

INDEGO AFRICA PROJECT

Financial Statements

For the years ended December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

INDEGO AFRICA PROJECT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Indego Africa Project

Opinion

We have audited the accompanying financial statements of Indego Africa Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indego Africa Project as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indego Africa Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indego Africa Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indego Africa Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indego Africa Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

HOLMAN FRENIA ALLISON, PC.
Certified Public Accountants

August 12, 2024
Lakewood, New Jersey

INDEGO AFRICA PROJECT
Statements of Financial Position
For the years ended December 31, 2023 and 2022

ASSETS	2023	2022
Current assets:		
Cash	\$ 150,573	\$ 178,850
Accounts receivable, net of allowance	1,540	18,311
Merchandise for resale, net of allowance	48,119	45,315
Prepaid expenses	9,353	6,127
Total current assets	209,585	248,603
Other assets:		
Security deposit	5,850	5,850
Right-of-use lease assets, net of amortization	17,102	51,611
Total other assets	22,952	57,461
Total assets	<u>\$ 232,537</u>	<u>\$ 306,064</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37,590	\$ 30,403
Deferred revenue	22,061	13,341
Current portion of lease liability	12,732	37,860
Total current liabilities	72,383	81,604
Long-term liabilities:		
Lease liability, net of current portion	4,370	13,751
Total long-term liabilities	4,370	13,751
Total liabilities	76,753	95,355
Net assets:		
Without donor restrictions	155,784	181,785
With donor restrictions	-	28,924
Total net assets	155,784	210,709
Total liabilities and net assets	<u>\$ 232,537</u>	<u>\$ 306,064</u>

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Statement of Activities
December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	\$ 369,819	\$ -	\$ 369,819
Product sales, net of expense totaling \$116,453	88,572	-	88,572
Fundraising events	59,396	-	59,396
Investment income	11	-	11
Currency exchange loss	(4,620)	-	(4,620)
Net assets released from restrictions	28,924	(28,924)	-
	<u>542,102</u>	<u>(28,924)</u>	<u>513,178</u>
Total revenue and other support			
Expenses:			
Program services	498,313	-	498,313
Management and general services	34,506	-	34,506
Fundraising	35,284	-	35,284
	<u>568,103</u>	<u>-</u>	<u>568,103</u>
Total expenses			
Change in net assets	<u>(26,001)</u>	<u>(28,924)</u>	<u>(54,925)</u>
Net assets, January 1	<u>181,785</u>	<u>28,924</u>	<u>210,709</u>
Net assets, December 31	<u><u>\$ 155,784</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 155,784</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Statement of Activities
December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	\$ 412,735	\$ 28,924	\$ 441,659
Product sales, net of expense totaling \$135,819	116,015	-	116,015
Employee retention tax credit	51,338	-	51,338
Fundraising events	6,601	-	6,601
Investment income	2,321	-	2,321
Currency exchange loss	(1,128)	-	(1,128)
Net assets released from restrictions	4,981	(4,981)	-
Total revenue and other support	592,863	23,943	616,806
Expenses:			
Program services	499,541	-	499,541
Management and general services	33,131	-	33,131
Fundraising	16,048	-	16,048
Total expenses	548,720	-	548,720
Change in net assets	44,143	23,943	68,086
Net assets, January 1	137,642	4,981	142,623
Net assets, December 31	\$ 181,785	\$ 28,924	\$ 210,709

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Statement of Functional Expenses
December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 303,298	\$ 9,784	\$ 13,045	\$ 326,127
Office rent	43,782	3,405	1,459	48,646
Professional fees	20,481	18,433	2,048	40,962
Rwanda educational programs	23,728	-	-	23,728
Payroll taxes & fees	21,102	802	814	22,718
Marketing & advertising expense	16,301	-	1,811	18,112
Fundraising event expenses	-	-	15,007	15,007
Employee benefits	12,033	401	936	13,370
Market access program	12,992	-	-	12,992
Ghana education programs & expansion	12,796	-	-	12,796
Contract labor	12,000	-	-	12,000
Travel & lodging	4,763	-	-	4,763
Office expense	4,097	319	137	4,553
Insurance	2,653	1,137	-	3,790
Communications	2,727	144	-	2,871
Bank charges	2,753	-	-	2,753
Inventory management system	1,279	-	-	1,279
Bad debt	1,082	-	-	1,082
License & permits	434	81	27	542
Inventory Obsolescence	12	-	-	12
Total	<u>\$ 498,313</u>	<u>\$ 34,506</u>	<u>\$ 35,284</u>	<u>\$ 568,103</u>

