

THE BOMA PROJECT, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014

THE BOMA PROJECT, INC.

DECEMBER 31, 2014

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 - 12



Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

11 Main Street, Suite B211 • P.O. Box 38 • Vergennes, VT 05491 • www.tapiahuckabay.com (802) 870-7086

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 December 31, 2014 and the related statements of activities, functional expenses and cash flows for the year then ended. The prior year summarized comparative information has been derived from the Organization's 2013 financial statements and, in Wallace W. Tapia, P.C.'s (our predecessor firm) report dated April 9, 2014, they expressed an unmodified opinion on those 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 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 December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Tapia & Duckabay, P.C.

Vergennes, Vermont
April 16, 2015
Vermont Registration #108880

THE BOMA PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(With Summarized Information for 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents (Note 1)	\$ 387,989	\$ 378,554
Prepaid expenses and other current assets	13,104	9,123
Grants and contributions receivable (Notes 1, 7 & 11)	464,995	310,940
Property and equipment, net of accumulated depreciation (Note 5)	<u>1,109</u>	<u>2,751</u>
TOTAL ASSETS	<u>\$ 867,197</u>	<u>\$ 701,368</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 5,409	\$ 2,810
Accrued expenses	12,931	6,889
Refundable advance (Notes 1 & 9)	<u>60,440</u>	<u>46,350</u>
Total Liabilities	<u>78,780</u>	<u>56,049</u>
Net Assets:		
Unrestricted	229,967	155,319
Temporarily restricted (Note 10)	558,450	490,000
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>788,417</u>	<u>645,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 867,197</u>	<u>\$ 701,368</u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Information for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
SUPPORT AND REVENUE:				
Accountable grant from U.K. DFID (Notes 1, 9 & 12)	\$ -	\$ 692,096	\$ 692,096	\$ 338,376
Other grants and contributions (Notes 1 & 12)	218,275	553,133	771,408	977,505
Interest and other income	2,002	-	2,002	4,604
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>1,176,779</u>	<u>(1,176,779)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,397,056</u>	<u>68,450</u>	<u>1,465,506</u>	<u>1,320,485</u>
EXPENSES AND LOSSES:				
Program services: (Note 1)				
REAP	857,093	-	857,093	594,393
Governance	185,328	-	185,328	31,718
Agents of Change	51,487	-	51,487	83,357
Education and Advocacy	17,935	-	17,935	38,829
Supporting services:				
Management and general	114,008	-	114,008	51,828
Fundraising	<u>96,557</u>	<u>-</u>	<u>96,557</u>	<u>76,231</u>
TOTAL EXPENSES	<u>1,322,408</u>	<u>-</u>	<u>1,322,408</u>	<u>876,356</u>
CHANGE IN NET ASSETS	74,648	68,450	143,098	444,129
NET ASSETS, beginning of year	<u>155,319</u>	<u>490,000</u>	<u>645,319</u>	<u>201,190</u>
NET ASSETS, end of year	<u>\$ 229,967</u>	<u>\$ 558,450</u>	<u>\$ 788,417</u>	<u>\$ 645,319</u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Information for 2013)

	Program Services					Supporting Services		2014 TOTAL	2013 TOTAL
	REAP	Governance	Agents of Change	Education & Advocacy	Total	Management & General	Fundraising		
Grants to NGO (Notes 1 & 8)	\$ 689,613	\$ 151,378	\$ -	\$ -	\$ 840,991	\$ -	\$ -	\$ 840,991	\$ 462,221
Scholarship grants (Note 7)	-	-	46,901	-	46,901	-	-	46,901	74,437
Salaries & wages	61,272	16,002	1,158	3,558	81,990	71,800	50,571	204,361	167,084
Benefits & taxes	7,212	2,171	316	669	10,368	5,746	5,254	21,368	23,763
Consultants & professional fees	59,827	10,108	1,254	3,666	74,855	12,733	9,550	97,138	79,634
Conferences & meetings	2,114	278	70	1,099	3,561	563	1,304	5,428	2,363
Currency exchange losses (Note 8)	-	-	-	-	-	13,401	-	13,401	-
Rent & related expenses (Note 6)	3,435	1,145	287	293	5,160	2,293	4,007	11,460	9,600
Insurance	718	228	82	217	1,245	557	816	2,618	2,817
Office & technology expenses	5,738	1,132	335	928	8,133	3,272	7,489	18,894	10,833
Outreach & publications	-	-	-	5,253	5,253	-	6,139	11,392	5,667
Fees	1,646	239	531	122	2,538	1,025	3,407	6,970	8,366
Travel (domestic and international)	25,008	2,483	512	1,919	29,922	2,240	7,038	39,200	26,041
Miscellaneous	17	-	-	170	187	50	407	644	1,888
Depreciation	493	164	41	41	739	328	575	1,642	1,642
	<u>\$ 857,093</u>	<u>\$ 185,328</u>	<u>\$ 51,487</u>	<u>\$ 17,935</u>	<u>\$ 1,111,843</u>	<u>\$ 114,008</u>	<u>\$ 96,557</u>	<u>\$ 1,322,408</u>	<u>\$ 876,356</u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Information for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 143,098	\$ 444,129
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,642	1,642
(Increase) decrease in operating assets:		
Prepaid expenses and security deposit	(3,981)	(3,004)
Grants and contributions receivable	(154,055)	(288,440)
Increase (decrease) in operating liabilities:		
Accounts payable	2,599	(1,215)
Accrued expenses	6,042	208
Refundable advance	14,090	46,350
	<u>9,435</u>	<u>199,670</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,435	199,670
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>378,554</u>	<u>178,884</u>
End of year	<u>\$ 387,989</u>	<u>\$ 378,554</u>

See accompanying notes to financial statements.

