

**THE BOMA PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**SEPTEMBER 30, 2016**

THE BOMA PROJECT, INC.

SEPTEMBER 30, 2016

TABLE OF CONTENTS

Independent Auditor's Report .....	1 - 2
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 13



# Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Board of Directors  
The BOMA Project, Inc.  
Manchester Center, Vermont

We have audited the accompanying statement of financial position of The BOMA Project Inc. (a Vermont nonprofit organization) as of September 30, 2016 and the related statements of activities, functional expenses and cash flows for the nine months then ended.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 misstatements, 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 The BOMA Project, Inc. as of September 30, 2016 and the changes in its net assets and its cash flows for the nine months then ended in conformity with U.S. generally accepted accounting principles.

*Tapia & Suchabay, P.C.*

Vergennes, Vermont  
February 20, 2017  
Vermont Registration #108880

THE BOMA PROJECT, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2016

ASSETS

Cash and cash equivalents (Notes 1 & 15)	\$ 875,519
Prepaid expenses and other current assets	29,528
Grants and contributions receivable (Notes 1, 7 & 11)	99,336
Property and equipment, net of accumulated depreciation (Note 5)	<u>83</u>

TOTAL ASSETS \$ 1,004,466

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 11,873
Accrued expenses	<u>18,374</u>
Total Liabilities	<u>30,247</u>

Net Assets:

Unrestricted:	
Undesignated	289,839
Board designated operating reserve (Note 13)	200,000
Temporarily restricted (Note 10)	484,380
Permanently restricted	<u>-</u>
Total Net Assets	<u>974,219</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,004,466

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Accountable grant from U.K. DFID (Notes 1, 9 & 12)	\$ -	\$ 232,931	\$ 232,931
Other grants and contributions (Notes 1 & 12)	268,008	585,000	853,008
Interest and other income	2,133	-	2,133
Net assets released from restrictions:			
Satisfaction of time restrictions	312,500	(312,500)	-
Satisfaction of program restrictions	<u>863,871</u>	<u>(863,871)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,446,512</u>	<u>(358,440)</u>	<u>1,088,072</u>
EXPENSES AND LOSSES:			
Program services: (Note 1)			
REAP	1,066,359	-	1,066,359
Governance	20,403	-	20,403
Education and Advocacy	74,992	-	74,992
Supporting services:			
Management and general	139,444	-	139,444
Fundraising	<u>143,908</u>	<u>-</u>	<u>143,908</u>
TOTAL EXPENSES	<u>1,445,106</u>	<u>-</u>	<u>1,445,106</u>
CHANGE IN NET ASSETS	1,406	(358,440)	(357,034)
NET ASSETS, January 1, 2016	<u>488,433</u>	<u>842,820</u>	<u>1,331,253</u>
NET ASSETS, September 30, 2016	<u>\$ 489,839</u>	<u>\$ 484,380</u>	<u>\$ 974,219</u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	Program Services				Supporting Services		TOTAL
	REAP	Governance	Education & Advocacy	Total	Management & General	Fundraising	
Grants to NGO (Notes 1 & 8)	\$ 814,021	\$ 11,550	\$ -	\$ 825,571	\$ -	\$ -	\$ 825,571
Salaries & wages	88,761	7,474	37,643	133,878	56,972	76,091	266,941
Benefits & taxes	18,314	1,211	6,193	25,718	7,004	10,829	43,551
Consultants & professional fees	100,297	-	4,141	104,438	51,616	35,508	191,562
Conferences & meetings	475	-	9,701	10,176	-	993	11,169
Currency exchange losses (Note 8)	-	-	-	-	12,482	-	12,482
Rent & related expenses (Note 6)	14,591	50	1,281	15,922	2,535	6,198	24,655
Insurance	915	118	239	1,272	448	703	2,423
Office & technology expenses	6,755	-	3,564	10,319	3,857	7,476	21,652
Outreach & publications	-	-	3,009	3,009	38	1,089	4,136
Fees	1,537	-	144	1,681	911	2,548	5,140
Travel (domestic and international)	20,639	-	9,064	29,703	3,553	2,432	35,688
Miscellaneous	21	-	5	26	11	16	53
Depreciation	33	-	8	41	17	25	83
	\$ 1,066,359	\$ 20,403	\$ 74,992	\$ 1,161,754	\$ 139,444	\$ 143,908	\$ 1,445,106

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (357,034)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	83
(Increase) decrease in operating assets:	
Prepaid expenses and security deposit	(10,014)
Grants and contributions receivable	664
Increase (decrease) in operating liabilities:	
Accounts payable	(5,424)
Accrued expenses	1,064
Refundable advance	<u>(232,931)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(603,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
None	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
None	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(603,592)
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>1,479,111</u>
End of year	\$ <u><u>875,519</u></u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of the Organization and Nature of Activities:

