

KAKENYA CENTER FOR EXCELLENCE
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kakenya Center for Excellence
Vienna, VA

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, 2016 and 2015 and the related statements of activities, 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, 2016 and 2015, 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.

May 25, 2017

Nanette K. Miller CPA, PC

KAKENYA CENTER FOR EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	<u>\$ 653,607</u>	<u>\$ 385,882</u>
Total assets	<u><u>\$ 653,607</u></u>	<u><u>\$ 385,882</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities -		
Accounts payable and accrued expenses	<u>\$ 38,824</u>	<u>\$ 3,069</u>
Net assets -		
Unrestricted	\$ 562,708	\$ 327,604
Temporarily restricted	<u>52,075</u>	<u>55,209</u>
	<u>614,783</u>	<u>382,813</u>
Total liabilities and net assets	<u><u>\$ 653,607</u></u>	<u><u>\$ 385,882</u></u>

KAKENYA CENTER FOR EXCELLENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets:		
Revenues:		
Grants and contributions	\$ 735,745	\$ 83,020
In-kind contributions	9,417	12,197
Net assets released from restrictions	<u>220,975</u>	<u>431,711</u>
Total Revenues	<u>966,137</u>	<u>526,928</u>
Expenses:		
Program Services: School, health and leadership programs	579,891	431,711
Supporting Services:		
General and Administrative	44,915	32,751
Fundraising	<u>106,227</u>	<u>15,556</u>
Total Supporting Services	<u>151,142</u>	<u>48,307</u>
Total expenses	731,033	480,018
Change in unrestricted net assets	235,104	46,910
Temporarily Restricted Net Assets:		
Grants and contributions	217,841	374,545
Net assets released from restrictions	<u>(220,975)</u>	<u>(431,711)</u>
Change in temporarily restricted net assets	(3,134)	(57,166)
Change in net assets	<u>231,970</u>	<u>(10,256)</u>
Net assets, beginning	<u>382,813</u>	<u>393,069</u>
Net assets, ending	<u><u>\$ 614,783</u></u>	<u><u>\$ 382,813</u></u>

KAKENYA CENTER FOR EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services:	Supporting Services		Total	
	School, Health and Leadership Programs	General and Administrative	Fund Raising	Supporting Services	Total
EXPENSES:					
Salaries, payroll taxes and benefits	\$ 199,536	\$ 22,171	\$ 13,236	\$ 35,407	\$ 234,943
Grants and contributions	357,275	-	-	-	357,275
Interns and consultants	3,945	17,225	66,927	84,152	88,097
Postage and delivery	-	456	10,557	11,013	11,013
In kind donated services	8,004	942	471	1,413	9,417
Occupancy	3,978	468	234	702	4,680
Travel	4,073	1,751	4,813	6,564	10,637
Meetings and events	-	171	3,861	4,032	4,032
Office expenses	3,080	1,731	6,128	7,859	10,939
Total Expenses	<u>\$ 579,891</u>	<u>\$ 44,915</u>	<u>\$ 106,227</u>	<u>\$ 151,142</u>	<u>\$ 731,033</u>

KAKENYA CENTER FOR EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services:	Supporting Services		Total	
	School, Health and Leadership Programs	General and Administrative	Fund Raising	Supporting Services	Total
EXPENSES:					
Salaries, payroll taxes and benefits	\$ 168,025	\$ 19,768	\$ 9,884	\$ 29,652	\$ 197,677
Grants and contributions	233,840	-	-	-	233,840
Interns and consultants	6,616	778	389	1,167	7,783
Postage and delivery	-	-	-	-	-
In kind donated services	10,367	1,220	610	1,830	12,197
Insurance	-	1,890	-	1,890	1,890
Travel	5,800	7,107	341	7,448	13,248
Meetings and events	-	-	-	-	-
Office expenses	7,063	1,988	4,332	6,320	13,383
Total Expenses	<u>\$ 431,711</u>	<u>\$ 32,751</u>	<u>\$ 15,556</u>	<u>\$ 48,307</u>	<u>\$ 480,018</u>

KAKENYA CENTER FOR EXCELLENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 231,970	\$ (10,256)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase in accounts payable and accrued expenses	<u>35,755</u>	<u>3,069</u>
Net cash provided by (used in) operating activities:	<u>267,725</u>	<u>(7,187)</u>
Cash and cash equivalents, beginning of year	<u>385,882</u>	<u>393,069</u>
Cash and cash equivalents, end of year	<u><u>\$ 653,607</u></u>	<u><u>\$ 385,882</u></u>

There were no non-cash investing or financing activities for the year ended December 31, 2016 and 2015.

KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 itself 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 Enosai, Kenya, where they have built the first girls' primary boarding school.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when obligations are incurred.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the general operations of the Foundation.
- Temporarily restricted net assets are specifically restricted by donors for various programs or future periods.
- Permanently restricted net assets represent funds in which the gift is to be held in perpetuity and only the investment earnings may be expended for the purposes designated by the donors. As of December 31, 2016 and 2015, KCE had no permanently restricted net assets.

KCE summarizes the costs of providing and managing its programs and supporting activities on a functional basis in the accompanying statements of activities. Accordingly, expenses are allocated among the benefiting program and supporting services based on specific identification or reasonable allocation methodologies.

KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Use of estimates

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.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, cash on hand and money market accounts. Because of their high liquidity, these accounts are considered cash equivalents. Additionally, as of December 31, 2016 and 2015, KCE's cash balances in one financial institution exceeded federally insured deposit limits of \$250,000 by \$403,607 and \$135,882, respectively. Management monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and cash equivalents, nor does it expect to experience any such losses.

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.

KCE is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables KCE to accept donations that qualify as charitable contributions to the donor. KCE is subject to tax on net income from unrelated business activities. For the years ended December 31, 2016 and 2015, KCE did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

KCE is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *Accounting Standards Codification (ASC) for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. The open tax years are December 31, 2014, 2015, and 2016. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is KCE's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2016 and 2015, KCE had no accruals for interest and/or penalties as there were no uncertain tax positions.

KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Revenue Recognition

KCE's primary source of revenue is contributions from individuals and foundations. KCE reports unconditional contributions and grants of cash and other assets as unrestricted and available for general operations, unless specifically restricted by the donor. If contributions and grants are received with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific time periods, the Organization reports the contributions and grants as temporarily restricted. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Unconditional contributions and grants that are expected to be collected in the future are recorded as pledges receivable when the promises are made. Unconditional pledge receivables that are expected to be collected within one year are reported at net realizable value. Unconditional pledge receivables that are expected to be collected beyond one year are reported at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received.

Non-cash contributions, such as marketable securities or other valuables easily converted into cash, are recorded at fair value on the date of the contribution. Any gain or loss on the subsequent sale is reported in the statement of activity as a realized gain/loss and is considered unrestricted revenue. For the years ended December 31, 2016 and 2015, there were no non-cash donations received by KCE.

In-kind contributions

In-kind contributions 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. For the years ended December 31, 2016 and 2015, in-kind contributions related to occupancy expenses totaling \$9,417 and \$12,197, respectively.

Reclassifications

Certain 2015 amounts were reclassified to conform to the 2016 presentation.

KAKENYA CENTER FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

3. NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 consisted of the following:

Donor	2016	2015
Wallace Global Foundation	\$ 30,000	\$ -
Individuals	-	43,329
Vital Voices	-	11,880
Adventures for the Mind Foundation	5,075	-
Global Fund for Children	17,000	-
	<u>\$ 52,075</u>	<u>\$ 55,209</u>

The following were released from donor restrictions and spent on program specific activities for the years ended December 31, 2016 and 2015.

Program	2016	2015
Boarding School Program	\$ 107,834	\$ 210,672
Jilinde Health and Leadership Training Program	64,700	126,403
Network for Excellence	48,441	94,636
	<u>\$ 220,975</u>	<u>\$ 431,711</u>

4. SUBSEQUENT EVENTS

On March 28, 2017, KCE entered into a one year lease for office space. Monthly rental is \$1,240. The lease commenced on May 1, 2017 and terminates on April 30, 2018.

Subsequent events have been reviewed through May 25, 2017 and none were noted requiring adjustment to or disclosure in these financial statements.