 5 - 39 years. There were no furniture, fixtures, and equipment as of December 31, 2015 and 2014.

Income taxes

KCE is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) (1) of the Code, is subject to Federal income tax and is not considered a private foundation.

Uncertain tax positions

In accordance with the disclosure provisions of FASB ASC Sub-Topic 740-19 "Accounting for Uncertainty in Income Taxes" as of and for the year ended December 31, 2015 and 2014, KCE has no uncertain tax positions requiring disclosure or tax accruals. The open tax years are December 31, 2013, 2014, and 2015.

**KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

In accordance with FASB ASC Topic 275, "Risks and Uncertainties", the preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expenses and allocations

In accordance with FASB ASC Topic 958-205-05, "Financial Statements of Not-for-Profit Organizations" the costs of providing the various programs and other operating activities have been summarized on a functional basis in the statement of functional expenditures. Certain costs that benefit a given program, as permitted by the grantor approved budget, have been directly allocated to that program based upon personnel time and other reasonable base allocations.

In-kind contributions

In accordance with FASB ASC Topic 958, in-kind contributions, if any, are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured. In kind contributions are usually not included in the accompanying financial statements since the value of the donated services and materials can not be objectively measured. For the years ended December 31, 2015 and 2014, in-kind contributions related to occupancy expenses totaled \$12,197 and \$12,202, respectively. These amounts were included in the financial statements since volunteer and donated services could be reasonably and objectively measured.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donors. KCE reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

3. NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 consisted of the following:

| Program | 2015 | 2014 |
|-------------------------------------|------------------|------------------|
| InMATT Foundation | \$ - | \$ 5,000 |
| Individuals | 43,329 | 93,375 |
| Vital Voices | 11,880 | - |
| Zonta Club of Washington Foundation | - | 1,000 |
| Global Fund for Children | - | 13,000 |
| | \$ 55,209 | \$112,375 |

For the years ended December 31, 2015 and 2014 \$431,711 and \$331,580, respectively, were released from donor restrictions and spent on program specific activities

4. SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 18, 2016 and none were noted requiring adjustment to or disclosure in the financial statements as of and for the years ended December 31, 2015 and 2014.

In August 2016, the FASB issued Update 2016-14 – Not for Profit Entities (ASC Topic 958) Presentation of Financial Statements of Not-for-Profit Entities which will affect the financial reporting for nonprofit entities. The effective date for implementation is December 15, 2017. The Organization plans to adopt this update in 2017.