PILGRIM AFRICA

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2017

PILGRIM AFRICA
December 31, 2017

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HUEBNER, DOOLEY & MCGINNESS, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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.

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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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HUEBNER, DOOLEY & MCGINNESS, P.S.

Shoreline, Washington
December 21, 2018

PILGRIM AFRICA

(A Not-for-Profit Organization)
Statement of Financial Position
December 31, 2017

ASSETS

Current assets:		
Cash and cash equivalents	$	685,470
Prepaid expenses and other current assets		22,127
Total current assets		707,597
Total assets	$	707,597

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Accounts payable	$	7,327
Total current liabilities		7,327
Total liabilities		7,327
Net assets (deficit):		
Unrestricted deficit		(2,226)
Temporarily restricted		702,496
Total net assets (deficit)		700,270
Total liabilities and net assets (deficit)	$	707,597

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, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Grants and contracts	$ -	$ 1,650,542	$ 1,650,542
Contributions, pledges and other income	270,863	-	270,863
Contributions and pledges from related parties	292,343	-	292,343
Contributions - in-kind	3,725	-	3,725
Special events revenue	157,091	-	157,091
Special events direct expense	(85,144)	-	(85,144)
Interest income	11	-	11
Net assets released from restrictions	1,126,214	(1,126,214)	-
Total support and revenue	1,765,103	524,328	2,289,431
Expenses:			
Program services:			
Africa Support Program	1,412,264	-	1,412,264
Total program services	1,412,264	-	1,412,264
Supporting services:			
Management and general	173,022	-	173,022
Fundraising	79,323	-	79,323
Total supporting services	252,345	-	252,345
Total expenses	1,664,609	-	1,664,609
Change in net assets (deficit)	100,494	524,328	624,822
Net assets (deficit) at beginning of year	(102,720)	178,168	75,448
Net assets (deficit) at end of year	$ (2,226)	$ 702,496	$ 700,270

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, 2017

	Africa Support Program	Management and General	Fundraising	Total Expenses
Transfers to affiliates:				
Cash awards - grants	$ 1,014,164	$ -	$ -	$ 1,014,164
Cash awards - contributions	394,798	-	-	394,798
Operational:				
Personnel costs	364	116,590	9,901	126,855
Travel and hospitality	904	-	-	904
Insurance	-	4,496	-	4,496
Occupancy costs	-	8,801	-	8,801
Office expense	528	6,298	106	6,932
Professional services	-	25,484	63,734	89,218
Dues and banking fees	1,506	10,982	-	12,488
Marketing	-	371	5,582	5,953
Expenses	3,302	173,022	79,323	255,647
Total functional expenses	$ 1,412,264	$ 173,022	$ 79,323	$ 1,664,609

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, 2017

Cash flows from operating activities:	
Change in net assets (deficit)	$ 624,822
Adjustments to reconcile change in net assets (deficit) to cash provided (used) by operating activities:	
(Increase) decrease in assets:	
Pledges receivable	100,050
Prepaid expenses and other current assets	(7,050)
Increase (decrease) in liabilities:	
Accounts payable	(9,384)
Payroll liabilities	(13,908)
Deferred liabilities	(78,118)
Total adjustments	(8,410)
Net cash provided (used) by operating activities	616,412
Net increase (decrease) in cash and cash equivalents	616,412
Cash and cash equivalents at beginning of year	69,058
Cash and cash equivalents at end of year	$ 685,470

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

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 included:

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, Israel, and Nairobi 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 as needed.

Public Health

The Beacon Medical Clinic in Soroti has expanded local awareness of clinic services within the Soroti community and continues to strive for program excellence. Medical equipment was donated to the clinic and will arrive in country in early 2019.

Public Health – Malaria Focus

Pilgrim Africa completed the first half of the first phase of 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, addressing 50,000 residents in those sub counties. With the second round of universal spraying and treating in August 2017, and the third epidemiological survey in November 2017, Pilgrim Africa achieved the midpoint of the project, with malaria already reduced by over 75% in the intervention areas. The second half of Phase I, including the next two rounds of IRS and treatment, and the next two cross-sectional impact surveys, will take place in 2018.

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, 2017 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.

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.

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.

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.

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, 2017.

The Organization recognizes income tax related interest and penalties in operational expenses. During the year ended December 31, 2017, 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, 2017, 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 December 21, 2018, the date the financial statements were available to be issued.

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, 2017, the Organization received approximately 18%, or $315,768, of its contributions from donors considered to be related parties.

3. OPERATING LEASES

Rent expense was $8,800 for the year ended December 31, 2017. The current lease agreement is on a month-to-month basis.

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.

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. Pilgrim Africa and Pilgrim-Uganda share a common focus. Pilgrim-Uganda is financially dependent upon Pilgrim Africa for its support and annual operating revenues. 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. As a result, Pilgrim-Uganda has been excluded from consolidation in the accompanying December 31, 2017 financial statements. On February 10, 2018, a vote was taken to formally reunite the governing boards of Pilgrim Africa and Pilgrim-Uganda.

During the year ended December 31, 2017, Pilgrim Africa transferred cash awards from grants and contributions totaling $1,408,962 to Pilgrim-Uganda and its programs.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following projects or purposes as of December 31, 2017:

Prepaid scholarships	$ 40,200
Public Health – Malaria focus funding	662,296
	$ 702,496

6. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Organization has received additional grant funding of $193,253 and $964,972, to be used to provide assistance to its Africa Support Program.