

**FOCUS HUMANITARIAN ASSISTANCE
USA**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2016



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FOCUS HUMANITARIAN ASSISTANCE, USA

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Focus Humanitarian Assistance, USA

We have audited the accompanying financial statements of Focus Humanitarian Assistance, USA (“FOCUS USA”), a District of Columbia nonprofit corporation, which comprise the statement of financial position as of December 31, 2016, the related statement of activities, statement of functional expenses, and statement of 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.

Auditors’ 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.

INDEPENDENT AUDITORS' REPORT, CONT'D

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOCUS USA as of December 31, 2016, 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.

Prior Period Financial Statements

The financial statements of FOCUS USA as of December 31, 2015, were audited by other auditors whose report dated April 1, 2016, expressed an unmodified opinion on those financial statements.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates, PC
Houston, Texas
April 4, 2017

FINANCIAL STATEMENTS SECTION

FOCUS HUMANITARIAN ASSISTANCE, USA
Statements of Financial Position
December 31, 2016

	2016	2015
Assets		
Current Assets		
Cash	\$ 5,232,415	\$ 4,498,756
Investments (Notes 2 and 7)	3,858,705	2,248,340
Contributions receivable, current (Note 3)	215,200	199,486
Grants receivable	23,697	120,605
Humanitarian grant advances (Note 4)	944,102	1,534,123
Prepaid expenses and other receivables	327,624	93,339
Total Current Assets	10,601,744	8,694,649
Non-Current Assets		
Investments (Notes 2 and 7)	1,233,000	3,571,000
Contributions receivable, non-current (Note 3)	167,472	212,661
Property and equipment, net (Note 5)	124,741	98,892
Total Non-Current Assets	1,525,213	3,882,553
Total Assets	\$ 12,126,956	\$ 12,577,202
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 404,049	\$ 55,913
Humanitarian grants payable (Note 4)	737,409	1,851,871
Advance grant revenue	524,117	188,764
Total Current Liabilities	1,665,575	2,096,548
Total Liabilities	1,665,575	2,096,548
Net Assets:		
Unrestricted	10,461,381	9,995,721
Temporary restricted (Note 8)	-	484,933
Total Net Assets	10,461,381	10,480,654
Total Liabilities and Net Assets	\$ 12,126,956	\$ 12,577,202

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE, USA

Statement of Activities

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Public Support and Other Revenue:				
Contributions	\$ 4,779,347	\$ -	\$ 4,779,347	\$ 4,234,862
Investment income	46,238	-	46,238	50,586
Humanitarian grants (Note 4)	848,355	-	848,355	1,253,282
External funding grants (Note 11)	900,739	-	900,739	1,616,767
Other revenue	-	-	-	7,300
Total Public Support and Other Revenue	6,574,680	-	6,574,680	7,162,797
Net assets released from restriction:				
Satisfaction of purpose restriction	484,933	(484,933)	-	-
Total Revenues	7,059,613	(484,933)	6,574,680	7,162,797
Expenses:				
Program services- humanitarian assistance	6,160,482	-	6,160,482	10,199,885
Administrative and general	359,041	-	359,041	401,441
Fundraising	74,430	-	74,430	64,331
Total Expenses	6,593,953	-	6,593,953	10,665,657
Change in net assets	465,660	(484,933)	(19,273)	(3,502,860)
Net assets- beginning of year	9,995,721	484,933	10,480,654	13,983,514
Net Assets- End of Year	\$ 10,461,381	\$ -	\$ 10,461,381	\$ 10,480,654

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE, USA

Statement of Functional Expenses

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015
	Program Activities	Administrative and General	Fundraising	Totals	Totals
Personnel costs	\$ 602,307	\$ 294,199	\$ 49,538	\$ 946,044	\$ 968,069
Humanitarian grants	3,810,191	-	-	3,810,191	6,396,361
Governmental and other grants expenses	1,104,709	-	-	1,104,709	1,834,355
Professional fees and consultants	839	21,185	-	22,023	51,885
General office expenses	33,870	5,481	7,369	46,720	64,183
Rent and office utilities	76,705	12,648	-	89,352	93,305
Printing and media	9,603	-	9,391	18,995	19
Telephone and communication	28,131	6,139	8,131	42,401	43,518
Travel	192,682	13,463	-	206,145	218,097
Materials, expendable equipment and software	215,760	5,927	-	221,687	985,251
Repairs and maintenance	15,630	-	-	15,630	-
Depreciation expense	70,056	-	-	70,056	47,851
Total Expenses	\$ 6,160,482	\$ 359,041	\$ 74,430	\$ 6,593,953	\$ 10,702,894

