

PILGRIM AFRICA
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2016

PILGRIM AFRICA
December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1 - 2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7 - 11



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pilgrim Africa
Seattle, Washington

We have audited the accompanying financial statements of Pilgrim Africa (a not-for-profit 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 Pilgrim Africa as of December 31, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HUEBNER, DOOLEY & MCGINNESS, P.S.

Shoreline, Washington
September 13, 2017

PILGRIM AFRICA
(A Not-for-Profit Organization)
Statement of Financial Position
December 31, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 69,058
Pledges receivable, net - current	50
Pledges receivable, from related parties, net - current	100,000
Prepaid expenses and other current assets	<u>15,077</u>
Total current assets	<u>184,185</u>
Total assets	<u><u>\$ 184,185</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 16,711
Payroll liabilities	13,908
Deferred liabilities, net - current	<u>51,718</u>
Total current liabilities	82,337

Deferred liabilities, net - long-term	<u>26,400</u>
Total liabilities	<u>108,737</u>

Net assets:

Unrestricted deficit	(102,720)
Temporarily restricted	<u>178,168</u>
Total net assets	<u>75,448</u>
Total liabilities and net assets	<u><u>\$ 184,185</u></u>

The accompanying footnotes are an integral part of these financial statements.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants and contracts	\$ -	\$ 744,506	\$ 744,506
Contributions, pledges and other income	95,647	19,250	114,897
Contributions and pledges from related parties	407,680	100,000	507,680
Contributions - in-kind	-	1,062,720	1,062,720
Interest income	4	-	4
Net assets released from restrictions	<u>1,928,363</u>	<u>(1,928,363)</u>	<u>-</u>
Total support and revenue	<u>2,431,694</u>	<u>(1,887)</u>	<u>2,429,807</u>
Expenses:			
Program services:			
Africa Support Program	<u>2,238,586</u>	<u>-</u>	<u>2,238,586</u>
Total program services	<u>2,238,586</u>	<u>-</u>	<u>2,238,586</u>
Supporting services:			
Management and general	168,741	-	168,741
Fundraising	<u>150,898</u>	<u>-</u>	<u>150,898</u>
Total supporting services	<u>319,639</u>	<u>-</u>	<u>319,639</u>
Total expenses	<u>2,558,225</u>	<u>-</u>	<u>2,558,225</u>
Change in net assets	(126,531)	(1,887)	(128,418)
Net assets at beginning of year	<u>23,811</u>	<u>180,055</u>	<u>203,866</u>
Net assets at end of year	<u><u>\$ (102,720)</u></u>	<u><u>\$ 178,168</u></u>	<u><u>\$ 75,448</u></u>

The accompanying footnotes are an integral part of these financial statements.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Africa Support Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Transfers to affiliates:				
Cash awards - grants	\$ 718,588	\$ -	\$ -	\$ 718,588
Cash awards - contributions	456,158	-	-	456,158
Non-cash award (in-kind)	1,062,720	-	-	1,062,720
Operational:				
Personnel costs	-	74,301	3,487	77,788
Travel and hospitality	-	5,075	1,848	6,923
Insurance	-	291	-	291
Occupancy costs	-	35,034	-	35,034
Office expense	650	8,104	278	9,032
Professional services	-	38,556	139,103	177,659
Dues and banking fees	470	4,986	115	5,571
Marketing	-	2,394	6,067	8,461
Expenses	<u>1,120</u>	<u>168,741</u>	<u>150,898</u>	<u>320,759</u>
Total functional expenses	<u>\$ 2,238,586</u>	<u>\$ 168,741</u>	<u>\$ 150,898</u>	<u>\$ 2,558,225</u>

The accompanying footnotes are an integral part of these financial statements.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (128,418)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
(Increase) decrease in assets:	
Pledges receivable	34,405
Prepaid expenses and other current assets	(7,460)
Increase (decrease) in liabilities:	
Accounts payable	(8,712)
Payroll liabilities	6,694
Deferred liabilities	32,518
Total adjustments	<u>57,445</u>
Net cash provided (used) by operating activities	<u>(70,973)</u>
Net increase (decrease) in cash and cash equivalents	(70,973)
Cash and cash equivalents at beginning of year	<u>140,031</u>
Cash and cash equivalents at end of year	<u><u>\$ 69,058</u></u>

