

**MYAGRO FARMS
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016**

MYAGRO FARMS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MyAgro Farms

We have audited the accompanying financial statements of MyAgro Farms (a California not-for-profit corporation), which comprise the statement of financial position as of June 30, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 MyAgro Farms as of June 30, 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.

Knuttle & Associates, P.C.

**MYAGRO FARMS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS

Cash	\$ 684,897
Accounts Receivable (Net of Valuation Allowance of \$0)	203,588
Employee Advances	18,963
Inventory	30,388
Prepaid Expenses	11,916
Security Deposits - Less than One Year	5,078
TOTAL CURRENT ASSETS	954,830

FIXED ASSETS

Furniture and Equipment	66,572
Vehicles	28,072
	94,644
Less – Accumulated Depreciation	50,813
TOTAL FIXED ASSETS	43,831

OTHER ASSETS

Security Deposits - More than One Year	591
TOTAL OTHER ASSETS	591

TOTAL ASSETS

\$ 999,252

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 331,332
Accrued Liabilities	48,090
Deferred Revenue	14,795
Line of Credit	186,300

TOTAL CURRENT LIABILITIES

580,517

TOTAL LIABILITIES

580,517

NET ASSETS

Unrestricted	(380)
Temporarily Restricted	419,115

TOTAL NET ASSETS

418,735

TOTAL LIABILITIES AND NET ASSETS

\$ 999,252

See Accompanying Notes To The Financial Statements.

**MYAGRO FARMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES				
Foundation Grants	\$ 1,366,864	\$ 1,064,690	\$ 0	\$ 2,431,554
Inputs and Layaway	520,468	0	0	520,468
Donations and Contributions	37,698	0	0	37,698
Other Program Revenue	29,680	0	0	29,680
Interest	21	0	0	21
Net Assets Released from Restrictions	1,132,365	(1,132,365)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>3,087,096</u>	<u>(67,675)</u>	<u>0</u>	<u>3,019,421</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	2,737,051	0	0	2,737,051
Management and General	315,512	0	0	315,512
Fundraising	274,560	0	0	274,560
Total Functional Expenses	<u>3,327,123</u>	<u>0</u>	<u>0</u>	<u>3,327,123</u>
Loss on Disposal of Fixed Assets	2,428	0	0	2,428
Remeasurement Loss	4,389	0	0	4,389
TOTAL EXPENSES AND LOSSES	<u>3,333,940</u>	<u>0</u>	<u>0</u>	<u>3,333,940</u>
CHANGE IN NET ASSETS	(246,844)	(67,675)	0	(314,519)
NET ASSETS,				
BEGINNING OF YEAR	(2,734)	486,790	0	484,056
PRIOR PERIOD ADJUSTMENT	249,198	0	0	249,198
END OF YEAR	<u>\$ (380)</u>	<u>\$ 419,115</u>	<u>\$ 0</u>	<u>\$ 418,735</u>

See Accompanying Notes To The Financial Statements.

MYAGRO FARMS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 1,073,220	\$ 175,936	\$ 148,643	\$ 1,397,799
Payroll Taxes and Benefits	94,773	30,279	26,601	151,653
	<u>1,167,993</u>	<u>206,215</u>	<u>175,244</u>	<u>1,549,452</u>
Advertising	21,771	0	0	21,771
Allowance to Trainees	34,624	0	0	34,624
Bank Charges	31,602	9,543	386	41,531
Board Expenses	0	10,464	2,814	13,278
Casual Labor	88,311	0	0	88,311
Computers and Hardware	14,480	1,114	0	15,594
Cost of Goods Sold	574,617	0	0	574,617
Depreciation	25,811	0	0	25,811
Dues and Memberships	444	0	0	444
Fuel	135,051	0	0	135,051
General International Program Expenses	85,985	0	0	85,985
Insurance	6,721	4,442	1,509	12,672
Internet	25,040	0	0	25,040
Maintenance	49,663	0	0	49,663
Miscellaneous	1,826	575	0	2,401
Office Supplies	932	148	631	1,711
Professional Fees	80,403	52,161	45,886	178,450
Program Supplies	71,898	0	0	71,898
Rent	70,449	7,449	817	78,715
Software and Subscriptions	13,188	5,395	2,348	20,931
Taxes and Fees	10,657	1,292	0	11,949
Telecommunications	42,979	542	517	44,038
Transportation	45,849	0	0	45,849
Travel	115,578	16,172	44,408	176,158
Utilities	21,179	0	0	21,179
	<u>1,569,058</u>	<u>109,297</u>	<u>99,316</u>	<u>1,777,671</u>
	<u>\$ 2,737,051</u>	<u>\$ 315,512</u>	<u>\$ 274,560</u>	<u>\$ 3,327,123</u>

See Accompanying Notes To The Financial Statements.

**MYAGRO FARMS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Farmers and Grants	\$ 3,139,177
Interest Received	21
Paid to Suppliers and Employees	(3,019,594)
Interest Paid	(25,040)
Income Taxes Paid	0
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>94,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for Purchase of Fixed Assets	(17,265)
Proceeds from the Sale of Fixed Assets	5,629
	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	<u>(11,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on Line of Credit	185,812
Principal Payments on Line of Credit	(131,473)
	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>54,339</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(4,389)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,878
CASH AND CASH EQUIVALENTS,	
BEGINNING OF YEAR	<u>552,019</u>
END OF YEAR	<u><u>\$ 684,897</u></u>

See Accompanying Notes To The Financial Statements.