Incorporated in Vermont in 2005, The BOMA Project, Inc. (“BOMA” or “the Organization”) is a nonprofit organization committed to alleviating poverty, empowering women and building resiliency in the arid lands of rural Africa (historically with an exclusive focus in northern Kenya). The Organization’s support comes primarily from grants and contributions from foreign governments (U.K. DFID), individuals, businesses and foundations. Through September 30, 2012, BOMA operated in Kenya directly – employing staff, renting office space, maintaining a local bank account, and directly operating its core program activities. On October 1, 2012, all of its Kenyan activities were transferred to a separate entity – “The BOMA Project – Kenya” – a duly formed and registered non-governmental organization (“NGO”). As discussed below, The BOMA Project - Kenya’s (“BOMA Kenya” or “the NGO”) operations are *not consolidated* with the Organization and all transfer of funds from BOMA to BOMA Kenya after September 30, 2012 are shown as grant expenses on the Statement of Activities.

BOMA Kenya is subject to audit requirements established by the federal government of Kenya and has been audited for the year ended December 31, 2015 (with the audit report dated March 30, 2016).

Financial Statement Presentation:

BOMA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor-imposed restrictions. 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 net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are shown as increases in temporarily restricted net assets with a corresponding transfer to unrestricted net assets. The transfer of assets with donor-imposed conditions is accounted for as a refundable advance, instead of as a contribution, until the conditions have been substantially met.

Cash and cash equivalents:

BOMA has elected to treat all cash accounts, checking, savings, money market, and other cash funds purchased with an original maturity of three months or less as cash and cash equivalents for purposes of the Statement of Cash Flows.

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give and Refundable Advances:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts, if material, are computed using estimated market interest rates applicable to the years in which the promises are received (5% for 2016). Any amortization of these discounts would be reflected in contribution revenue.

Conditional promises to give are not recorded until the conditions are met. Funds received with donor conditions are recorded as refundable advances until the conditions are substantially met.

Use of estimates:

The preparation of financial statements in conformity with U.S. 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.

Change in fiscal year:

BOMA has changed its fiscal year end from December 31<sup>st</sup> to September 30<sup>th</sup> effective September 30, 2016 and, since the previous calendar year financial statements are not comparable to these financial statements (which reflect activities for only nine months), has elected to present non-comparative, single year financial statements herein.

Description of Programs:

Description of the programs included in these financial statements is as follows:

REAP:

The “Rural Entrepreneur Access Project” is a two-year poverty-graduation program that provides women with seed capital (in the form of grants), sustained business skills and savings training, and hands-on mentoring. REAP replaces aid with sustainable income and helps lift women out of extreme poverty so they can survive drought, feed their families, pay for school fees and medical care, and accumulate savings for long-term stability.

Governance:

The governance program complements REAP by engaging in activities to promote women’s participation in community decision-making around drought preparedness. Together with REAP, this program helps to build the resilience of women through financial, social and political empowerment.

Education and Advocacy:

This program involves a variety of educational and outreach activities as well as the general program planning activities of the Organization.

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 2 - INCOME TAXES

BOMA is exempt from federal income tax (on activities related to its tax-exempt purpose) as an organization described in Section 501(c)(3) of the Internal Revenue Code, and is classified as a publicly supported organization under Section 509(a)(1). Contributions to BOMA qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A).

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 4 – DONATED FACILITIES AND SERVICES (IN-KIND CONTRIBUTIONS)

No amounts have been reflected in the financial statements for donated services. BOMA generally pays for services requiring specific expertise. However, a number of individuals volunteer their time and perform a variety of tasks that assist the Organization with its program, administrative and fundraising activities.

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2016:

Leasehold improvements	\$	2,418
Office equipment and computers		2,179
Furniture and fixtures		550
Subtotal		<u>5,147</u>
Less - accumulated depreciation		<u>(5,064)</u>
Net property and equipment	\$	<u><u>83</u></u>

Additions to equipment are recorded at cost when purchased and at market value when donated. Depreciation, amounting to \$83 for the nine months ended September 30, 2016, is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	3 years
Office equipment and computers	3 years
Furniture and fixtures	5 years

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 6 – OPERATING LEASE COMMITMENTS

BOMA rents office space in Vermont under a non-cancelable lease entered into July 2012 and expiring in July 2017. There were no minimum lease payments under this lease for the first year – BOMA was required only to pay “Complex Operating Costs and Taxes” of approximately \$385 per month. Monthly rent is \$750 per month for the second year of the lease and \$1,000 per month for the third, fourth and fifth. Rent under this lease (including \$2,925 in Complex Operating Costs and Taxes charged in 2016) was \$11,925 for the nine months ended September 30, 2016. Minimum lease payments for the year ending September 30, 2017 (including current Complex Operating Costs and Taxes of approximately \$325 per month) is \$12,950.

NOTE 7 – CONDITIONAL SCHOLARSHIP GRANTS RECEIVABLE AND PAYABLE

As part of its “Catalysts of Change” program, BOMA awards four-year scholarships allowing Kenyan students to attend EARTH University. The program pairs an unrelated donor with a student in need with both the grant receivable and the scholarship award payable considered conditioned upon the student’s continued enrollment. Conditional grants receivable and payable related to the program (neither of which are recorded in the financial statements) were \$24,000 as of September 30, 2016. There were no receipts and expenditures under the program during the nine months ended September 30, 2016 – the final payment of \$24,000 was made in December 2016.