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE, USA

Statements of Cash Flows

Years Ended December 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (19,273)	\$ (3,502,860)
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Depreciation	70,056	47,851
Changes in assets and liabilities:		
Contributions receivable, net	29,475	31,633
Prepaid expenses and other receivables	(234,285)	57,331
Grants receivable	96,908	225,235
Humanitarian grants advances	590,021	(615,518)
Accounts payable and accrued liabilities	348,136	(151,598)
Humanitarian grants payable	(1,114,462)	128,893
Advance grant revenue	335,353	(116,664)
Net Cash Provided By (Used In) Operating Activities	101,929	(3,895,697)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from liquidation of investments	727,635	198,112
Purchases of property and equipment	(95,905)	(40,715)
Net Cash Used In Investing Activities	631,730	157,397
Net Increase (Decrease) In Cash	733,659	(3,738,300)
Cash, Beginning of the Year	4,498,756	8,237,056
Cash, End of the Year	\$ 5,232,415	\$ 4,498,756

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Focus Humanitarian Assistance, USA. (“FOCUS USA” or the “Organization”) is a nonprofit corporation organized under the laws of the District of Columbia and exempt from U.S. federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation.

Focus Humanitarian Assistance is an international group of agencies established in Europe, North America and South Asia to complement the provision of emergency relief, principally in the developing world. It helps people in need reduce their dependence on humanitarian aid and facilitates their transition to sustainable self-reliant, long-term development. Focus Humanitarian Assistance is affiliated with the Aga Khan Development Network, a group of institutions working to improve opportunities and living conditions, for people of all faiths and origins, in specific regions of the developing world. Underlying the establishment of Focus by the Ismaili Muslim community is a history of successful initiatives to assist people struck by natural and man-made disasters in South and Central Asia, and Africa.

Basis of Financial Reporting

The accompanying financial statements of FOCUS USA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America. Under the accrual method, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time title passes to, or a service is received by, the Organization.

The Financial Accounting Standards Board (FASB) is the designated organization for establishing standards of financial accounting that govern the preparation of financial reports by non-governmental entities, including nonprofit organizations, in the United States of America.

Financial Statement Presentation

FOCUS USA prepares its financial statements in accordance with the requirements of FASB’s Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-For-Profit Organizations*, and reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Temporarily Restricted Net Assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon may be used by the Organization.

The Organization is also required under FASB ASC Topic 958-205 to present a statement of cash flows as a basic financial statement.

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the financial statements relate primarily to the functional classifications of expenses and the useful lives applied in the depreciation of property and equipment. Actual results could differ from those estimates.

Recognition of Donor Restrictions

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, the restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

In accordance with FASB ASC Topic 958-605-25, *Not-for-Profit Entities—Revenue Recognition*, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions of pledges are recorded as revenue in the period the contribution or promise is received when an unconditional commitment is received and there is sufficient evidence in the form of verifiable documentation. Pledges and commitments that are not written, calculable or verifiable are recorded as revenue when payment is received.

Contributions receivable are stated at net of an allowance for doubtful accounts. Unrestricted contributions that are to be received over multiple future years are discounted to the anticipated net present value of the future cash flows. These contributions are included as unrestricted revenue on the Statement of Activities and as non-current assets on the Statements of Financial Position.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. FOCUS USA had no conditional promises to give as of December 31, 2016.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Other revenues are recognized when received.

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

External Grants

External grants revenue is recognized when the Organization has incurred eligible expenditures and met all of the other grant eligibility requirements. External grants are more fully described in Note 11.

Contributed Services and Donated Materials

Contributed services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt to the extent that they create or enhance non-financial assets or require specialized skills, which if not provided by donation, would have to be purchased by FOCUS USA. The contributed services and donated materials are reported in the financial statements as revenue with an offsetting expense.

No amounts have been reflected in the financial statements for in-kind services and materials utilized in various programs for the year ended December 31, 2016, because they did not meet the criteria for recognition.

Cash and Cash Equivalents

FOCUS USA reports as cash and cash equivalents all monies in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition. The Organization had no cash equivalents as of December 31, 2016. Management believes that the carrying amounts reported for cash in the Statements of Financial Position approximate its fair value.