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 (with a current 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, 2014 (with the audit report dated March 27, 2015).

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.

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 2014). 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.

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification:

Portions of the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation.

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.

Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

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.

Agents of Change:

This program provides tuition and related expenses allowing Kenyan students to attend EARTH University (a private, non-profit university in Costa Rica) which offers degrees in agricultural sciences and natural resource management with the goal of developing leaders who will contribute to sustainable development and prosperous and just societies. The Agents of Change program also involves a number of other leader development activities including support for Kenyan students attending vocational and secondary schools in the country.

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Programs (continued):

Education and Advocacy:

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

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 December 31st:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 2,418	\$ 2,418
Office equipment and computers	2,179	2,179
Furniture and fixtures	<u>550</u>	<u>550</u>
Subtotal	5,147	5,147
Less - accumulated depreciation	<u>(4,038)</u>	<u>(2,396)</u>
Net property and equipment	<u>\$ 1,109</u>	<u>\$ 2,751</u>

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5- PROPERTY AND EQUIPMENT (continued)

Additions to equipment are recorded at cost when purchased and at market value when donated. Depreciation, amounting to \$1,642 in 2013 and 2014, 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

NOTE 6 – OPERATING LEASE COMMITMENTS

BOMA rents office space 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 was \$6,433 for 2013 and \$10,250 for 2014. Minimum lease payments for the years ending December 31st are as follows:

2015	\$	12,000
2016		12,000
2017		<u>6,500</u>
	\$	<u><u>30,500</u></u>

NOTE 7 – CONDITIONAL SCHOLARSHIP GRANTS RECEIVABLE AND PAYABLE

As discussed above, as part of its Agents 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 \$48,000 as of December 31, 2014 (\$118,400 as of December 31, 2013). Current year receipts and expenditures (included in grants and contributions and program service expenses on the Statement of Activities) were \$46,901 (\$74,437 for 2013).

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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. Of the approximately \$462,000 in transfers in 2013 (substantially all of which was in cash), approximately \$369,000 was expended for program expenses, \$60,000 was used to purchase capital additions and \$33,000 remained on hand. Of the approximately \$841,000 in transfers in 2014 (substantially all of which was in cash), approximately \$725,000 was expended for program expenses, \$108,000 was used to purchase capital additions and \$8,000 remained on hand.

As required under the accountable grant with the United Kingdom’s Department for International Development (discussed below), BOMA maintains a bank account with British Pounds Sterling as the source currency. Cumulative foreign currency gains on this account in 2013 were approximately \$4,000 and are included in “interest and other income” on the Statement of Activities. Foreign currency losses (included in the Statement of Functional Expenses) were \$13,401 for 2014.

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

In April 2013, BOMA was awarded a three-year, \$2,073,503 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 in 2013 and 2014 was as follows (with amounts shown as “remaining funds” representing “conditional promises to give” at the end of the year):

	<u>2014</u>	<u>2013</u>
Refundable advance, beginning of the year	\$ 46,350	\$ -
DFID grant funds received	706,186	384,726
DFID grant funds expended	<u>(692,096)</u>	<u>(338,376)</u>
Refundable advance, end of the year	<u>\$ 60,440</u>	<u>\$ 46,350</u>
<i>Remaining DFID grant funds, beginning of the year</i>	\$ 1,682,048	\$ -
<i>DFID grant funds awarded</i>	-	2,073,503
<i>DFID grant funds received</i>	<i>(706,186)</i>	<i>(384,726)</i>
<i>Currency adjustments</i>	<u><i>(55,567)</i></u>	<u><i>(6,729)</i></u>
<i>Remaining DFID grant funds, end of the year</i>	<u><u>\$ 920,295</u></u>	<u><u>\$ 1,682,048</u></u>

THE BOMA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 10 – RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 consisted of \$43,887 restricted for the REAP program (\$19,132 received in cash and \$24,755 in grants and contributions receivable), \$40,889 restricted to Kenya capital additions (including related maintenance and insurance) and \$11,794 restricted to leadership training (both of which received in cash) and \$461,880 restricted to future time periods (\$26,640 received in cash and \$435,240 in grants and contributions receivable). Temporarily restricted net assets at December 31, 2013 consisted of \$45,844 received in cash and restricted for the REAP program, \$32,781 received in cash and restricted to capacity building and \$411,375 restricted to future time periods (including \$100,435 received in cash with the balance 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 December 31st:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 5,000	\$ -
Temporarily restricted:		
For the REAP program	24,755	-
For use in future years	440,000	325,000
	<u>464,755</u>	<u>325,000</u>
Total unconditional promises to give	\$ <u>469,755</u>	\$ <u>325,000</u>
Receivable in less than one year	\$ 369,755	\$ 125,000
Receivable in one to five years	100,000	200,000
Total unconditional promises to give	469,755	325,000
Less discounts to net present value	(4,760)	(14,060)
Less allowance for uncollectible promises	-	-
Net unconditional promises to give	\$ <u>464,995</u>	\$ <u>310,940</u>

NOTE 12 – CONCENTRATION OF REVENUE

In addition to the \$692,096 in DFID grant revenue BOMA recognized during 2014 (an amount representing approximately 50% of its total *unrestricted* revenue for the year), BOMA also recognized (through temporarily restricted net assets released from restriction) *unrestricted* revenue of approximately \$170,000 from one individual donor - an amount representing approximately 12% of its total *unrestricted* revenue for the year).

NOTE 13 - SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated “events” subsequent to December 31, 2014 through April 16, 2015 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.