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 8 – FOREIGN OPERATIONS

As discussed above, beginning October 1, 2012, BOMA operates its Kenyan activities through a stand-alone entity – BOMA Kenya. BOMA currently provides all of BOMA Kenya’s support and, therefore, the Organization has both an economic interest in and de facto control over BOMA Kenya. However, BOMA has no legal right to appoint a majority of BOMA Kenya’s board members and therefore lacks legal control. In this situation (economic interest and control through something other than legal control), under generally accepted accounting principles, consolidation of the financially-related organization is permitted but not required. BOMA has elected not to consolidate BOMA Kenya into its financial statements and, as discussed above, shows the transfer of assets to BOMA Kenya as “Grants to NGO” on the Statement of Functional Expenses.

As required under the accountable grant with the United Kingdom’s Department for International Development (discussed below), BOMA maintained a bank account with British Pounds Sterling as the source currency through April 30, 2016 – the grant ending date. Foreign currency losses on this account were approximately \$12,500 for the nine months ended September 30, 2016, as shown on the Statement of Functional Expenses.

NOTE 9– ACCOUNTABLE GRANT FROM THE U.K. DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

In April 2013, BOMA was awarded a three-year, accountable grant (1,268,969 British Pounds Sterling) from the United Kingdom Department for International Development (“DFID”) to support its REAP and Governance work in Marsabit County in Kenya - conditioned upon the expenditure of funds in accordance with the “Accountable Grant Arrangement” and with the continuation of support in future years dependent upon satisfactory progress towards achieving project goals. Activity on the grant from January 1, 2016 through the grant end date of April 30, 2016 was as follows:

Refundable advance, beginning of the year	\$ 232,931
DFID grant funds received	-
DFID grant funds expended	<u>(232,931)</u>
Refundable advance, end of the year	<u><u>\$ -</u></u>

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 10 – RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2016 consisted of \$306,170 restricted for the REAP program (all but \$37,500 received in cash) \$90,710 for special projects (all received in cash) and \$87,500 restricted to future time periods (\$62,500 received in cash and \$25,000 in grants and contributions receivable).

The Organization has no permanently restricted net assets.

NOTE 11 – GRANTS AND CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

Unconditional grants and contributions receivable consisted of the following at September 30, 2016:

Unrestricted	\$	<u>36,836</u>
Temporarily restricted:		
For the REAP program		37,500
For use in future years		<u>25,000</u>
		<u>62,500</u>
Total unconditional promises to give	\$	<u><u>99,336</u></u>
Receivable in less than one year	\$	99,336
Receivable in one to five years		<u>-</u>
Total unconditional promises to give		99,336
Less discounts to net present value		-
Less allowance for uncollectible promises		<u>-</u>
Net unconditional promises to give	\$	<u><u>99,336</u></u>

In addition to the conditional grants receivable discussed in Notes 7 and 9, the Organization also had – at September 30, 2016 – a \$159,658 conditional promise to give from a U.S. private foundation representing the second year of a two year grant supporting the REAP program and conditioned on satisfactory performance during the first year of the grant and a \$77,800 conditional promise to give from an Ireland-based non-profit organization to support “replication strategies” and conditioned upon allowable expenditure of grant funds in accordance with the grant agreement.

NOTE 12 – CONCENTRATION OF REVENUE

In addition to the \$232,931 in DFID grant revenue BOMA recognized during the nine months ended September 30, 2016 (an amount representing approximately 16% of its total *unrestricted* revenue for the year), BOMA also recognized (through temporarily restricted net assets released from restriction) *unrestricted* revenue of approximately \$246,000 from the U.S. private foundation discussed in Note 11 above - an amount representing approximately 17% of its total *unrestricted* revenue for the year.

THE BOMA PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 13 – BOARD DESIGNATED OPERATING RESERVE

In 2015, BOMA created a \$200,000 board designated “operating reserve” to help ensure the long-term financial stability of the Organization. The funds have not yet been segregated in a separate cash or investment account as the Organization works to create formal policies regarding the fund.

NOTE 14 – PENSION PLAN

The Organization sponsors a 403 (b) Pension Plan that covers substantially all full-time employees. Employees who meet certain minimum age and service requirements can make contributions to the plan up to prescribed limits. During the nine months ended September 30, 2016, BOMA matched employee contributions up to 2% of compensation with pension expense totaling \$3,620 for the period.

NOTE 15 – CONCENTRATION OF CASH ON DEPOSIT

The Organization has concentrated its credit risk by maintaining deposits in financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) or other domestic or foreign agencies. BOMA has not experienced any losses in such accounts and believes it is not exposed to any unreasonable credit risk to cash.

NOTE 16 - SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated “events” subsequent to September 30, 2016 through February 20, 2017 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.