Investments

Investments in fixed income marketable securities with readily determinable fair values are reported at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are included in the net return on investments reported in the statements of activities. Investment returns are reported as an increase or decrease in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Property and Equipment

Property and equipment are stated at cost. FOCUS USA capitalizes all purchases of property and equipment with a useful life expectancy of greater than one year and with a cost of \$2,500 or greater. Major improvements and renewals that extend the life of the property or equipment are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is calculated under the straight-line method over the estimated useful lives of the assets. Amortization for leasehold improvements is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Estimated useful lives of property and equipment are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Office furniture and fixtures	5 years
Program equipment (including motor vehicles)	3 years
Office equipment	5 years
Leaseholds improvement	Lesser of lease term or 6 years

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

Income Taxes

As an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC), FOCUS USA is exempt from U.S. federal income taxes under Section 501(c)(3) of the IRC. Accordingly, no provision or liability for federal income taxes has been included in the accompanying financial statement. In addition, donations and contributions to the Organization are deductible for federal income tax purposes as provided in Section 170 of the IRC.

FOCUS USA evaluates its uncertain tax positions using the guidance for contingencies as contained in FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization is not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service. The Forms 990 for years 2013 through 2015 remain subject to review by the taxing authorities, generally for three years after they were filed.

Fair Value Measurements

In accordance with the provisions of FASB ASC Topic 820, *Fair Value Measurements*, the Organization makes fair value measurements and enhanced disclosures about fair value measurements. FASB ASC Topic 820 has established a framework for measuring fair value and expanding disclosures about fair value measurements for assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 input) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1: Valuations are based on quoted prices in active markets for identical investments. Accordingly, valuations of these securities do not entail a significant degree of judgment.
- Level 2: Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Prior Year 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This Update requires a lessee of property under an operating lease agreement, such as but not limited to leases of an office or storage space, to recognize in the statement of financial position (a) a liability to make lease payments (the lease liability) and (b) a right-of-use “asset” representing its right to use the underlying asset for the lease term. The implementation of this new standard, which will become effective for the Organization’s 2020 financial statements, would result in the following new accounting requirements:

- i. Initial measurement, and inclusion in the statement of financial position, of the right-of-use asset and the corresponding lease liability at the present value of the lease future payments based on the term of the lease;
- ii. Recognition of a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and
- iii. Classification of all cash payments for operating leases within the operating activities section in the statement of cash flows.

The Organization is currently evaluating the effect of adoption of ASU 2016-02 to its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the nonprofit organizations’ financial reporting model. Among other provisions, ASU 2016-14 requires enhanced disclosures around the nature and amount of net asset restrictions (both donor-imposed and board-designated), as well as enhanced disclosures regarding how entities manage their liquidity. ASU 2016-14 will become effective for the Organization’s 2018 financial statements. The Organization is currently evaluating the effect of adoption of ASU 2016-14 to its financial statements.

NOTE 2 - INVESTMENTS

Investments are recorded in the financial statements at fair value. As of December 31, 2016 and 2015, investments of FOCUS USA consisted of the following:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 40,705	\$ 25,340
Certificate of deposits, current	3,818,000	2,223,000
Total Current Investments	<u>3,858,705</u>	<u>2,248,340</u>
Certificate of deposits, non-current	1,233,000	3,571,000
Total Investments	<u>\$ 5,091,705</u>	<u>\$ 5,819,340</u>

The certificate of deposits are held at major financial institutions and have maturities within twelve to twenty-four months from the balance sheet date. Amounts that have maturities within twelve months as of the date of the Statement of Financial Position have been classified as current assets. Investments are exposed to custodial credit risks which are described in greater details in Note 10.

FOCUS HUMANITARIAN ASSISTANCE, USA

**Notes to Financial Statements
Year Ended December 31, 2016**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2016 and December 31, 2015, FOCUS USA has received the following unconditional pledges:

	2016	2015
Jamati (Ismaili Community) donations	\$ 462,707	\$ 485,100
Less: unamortized present value discount	(26,519)	(25,766)
Less: uncollectible allowance	(53,516)	(47,187)
Net contributions receivable	\$ 382,672	\$ 412,147

Maturities of Contributions Receivable

Amount due in:

Less than one year	\$ 215,200	\$ 202,291
One to five years	107,754	88,502
After five years	59,718	124,159
Total Contributions Receivable	\$ 382,672	\$ 412,147

The present value discount rate was 2.45% and 1.75% for 2016 and 2015, respectively. The discount rate used is based on US Treasury (10 years) rates, which is our best estimate of a risk-free rate of return. The amounts due in less than one year are recorded at their net realizable value, per ASC 958-605-30-6 which states that unconditional promises to give that are expected to be collected in less than one year may be measured at net realizable value because that amount results in a reasonable estimate of fair value. All other amounts are subject to discounting using the risk-free rate, and are also subject to an allowance which we believe results in those amounts approximating their fair value.

