

FOCUS HUMANITARIAN ASSISTANCE
USA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for Year Ended December 31, 2016)



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FOCUS HUMANITARIAN ASSISTANCE USA
Financial Statements
Year Ended December 31, 2017

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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, 2017, and 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 for nonprofit organizations 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 auditors' 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 auditors consider 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 on the FOCUS USA's internal control. 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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Members of the Following Quality Control Bodies:



INDEPENDENT AUDITORS' REPORT, CONT'D

Auditors' Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of FOCUS USA 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 for nonprofit organizations in the United States of America.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates PC
Houston, Texas
October 15, 2018

FOCUS HUMANITARIAN ASSISTANCE USA

Statement of Financial Position

Year Ended December 31, 2017

(With Comparative Totals For Year Ended December 31, 2016)

	2017	2016
Assets:		
Cash	\$ 5,446,160	\$ 5,232,415
Investments (Note 2 and 8)	2,054,031	3,858,705
Contributions Receivable - Current (Note 3)	160,831	206,915
Other Receivables and Prepaids	58,309	327,625
Grants Receivable	929,282	23,697
Humanitarian Grant Advances (Note 4)	415,135	944,102
Total Current Assets	9,063,748	10,593,459
Non-Current Assets:		
Investments (Note 2 and 8)	2,336,000	1,233,000
Contributions Receivable - Non-Current (Note 3)	155,052	175,756
Property and Equipment, Net (Note 5)	238,956	124,741
Total Assets	\$ 11,793,756	\$ 12,126,956
Liabilities And Net Assets:		
Liabilities:		
Accounts Payable And Accrued Liabilities	\$ 729,436	\$ 404,049
Humanitarian Grants Payable (Note 4)	30,379	737,409
Advance Grant Revenue	573,235	524,117
Total Liabilities	1,333,050	1,665,575
Net Assets:		
Unrestricted	10,460,706	10,461,381
Temporarily Restricted (Note 9)	-	-
Total Net Assets	10,460,706	10,461,381
Total Liabilities And Net Assets	\$ 11,793,756	\$ 12,126,956

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE USA

Statement of Financial Activities

Year Ended December 31, 2017

(With Comparative Totals For Year Ended December 31, 2016)

	2017		Total 2016
	Unrestricted Activities	Total 2017	
Revenue:			
Public Support:			
Contributions	\$ 4,532,214	\$ 4,532,214	\$ 4,720,803
Investment Income	52,176	52,176	46,239
Humanitarian Grants (Note 4)	2,792,775	2,792,775	848,355
Governmental And Other Grants (Note 12)	1,722,241	1,722,241	900,739
Matching Gift	71,907	71,907	58,544
Total Revenue	9,171,313	9,171,313	6,574,680
Expenses:			
Program Services- Humanitarian Assistance	8,908,085	8,908,085	6,160,482
Administrative And General	183,034	183,034	359,041
Fundraising	80,869	80,869	74,430
Total Expenses	9,171,988	9,171,988	6,593,953
Change In Net Assets	(675)	(675)	(19,273)
Net Assets- Beginning Of Year	10,461,381	10,461,381	10,480,654
Net Assets- End of Year	\$ 10,460,706	\$ 10,460,706	10,461,381

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE USA
Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals For Year Ended December 31, 2016)

	2017				Total 2016
	Program Services- Humanitarian Assistance	Fundraising	Administrative & General	Total 2017	
Personnel Costs	\$ 602,026	\$ 59,208	\$ 128,808	\$ 790,042	\$ 946,044
Humanitarian Grants	5,312,150	-	-	5,312,150	3,810,191
Governmental And Other Grants Expenses	1,730,653	-	-	1,730,653	1,104,709
Professional Fees And Consultants	11,004	-	28,907	39,911	22,023
General Office Expenses	106,558	5,657	5,063	117,278	46,720
Rent And Office Utilities	71,825	-	11,601	83,426	89,352
Printing And Media	22,867	-	-	22,867	18,995
Telephone And Communication	34,637	6,333	4,498	45,468	42,401
Travel	187,211	79	1,250	188,540	206,145
Material, Equipment And Software	724,993	9,592	2,907	737,492	221,687
Repairs And Maintenance	10,320	-	-	10,320	15,630
Depreciation Expense	93,841	-	-	93,841	70,056
Total	\$ 8,908,085	\$ 80,869	\$ 183,034	\$ 9,171,988	\$ 6,593,953