**MYAGRO FARMS
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES**

Change in Net Assets	<u>\$ (314,519)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Remeasurement Loss	4,389
Depreciation	25,811
Loss on Disposal of Fixed Assets	2,428
Changes in Certain Assets and Liabilities:	
Accounts Receivable	104,982
Advances	12,706
Inventory	42,355
Prepaid Expenses	486
Security Deposits	8
Accounts Payable	262,316
Accrued Liabilities	(61,193)
Deferred Revenue	<u>14,795</u>
Total Adjustments	<u>409,083</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 94,564</u></u>

See Accompanying Notes To The Financial Statements.

MYAGRO FARMS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Nature of Activities

MyAgro Farms (the "Organization") is a California not-for-profit organization that was incorporated in March 2012 and is registered to operate in its program countries. Currently, the primary countries of operations are Senegal and Mali. The mission of the Organization is to help small-scale farmers move out of poverty. The Organization achieves this mission by helping farmers using a mobile network layaway system to purchase agricultural inputs and by providing technical training to help increase their harvests.

B) Method of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the 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. Expenses are recorded when incurred.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

C) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. The Organization has deposits at a financial institution in excess of federally insured limits of approximately \$435,000 at June 30, 2016. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

MYAGRO FARMS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Accounting Policies (Continued)

Accounts Receivable and Advances - Accounts receivable and advances are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. The valuation allowance for accounts receivable is \$0.

Inventory - Inventory is valued at the lower of cost or market with cost determined on a weighted average basis. Inventories consist of seed and fertilizer and solar for use in the Organization's programs, or kept for sale.

Deferred Revenue - The Organization entered into a joint agreement with the Stromme Foundation for the Organization to provide services for a fee. The Organization earns these fees as it provides services over the span of the contract period. That portion of the Organization's program services, which it has not yet provided to the participants is recorded in the financial statements as deferred revenue.

Fixed Assets - Fixed assets are recorded at cost when purchased, while donated fixed assets are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense is \$25,811.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been made on the financial statements. It is also classified as other than a private foundation. The Organization has no unrelated business income during the year, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for the years ended June 30, 2013 and prior. The Organization had no income tax expense.

MYAGRO FARMS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Accounting Policies (Continued)

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. Actual results could differ from those estimates.

NOTE 2 - IN-KIND DONATIONS

Donated Services - Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. No amounts have been recognized in the accompanying statement of activities for these volunteer services because the criteria for recognition of such volunteer effort have not been satisfied.

NOTE 3 - LINE OF CREDIT

The Organization has a revolving line of credit with Kiva. The line of credit is unsecured, non-interest bearing and repaid in varying monthly payments. The balance on the line of credit is \$186,300.

NOTE 4 - FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE

Based on several factors, including the dominant role of the U.S. currency in the funding of the Organization's programs, management considers the U.S. dollar to be the Organization's functional currency. As such, the Organization's monetary assets and liabilities held in foreign currencies are remeasured using the current rate at the balance sheet date, while non-monetary assets and liabilities are remeasured using historical exchange rates. Most revenues and expenses that occur during a period are remeasured for practical purposes using a weighted average exchange rate for the period. However, revenues and expenses that represent the allocations of historical balances, such as depreciation expense, are remeasured using the same historical exchange rates, as the ones used for remeasuring the underlying items on the balance sheet. The Organization regularly transfers cash from its domestic accounts to its foreign accounts to cover expenses, translating its foreign transactions into U.S. dollars using a weighted average exchange rate. The Organization has remaining significant deposits in foreign financial institutions and petty cash held in the local currencies of Mali and Senegal. The Organization has other assets and liabilities originally denominated in foreign currencies.

MYAGRO FARMS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 - FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE (CONTINUED)

This results in an exposure to currency exchange gains and losses at the time assets are disposed of and liabilities are settled, as well as during year-end foreign currency translation into U.S. dollars. In any particular year, currency exchange rate fluctuations may have a significant impact on the Organization's financial results. The foreign currency translation gains and losses are recorded on the Organization's statement of activities as a net remeasurement gain or loss. The Organization recognized a remeasurement loss of \$4,389.

NOTE 5 - LEASE COMMITMENTS

The Organization leases offices, apartments, and warehouse space, and housing for its workforce in Africa under multiple operating leases expiring on various dates through July, 2018. Total rent expense under all leases is \$78,715. Minimum future rental payments are as follows:

For the year ended June 30, 2017	\$	19,926
2018		11,736
2019		591
	\$	<u>32,253</u>

NOTE 6 - CONCENTRATION OF FOREIGN OPERATIONS RISK

Contributions are raised globally, with a majority within the U.S. The nature of the Organizations' program activities is to supply agricultural inputs, training, and credit in foreign countries. While foreign operations risk is somewhat diversified across countries, and is actively managed by the Organization, it remains reasonably possible that operations outside the U.S. could be disrupted due to political, economic, or natural events, impacting the normal functioning of these programs. The Organization has assets outside the U.S. with a carrying value of \$693,181.

NOTE 7 - CONCENTRATION OF FUNDING SOURCES

The Organization receives a major portion of its revenue from private foundation grants. The level of services available in the future could be substantially impacted if the Organization were to receive less funding.

MYAGRO FARMS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - NET ASSET RESTRICTIONS AND DESIGNATIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the year:

Foundation Awards	<u>\$ 1,132,365</u>
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Net assets are temporarily restricted for the following:

Foundation Awards	<u>\$ 419,115</u>
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NOTE 9 - PRIOR PERIOD ADJUSTMENT

During 2016 the Mali and Senegal entities were legally transferred from Anushka Ratnayake, Executive Director, to the Organization. A prior period adjustment of \$249,198 increasing net assets has been made to account for these entities.

NOTE 10- SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 29, 2016, the date the financial statements were available to be issued.