NOTE 4 – RELATED PARTY TRANSACTIONS

During 2016 and 2015, FOCUS USA made humanitarian grants to other charitable organizations within the Aga Khan Development Network that share a common mission.

Grants made were as follows:

	2016	2015
Focus Humanitarian Assistance Europe Foundation	\$ 55,293	\$ 92,523
Focus Humanitarian Assistance Canada	2,152,330	3,840,659
Focus Humanitarian Assistance Pakistan	628,296	1,137,119
Focus Humanitarian Assistance Afghanistan	927,496	1,274,492
Focus Humanitarian Assistance India	46,776	51,568
Total	\$ 3,810,191	\$ 6,396,361

FOCUS HUMANITARIAN ASSISTANCE, USA

**Notes to Financial Statements
Year Ended December 31, 2016**

FOCUS USA has also received grants from the charitable organizations with similar mission. Grants received were as follows:

	<u>2016</u>	<u>2015</u>
Focus Humanitarian Assistance Europe Foundation	\$ 221,310	\$ 326,943
Focus Humanitarian Assistance Canada	627,045	926,339
Total	<u>\$ 848,355</u>	<u>\$ 1,253,282</u>

As of December 31, 2016 and December 31, 2015, FOCUS USA has the following grants advances to related-party organizations:

	<u>2016</u>	<u>2015</u>
Humanitarian Grants Advances:		
Focus Humanitarian Assistance Europe Foundation	\$ 529,263	\$ 337,290
Focus Humanitarian Assistance Canada	414,839	1,196,077
Focus Humanitarian Assistance Pakistan	-	397
Focus Humanitarian Assistance Afghanistan	-	156
Focus Humanitarian Assistance India	-	204
Total	<u>\$ 944,102</u>	<u>\$ 1,534,124</u>

As of December 31, 2016 and December 31, 2015, FOCUS USA has the following grants payable to related-party organizations:

	<u>2016</u>	<u>2015</u>
Humanitarian Grants Payable:		
Focus Humanitarian Assistance Europe Foundation	\$ 55,992	\$ 92,734
Focus Humanitarian Assistance Canada	487,565	1,405,031
Focus Humanitarian Assistance Pakistan	185,835	-
Focus Humanitarian Assistance Afghanistan	-	354,106
Focus Humanitarian Assistance India	8,017	-
Total	<u>\$ 737,409</u>	<u>\$ 1,851,871</u>

FOCUS HUMANITARIAN ASSISTANCE, USA

Notes to Financial Statements Year Ended December 31, 2016

As noted in Note 1, Focus Humanitarian Assistance is affiliated with the Aga Khan Development Network and partnered with various agencies of the Network to implement projects which further its mission. The agencies and projects that were partnered with were as follows:

Agency name	Project	2016	2015
Mountain Societies Development Support Program(MSDSP) in Tajikistan	DIP ECHO 8 Project – Tajikistan	\$ -	\$ 418,912
AKF/Mountain Societies Development Support Program (MSDSP) in Kyrgyzstan	COSE I Project – Tajikistan	5,549	70,413
Mountain Societies Development Support Program(MSDSP) in Tajikistan	DIP ECHO /HIP Project – Tajikistan	90,318	-
AKF/Mountain Societies Development Support Program(MSDSP) in Tajikistan	COSE II Project – Tajikistan	79,148	-
Aga Khan Foundation in Tajikistan	Funding Crisis Response in Bartang	13,746	-
Total		\$ 188,761	\$ 489,325

In 2016 and 2015, FOCUS USA maintained bank accounts with the First Micro Finance Bank in Tajikistan. The First Micro Finance Bank is an agency of the Aga Khan Development Network. The amount of cash on deposit with the First Micro Finance Bank as of December 31, 2016 and December 31, 2015, were \$468,822 and \$190,509, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2016 and December 31, 2015, the property and equipment of FOCUS USA consisted of the following:

	2016	2015
Leasehold improvements	\$ 35,740	\$ 31,538
Office furniture	-	-
Equipment	1,333	1,333
Program equipment (including motor vehicles)	421,909	330,206
Total property and equipment	458,982	363,077
Less: accumulated depreciation and amortization	(334,241)	(264,185)
Property and equipment, net	\$ 124,741	\$ 98,892

NOTE 6 – OPERATING LEASE

The Organization operates from an office located in Sugar Land, Texas. Currently there is no lease in place and the office space is being occupied rent free, with the exception of common area expenses. The common area expenses for 2016 and 2015 were \$6,824 and \$6,236, respectively. The office is owned by a member organization of the Aga Khan Development Network.

FOCUS HUMANITARIAN ASSISTANCE, USA

**Notes to Financial Statements
Year Ended December 31, 2016**

NOTE 7 – FAIR VALUE MEASUREMENTS

The following table presents FOCUS USA assets that are included in fair value measurements at December 31, 2016 and December 31, 2015 within the fair value hierarchy.

	2016	2015
<u>Assets:</u>		
Investments:		
Level 1:		
Money market funds	\$ 40,705	\$ 25,340
Mid-term certificates of deposits	5,051,000	5,794,000
Total level 1	5,091,705	5,819,340
Level 2:	-	-
Level 3:	-	-
Total Investments	\$ 5,091,705	\$ 5,819,340

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and December 31, 2015, temporarily restricted net assets were available for:

	2016	2015
Pakistan Floods & Surrounding Areas	\$ -	\$ 484,933
Total	\$ -	\$ 484,933

NOTE 9 - STATEMENT OF FUNCTIONAL EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with the core function but provide for the overall support and direction of the Organization. Fundraising expenses are costs incurred in connection with soliciting and raising funds from donors for the Organization's programs and activities.

NOTE 10 - CONCENTRATION OF CREDIT RISKS

Financial instruments that are subject to concentrations of custodial credit risks consist of cash and investments.

FOCUS USA has concentrated its credit risk for cash and investments by maintaining deposits in primarily financial institutions considered by management as credit-worthy and strong. The Federal Deposit Insurance Corporation insures cash balances with financial institutions up to \$250,000 per customer per bank. At December 31, 2016 and December 31, 2015, the uninsured cash balances were \$4,680,735 and \$3,998,756, respectively. Management believes that any credit risk is low due to the overall financial strength of these

FOCUS HUMANITARIAN ASSISTANCE, USA

**Notes to Financial Statements
Year Ended December 31, 2016**

financial institutions. The Organization did not experience any loss of assets resulting from a financial institution's custodial credit risk in 2016 or 2015.

The Organization invested in fixed income marketable securities, including certificates of deposit described in Note 2. These investments valued at \$5,051,000 and \$5,794,000, excluding cash components of \$40,705 and \$25,340 at December 31, 2016 and 2015, respectively, were held by U.S. investment companies. The Securities Investor Protection Corporation (SIPC) insures each investor against custodial risks up to \$500,000, inclusive of a sublimit of \$250,000 for claims of cash. The Organization's securities were held by a SIPC-member company. The Organization's investments in excess of SIPC insured limit were not otherwise insured.

The Organization also has a concentration of contributions from major donors. For the year ended December 31, 2016, the 10 largest donors contributed 8% of the contributions that were received.

NOTE 11 – EXTERNAL FUNDING GRANTS

FOCUS USA received external grants for its humanitarian projects in Tajikistan. The schedule below highlights the revenue from major external funding grants recognized by FOCUS USA at December 31, 2016 and December 31, 2015, respectively:

	2016	2015
DIP ECHO(EC) for DIP ECHO /HIP	\$ 414,399	\$ -
DIP ECHO(EC) for DIP ECHO 8	-	370,828
Swiss Agency for Development and Cooperation (SDC) for COSE project	69,735	460,898
Swiss Agency for Development and Cooperation (SDC) for COSE project Phase II	72,181	-
USAID Bartang project	100,000	-
CIDA/AKF Canada for CCAMP project	-	147,231
DFID Barsem	119,820	24,398
Aga Khan Foundation TJK for COSE project	30,887	418,912
IHHI Rasht	59,064	60,721
Other External funding grants	34,653	133,779
Total	\$ 900,739	\$ 1,616,767

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 4, 2017. This was the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, which would require adjustments to, or disclosure in, the financial statements.