The accompanying footnotes are an integral part of these financial statements.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Notes To Financial Statements
December 31, 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pilgrim Africa (the Organization) is a private, non-profit organization incorporated in the State of Washington. The Organization was formed in 2004 with a mission to give humanitarian and spiritual aid to impoverished and war-afflicted peoples of Northeast Uganda. In 2009, the Organization expanded its assistance to Sub-Saharan Africa and South Africa. Assistance provided by the Organization under its Africa Support Program includes:

Aid and Relief

Pilgrim Africa delivered approximately a million doses of deworming medications to be distributed in partnership with the Ministry of Health in four districts. This donation helps fill an important gap in the national program.

Education

Pilgrim Africa operates a secondary level school, Beacon of Hope College in Soroti, Teso region, for over 700 secondary school students. Most of the students board at the school and about one half are private, paying students; the others all receive a full sponsorship. The sponsored students receive education, room and board, medical care and psychological and trauma counseling, while living in a supportive Christian environment. The school's robotics team competed internationally in the United States and in Israel as part of the FIRST Robotics "First Technical Challenge" competition. Overall, academic scores continue to place Beacon of Hope College among the top three in the region.

Agriculture and Environment

The Agriculture Program focused this year on maintaining prior advances, continuing with expanded use of the multi-function machines in use, as well as on relief efforts (in the form of cassava plant delivery) during the especially long dry spell this year.

Public Health

The Beacon Medical Clinic in Soroti has acquired more space in their rented facility, expanded local awareness of clinic services within the Soroti community, and continues to strive for program excellence.

Public Health – Malaria Focus

Pilgrim Africa is training thousands of health workers in four districts in the NE of Uganda in integrated case management for malaria, diarrhea, and pneumonia. Funding is provided in-country by the The Aids Support Organization (TASO), a primary recipient for Global Fund monies in the country; Pilgrim in Uganda is a sub-recipient this year for the second year in a row.

Pilgrim Africa also began a large innovative operational research program into the co-use of MDA and IRS for malaria control in three sub counties in the Katakwi District. The project will last for four years and will address 50,000 beneficiaries with direct interventions and monitoring. Funding came from the Bill & Melinda Gates Foundation and from Rotary International through an in-country Rotary Club. In 2017, Pilgrim Africa applied for and received a supplement from the Bill & Melinda Gates Foundation that increased their overall award for this project.

See independent auditors' report.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Notes To Financial Statements
December 31, 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic No. 958, *Not-for-profit Entities*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the activities of the organization;
- *Temporarily restricted net assets* are restricted by the donor to be used for certain purposes or future periods.

Net assets of the temporarily restricted class are created only by donor-imposed restrictions on the use of funds. This includes time or purpose restrictions. All other net assets, including Board-designated or appropriated amounts and are reported as part of the unrestricted class.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at its estimated fair market value at date of receipt. The Organization generally follows the practice of capitalizing expenditures for property and equipment in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Depreciation expense for the year ended December 31, 2016 was \$0.

Restricted and Unrestricted Support and Revenue Recognition

Contributed support is recorded when cash is received or when ownership of donated assets is transferred. The Organization has adopted the FASB Accounting Standards Codification Topic No. 958, *Not-for-profit Entities*. In accordance with this Topic, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

See independent auditors' report.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Notes To Financial Statements
December 31, 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted and Unrestricted Support and Revenue Recognition, continued

Gifts which are received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted. 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. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

Pledges and Promises to Give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2016, management recorded a \$0 allowance for doubtful pledges.