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE USA
Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals For Year Ended December 31, 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change In Net Assets	\$ (675)	\$ (19,273)
Adjustments To Reconcile Change In Net Assets To Cash Flows (Used For) / Provided By Operating Activities:		
Depreciation	93,841	70,056
Changes In Assets And Liabilities:		
Contributions Receivables, Net	66,788	29,476
Other Receivables And Prepaid Expenses	269,316	(234,285)
Grants Receivable	(905,585)	96,907
Humanitarian Grants Advances	528,967	590,022
Accounts Payable And Accrued Liabilities	325,387	279,192
Humanitarian Grants Payable	(707,030)	(1,114,463)
Advance Grant Income	49,118	404,297
Net Cash (Used For) / Provided by Operating Activities	(279,873)	101,929
Cash Flows From Investing Activities:		
Liquidation Of Investments	701,674	727,635
Purchases Of Property And Equipment	(208,056)	(95,905)
Net Cash Provided By Investing Activities	493,618	631,730
Net Increase In Cash	213,745	733,659
Cash- Beginning Of Year	5,232,415	4,498,756
Cash- End Of Year	\$ 5,446,160	\$ 5,232,415

The accompanying notes are an integral part of the financial statements

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements Year Ended December 31, 2017 (With Comparative Disclosures for the 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 (“FOCUS”) 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.

The Organization is funded primarily through individual and corporate contributions, grants from other FOCUS group organizations and governmental agencies outside the United States.

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 body 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.

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements Year Ended December 31, 2017 (With Comparative Disclosures for the Year Ended December 31, 2016)

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.

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, discounts applied to contributions receivable in more than one year, allowances for uncollectible contributions receivable, and the useful lives applied in the depreciation of property and equipment. Actual results could differ from those estimates.

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 Statement 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, 2017.

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, 2017 (With Comparative Disclosures for the 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 12.

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, 2017, because they did not meet the criteria for recognition.

Cash and Cash Equivalents

FOCUS USA reports as cash and cash equivalents all monies in financial institutions 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, 2017. Management believes that the carrying amounts reported for cash in the Statement 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 Statement of Financial Position. Realized and unrealized gains and losses are included in the net return on investments reported in the statement 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 remaining 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, 2017 (With Comparative Disclosures for the 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 statements. 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 2014 through 2016 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

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements Year Ended December 31, 2017 (With Comparative Disclosures for the Year Ended December 31, 2016)

should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 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 No. 2016-02 to its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the nonprofit organizations' financial reporting model. Among other provisions, ASU No. 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 No. 2016-14 will become effective for the Organization's 2018 financial statements. The adoption of ASU No. 2016-14 will result in certain changes to the presentation of the Organization's financial statements and footnote disclosures beginning from the year ending December 31, 2018.

NOTE 2 - INVESTMENTS

Investments are recorded in the financial statements at fair value. As of December 31, 2017 and 2016, investments of FOCUS USA consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 77,031	\$ 40,705
Certificates of deposit, current	1,977,000	3,818,000
Total Current Investments	<u>2,054,031</u>	<u>3,858,705</u>
Certificates of deposit, non-current	2,336,000	1,233,000
Total Investments	<u>\$ 4,390,031</u>	<u>\$ 5,091,705</u>

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements
Year Ended December 31, 2017
(With Comparative Disclosures for the Year Ended December 31, 2016)