Pledges and unconditional promises to give at December 31, 2016 are due as follows:

Due in less than one year	\$ <u>100,050</u>
Total unconditional promises to give, net	\$ <u>100,050</u>

Donated Assets

Donated marketable securities and other non-cash donations (in-kind), including public health supplies, are recorded as contributions at their estimated fair values at the date of donation. Absent donor stipulations regarding how long marketable securities must be held or the specific use for which the principal or earnings are designated, contributions of marketable securities received are recorded as increases in unrestricted net assets. Contributions of supplies are reflected as temporarily restricted until they have been distributed to the Organization's affiliate. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

See independent auditors' report.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Notes To Financial Statements
December 31, 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

Donated services requiring specific expertise are recorded at the fair market value of such services. No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many other individuals volunteer their time and perform a variety of tasks that assist the Organization. No amount is recorded for the value of these services.

Deferred Liabilities

Deferred liabilities represent grant and scholarships funds received, but not yet disbursed.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

Income Tax Status

Pursuant to a letter of determination from the Internal Revenue Service, the Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under section 509(a)(1) of the Internal Revenue Code. Accordingly, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) of the Internal Revenue Code.

The Organization accounts for tax positions in accordance with the FASB Accounting Standards Codification Topic No. 740, *Income Taxes*. With few exceptions, the Organization is subject to U.S. federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2016.

The Organization recognizes income tax related interest and penalties in operational expenses. During the year ended December 31, 2016, the Organization recognized no income tax related interest or penalties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Expenses

Advertising is expensed as incurred. For the year ended December 31, 2016, no advertising expense was incurred.

Date of Management's Review

In preparing these financial statements, management of Pilgrim Africa has evaluated events and transactions for potential recognition or disclosure through September 13, 2017, the date the financial statements were available to be issued.

See independent auditors' report.

PILGRIM AFRICA
(A Not-for-Profit Organization)
Notes To Financial Statements
December 31, 2016

2. CONCENTRATIONS

The Organization places cash and cash equivalents with financial institutions. Accounts at each institution are insured up to \$250,000. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

During the year ended December 31, 2016, the Organization received approximately 21%, or \$507,680, of its contributions and pledges from donors considered to be related parties.

As of December 31, 2016, \$100,000, or 99%, of the Organization's net pledges receivable were from related parties.

3. OPERATING LEASES

The Organization entered into a four year office space lease agreement in October 2012. The lease required minimum monthly rental payments of \$2,877, increasing by \$131 in October of each year of the lease. The office space lease agreement was not renewed upon expiration in September 2016.

Rent expense, including parking, was \$35,034 for the year ended December 31, 2016.

4. RELATED PARTY TRANSACTIONS

Pilgrim-Uganda is incorporated in Uganda as a Non-Government organization and is fully registered by the Board of the Ministry of Internal Affairs of Uganda.

Pilgrim Africa and Pilgrim-Uganda share a common focus. The majority of the governing Board of Pilgrim-Uganda is comprised of board members who also govern Pilgrim Africa. Pilgrim-Uganda is financially dependent upon Pilgrim Africa for its support and annual operating revenues. Pilgrim-Uganda has been excluded from consolidation in the accompanying financial statements. Accounting principles generally accepted in the United States of America require that all separate entities over which the reporting entity maintains a majority common board and control be consolidated with the reporting entity. The effects of not consolidating Pilgrim-Uganda have not been determined at this time. On December 19, 2015, the Board unanimously approved the restructuring of board membership for both Pilgrim Africa and Pilgrim-Uganda, creating the separate and independent governance of both organizations, effective January 1, 2016.

During the year ended December 31, 2016, Pilgrim Africa transferred cash awards from grants and contributions totaling \$1,162,146 to Pilgrim-Uganda and its programs. In addition, medicine supplies, with an estimated fair market value of \$1,062,720, was donated (non-cash item) and then transferred from Pilgrim Africa to Pilgrim-Uganda during the year ended December 31, 2016.

5. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Organization has received additional grant funding of \$1,553,241 and \$97,301 from a private foundation, to be transferred to Pilgrim-Uganda to provide assistance to its Africa Support Program.

See independent auditors' report.