The certificates of deposit 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 11.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2017 and December 31, 2016, FOCUS USA has received the following unconditional pledges:

	2017	2016
Jamati (Ismaili Community) donations	\$ 390,825	\$ 462,707
Less: unamortized present value discount	(23,620)	(26,519)
Less: uncollectible allowance	(51,322)	(53,516)
Net contributions receivable	\$ 315,883	\$ 382,672

Maturities of Contributions Receivable

Amount due in:

Less than one year	\$ 160,831	\$ 215,200
One to five years	100,502	107,754
After five years	54,550	59,718
Total Contributions Receivable	\$ 315,883	\$ 382,672

The present value discount rate was 2.40% and 2.45% for 2017 and 2016, 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 Topic 958-605-30-6 which requires 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 2017 and 2016, 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:

	2017	2016
Focus Humanitarian Assistance Europe Foundation	\$ 313,650	\$ 55,293
Focus Humanitarian Assistance Canada	2,727,640	2,152,330
Focus Humanitarian Assistance Pakistan	-	628,296
Focus Humanitarian Assistance Afghanistan	69,377	927,496
Focus Humanitarian Assistance India	-	46,776
Aga Khan Agency for Habitat Geneva	2,201,482	-
Total	\$ 5,312,149	\$ 3,810,191

FOCUS HUMANITARIAN ASSISTANCE USA

**Notes to Financial Statements
Year Ended December 31, 2017
(With Comparative Disclosures for the Year Ended December 31, 2016)**

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

	<u>2017</u>	<u>2016</u>
Focus Humanitarian Assistance Europe Foundation	\$ 2,064,225	\$ 221,310
Focus Humanitarian Assistance Canada	728,550	627,045
Total	<u>\$ 2,792,775</u>	<u>\$ 848,355</u>

As of December 31, 2017 and 2016, FOCUS USA has the following grants advances to related-party organizations:

	<u>2017</u>	<u>2016</u>
Humanitarian Grants Advances:		
Focus Humanitarian Assistance Europe Foundation	\$ 415,135	\$ 529,263
Focus Humanitarian Assistance Canada	-	414,839
Total	<u>\$ 415,135</u>	<u>\$ 944,102</u>

As of December 31, 2017 and 2016, FOCUS USA has the following grants payable to related-party organizations:

	<u>2017</u>	<u>2016</u>
Humanitarian Grants Payable:		
Focus Humanitarian Assistance Europe Foundation	\$ -	\$ 55,992
Focus Humanitarian Assistance Canada	30,379	487,565
Focus Humanitarian Assistance Pakistan	-	185,835
Focus Humanitarian Assistance India	-	8,017
Total	<u>\$ 30,379</u>	<u>\$ 737,409</u>

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:

<u>Agency name</u>	<u>Project</u>	<u>2017</u>	<u>2016</u>
AKF/Mountain Societies Development Support Program (MSDSP) in Kyrgyzstan	COSE I Project – Tajikistan	\$ -	\$ 5,549
AKF/Mountain Societies Development Support Program (MSDSP) in Kyrgyzstan	DIP ECHO /HIP Project – Tajikistan/ Kyrgyzstan	93,502	90,318
AKF/Mountain Societies Development Support Program(MSDSP) in Tajikistan	COSE II Project – Tajikistan	347,635	79,148
Aga Khan Foundation in Tajikistan	Funding Crisis Response in Bartang	-	13,746
Total		<u>\$ 441,137</u>	<u>\$ 188,761</u>

FOCUS HUMANITARIAN ASSISTANCE USA

**Notes to Financial Statements
Year Ended December 31, 2017
(With Comparative Disclosures for the Year Ended December 31, 2016)**

In 2017 and 2016, 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, 2017 and 2016, were \$419,345 and \$468,822, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, the property and equipment of FOCUS USA consisted of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 113,044	\$ 35,740
Office furniture	-	-
Equipment	-	1,333
Program equipment (including motor vehicles)	552,661	421,909
Total property and equipment	665,705	458,982
Less: accumulated depreciation and amortization	(426,749)	(334,241)
Property and Equipment, Net	<u>\$ 238,956</u>	<u>\$ 124,741</u>

NOTE 6 – COMMITMENTS

During the year ended December 31, 2017, FOCUS USA signed an agreement to purchase a stockpile of program supplies and materials totaling \$216,835. The items are expected to be received in 2018.

NOTE 7 – 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 2017 and 2016 were \$5,843 and \$6,824, respectively. The office is owned by a member organization of the Aga Khan Development Network.

NOTE 8 – FAIR VALUE MEASUREMENTS

The following table presents FOCUS USA assets that are included in fair value measurements at December 31, 2017 and 2016, within the fair value hierarchy.

	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Investments:		
Level 1:		
Money market funds	\$ 77,031	\$ 40,705
Mid-term certificates of deposit	4,313,000	5,051,000
Total level 1	<u>4,390,031</u>	<u>5,091,705</u>
Level 2	-	-
Level 3	-	-
Total Investments	<u>\$ 4,390,031</u>	<u>\$ 5,091,705</u>

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements Year Ended December 31, 2017 (With Comparative Disclosures for the Year Ended December 31, 2016)

NOTE 9 – RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, there were no temporarily or permanently restricted net assets available.

NOTE 10 - 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 activities. 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 11 - 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, 2017 and 2016, the uninsured cash balances were \$4,946,160 and \$4,732,415, respectively. Management believes that any custodial credit risk related to cash deposits with financial institutions is low due to the overall financial strength of these financial institutions. The Organization did not experience any loss of assets resulting from a financial institution's custodial credit risk in 2017 or 2016.

The Organization invested in fixed income marketable securities, including certificates of deposit described in Note 2. These investments valued at \$4,313,000 and \$5,051,000, excluding cash components of \$77,031 and \$40,705 at December 31, 2017 and 2016, 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, 2017, the 10 largest donors contributed 9% of the contributions that were received.

FOCUS HUMANITARIAN ASSISTANCE USA

Notes to Financial Statements
Year Ended December 31, 2017
(With Comparative Disclosures for the Year Ended December 31, 2016)

NOTE 12 – 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, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
DIP ECHO(EC) for DIP ECHO /HIP Project	\$ 438,059	\$ 414,399
DIP ECHO(EC) for DIP ECHO /HIP X Project	26,411	-
Swiss Agency for Development and Cooperation (SDC) for COSE Project	-	69,735
SDC for COSE Project Phase II	397,187	72,181
USAID Bartang Project	-	100,000
SDC for IHHI Supplemental Project	200,663	-
DFID Barsem Project	-	119,820
Aga Khan Foundation Tajikistan for COSE Project	347,635	30,887
SDC for IHHI Rasht Project	13,497	59,064
SDC for SWSMT Project	81,694	-
SDC for Darwaz response Project	50,432	-
MSDSP KG for HIP Project	93,502	-
Japanese Embassy for Roshtkala Project	73,161	-
Other External funding grants	-	34,653
Total	<u>\$ 1,722,241</u>	<u>\$ 900,739</u>

NOTE 13 –SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2018. 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 the financial statements.

On February 28, 2018, FOCUS USA’s Board of Directors passed a resolution transferring the activities, projects, programs, personnel and assets from the component unit of FOCUS USA in Tajikistan to the newly registered Branch of the Aga Khan Agency for Habitat (AKAH) in Tajikistan. This transfer was part of FOCUS USA’s single coordinated plan to discontinue direct funding and control of the separate major operations in the Tajikistan geographical area. In the same resolution, the Board also transferred the rights and responsibilities of all existing MoUs, grant agreements, contracts and licenses from the component unit to the same AKAH entity in Tajikistan.

FOCUS USA intends to report this event in accordance with FASB’s provisions for reporting a discontinued operation, in its 2018 financial statements.