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Statement of Functional Expenses
December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 276,339	\$ 11,759	\$ 5,880	\$ 293,978
Office rent	47,080	981	981	49,042
Rwanda educational programs	44,967	-	-	44,967
Professional fees	20,023	18,020	2,002	40,045
Marketing & advertising expense	32,409	-	3,601	36,010
Payroll taxes & fees	18,585	707	717	20,009
Employee benefits	15,089	503	1,174	16,766
Market access program	8,834	-	-	8,834
Ghana education programs & expansion	8,076	-	-	8,076
Bad debt	6,640	-	-	6,640
Office expense	4,607	96	96	4,799
Bank charges	3,431	-	-	3,431
Communications	3,117	164	-	3,281
Contract labor	2,889	-	-	2,889
Insurance	1,898	814	-	2,712
Inventory management system	2,043	-	-	2,043
Inventory Obsolescence	1,984	-	-	1,984
Fundraising event expenses	-	-	1,512	1,512
Travel & lodging	1,063	-	56	1,119
License & permits	467	87	29	583
	<u>467</u>	<u>87</u>	<u>29</u>	<u>583</u>
Total	<u>\$ 499,541</u>	<u>\$ 33,131</u>	<u>\$ 16,048</u>	<u>\$ 548,720</u>

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in net assets	\$ (54,925)	\$ 68,086
Bad debt expense	1,082	6,640
Allowance for obsolete inventory	12	1,984
Amortization of right-of-use lease asset	110,099	23,979
Accretion of discounted lease liabilities	2,057	2,057
Changes in operating assets and liabilities:		
Accounts receivable	15,689	20,748
Merchandise for resale	(2,816)	8,425
Prepaid expenses	(3,226)	(3,652)
Accounts payable and accrued expenses	7,187	1,489
Deferred revenue	8,720	(50,654)
Lease liability	(112,156)	(26,036)
Net cash flows from operating activities	(28,277)	53,066
Cash flows from financing activities		
Borrowing of loans from board members	-	(30,000)
Repayment of loans from board members	-	30,000
Principal payments on paycheck protection program loan	-	(1,245)
Net cash flows from financing activities	-	(1,245)
Net change in cash and cash equivalents	(28,277)	51,821
Cash and cash equivalents, beginning of year	178,850	127,029
Cash and cash equivalents, end of year	<u>\$ 150,573</u>	<u>\$ 178,850</u>
Supplemental cash flow disclosure		
Cash paid for interest	\$ -	\$ 39
Leased asset obtained in exchange for operating lease liability	\$ -	\$ 75,590

The accompanying notes to the financial statements are an integral part of this statement.

INDEGO AFRICA PROJECT
Notes to Financial Statements

NOTE 1: ORGANIZATION AND PURPOSE

Indego Africa Project (the Organization) was formed in 2006. The Organization is an innovative social enterprise that partners with female artisans in Rwanda and Ghana on a fair-trade basis to drive forward a sustainable, long-term solution to systematic poverty in Africa. The Organization's support comes primarily through product sales, contributions and fundraisers.

IAR Innovations Ltd., a Rwandan company of Indego Africa Project, was formed in May 2012, and is a Rwandan company limited by shares pursuant to and in accordance with The Companies Act of the Republic of Rwanda.

Indego Africa Project, a Ghanaian company of Indego Africa Project, was formed in January 2016, and is a Ghanaian company limited by guarantee pursuant to and in accordance with The Companies Act of the Republic of Ghana.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are recorded for uncollected product sales and are reported at net realizable value if the amounts are due within one year. On a periodic basis, management evaluates its receivables to determine if any portion is uncollectible based on an analysis of expected collection rates determined from experience. Management has not recorded an allowance for doubtful accounts as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, accounts receivable, net of allowance totaled \$1,540 and \$18,311, respectively.

Merchandise for Resale

Merchandise held for sale consists of artisan products for wholesale and retail sale. Merchandise is stated at cost and valued using the average cost method at the lower of cost or market. Shipping and handling costs are included in costs of goods sold. As of December 31, 2023 and 2022, the Organization's entire merchandise inventory is produced in the countries of Rwanda and Ghana. Management has recorded an allowance for obsolete inventory totaling \$-0- and \$1,974 as of December 31, 2023, and 2022, respectively.

Prepaid Expenses

Prepaid expenses are amounts paid in the current year which benefit future periods.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2023 and 2022 totaled \$18,112 and \$36,010, respectively. Advertising expense includes amounts for marketing as well as costs towards the gift fairs and trade shows.

Revenue and Other Support

Contributions

Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

Conditional – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

Unconditional – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Other Support (continued)

Contributions (continued)

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers are met. If funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statements of financial position for the amount of funds provided by the donor.

Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Exchange Transactions

The Organization recognizes earned revenues in accordance with *(ASC) 606, Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Product Sales

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when the Organization ships the order, which is when the customer obtains control of promised goods or services (performance obligation), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products or services (transaction price). The Organization exchange revenue is primarily derived from sale of handmade products. Sales and other taxes the Organization collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

The Organization recognizes revenue in the period in which the related program or activity is performed. Contributions are evaluated to determine if they are a contribution or an exchange transaction, and if considered an exchange transaction, they are recognized in accordance with Accounting Standards Codification (ASC) 606, *Revenue for customers with contracts*. If a contribution has a condition attached to it, revenue is recorded as conditions are met. For product sales, any amounts received from customers in advance, such as deposits for unshipped orders, are recorded as deferred revenue until the Organization ships the order, which serves as the performance obligations being satisfied.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Other Support (continued)

Fundraising Events

The Organization conducts fundraising events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event- the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at fundraising events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the fundraising events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets or the notes to financial statements. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Organization separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from fundraising events.

Income Taxes

The Organization is a non-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes.

The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and fees, employee benefits, communications, insurance, travel and lodging, office expense, marketing advertising expense, office rent, professional fees, and license & permits, which are allocated based on estimates of time and effort.

Foreign Currency Translation

Foreign currency transactions entered into by the Organization included in the financial statements are translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities are translated at the applicable exchange rate at each reporting date. The exchange rate gains and losses resulting from these items are reported in the statements of activities under revenue and other support.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-Use Asset & Lease Liability

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization had no assets held for disposal as of December 31, 2023 and 2022.

Subsequent Events

The Organization has evaluated subsequent events occurring after December 31, 2023 through the date of August 12, 2024, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The deposits held by Organization and reported at fair value, consisted of demand deposits totaling \$150,573 and \$178,850 as of December 31, 2023 and 2022, respectively.

Custodial Credit Risk

The Organization maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. Deposits in financial institutions, reported as components of cash, had bank balances of \$152,057 and \$177,078 at December 31, 2023 and 2022, respectively. Of these balances, \$152,057 and \$168,235 was fully insured by depository insurance at December 31, 2023 and 2022, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 4: LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2023</u>	<u>2022</u>
Current financial assets:		
Cash and cash equivalents	\$ 150,573	\$ 178,850
Accounts receivable, net	<u>1,540</u>	<u>18,311</u>
Total financial assets	152,113	197,161
Less amounts not available to be used within one year:		
Net assets with donor restrictions for purpose	<u>-</u>	<u>(28,924)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 152,113</u>	<u>\$ 168,237</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Organization has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$140,000. To manage liquidity, the Organization has received verbal commitments to borrow from the Board of the Directors, as needed.

NOTE 5: DEFERRED REVENUE

Deferred revenue related to product sales consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 13,341	\$ 63,995
Revenues recognized	(13,341)	(63,995)
Amounts collected	<u>22,061</u>	<u>13,341</u>
Balance at the end of the year	<u>\$ 22,061</u>	<u>\$ 13,341</u>

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Artisan training	\$ -	\$ 1,924
Training of Congolese Refugee women	<u>-</u>	<u>27,000</u>
Total net assets with donor restriction	<u>\$ -</u>	<u>\$ 28,924</u>

Net assets released from donor restrictions by incurring expenses specified by the donors totaled \$28,924 and \$4,981 for the years ended December 31, 2023 and 2022, respectively.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 7: LEASES

The Organization enters into leases in the normal course of business primarily for office space. The Organization has two leases, both of which have a remaining term of one year. The Organization's leases do not include residual value guarantees or covenants.

The Organization includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Organization will exercise the option. The Organization has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Organization's statement of financial position.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term.

The Organization used the rate of 5% at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known.

Right-of-use assets and lease liabilities by lease type, and the associated statement of financial position classifications, are as follows:

Statement of Financial Position Classification		2023	2022
Right-of-use assets:			
Operating leases	Right-of-use lease assets, net of amortization	\$ 17,102	\$ 51,611
Total right-of-use assets		<u>\$ 17,102</u>	<u>\$ 51,611</u>
Lease Liabilities:			
Operating leases	Current portion of lease liability	\$ 12,732	\$ 37,860
Operating leases	Lease liability, net of current portion	4,370	13,751
Total lease liabilities		<u>\$ 17,102</u>	<u>\$ 51,611</u>

The following summarizes the weighted average remaining lease term and discount rates as of December 31, 2023 and 2022:

Weighted Average Remaining Lease Term	2023	2022
Operating leases	1 year	2 years
Weighted Average Discount Rate		
Operating leases	5.00%	5.00%

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 are as follows:

Year Ending December 31:	
2024	<u>\$ 17,562</u>
Total lease payments	17,562
Less: imputed interest	<u>(460)</u>
Present value of lease liabilities	<u>\$ 17,102</u>

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 7: LEASES (continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the years ended December 31, 2023 and 2022:

<u>Lease Cost</u>	<u>Statement of Activity Classification</u>	<u>2023</u>	<u>2022</u>
Operating	Program Services	\$ 43,782	\$ 47,080
Operating	Management and General	\$ 3,405	\$ 981
Operating	Fundraising	\$ 1,459	\$ 981

NOTE 8: FUNDRAISING EVENT REVENUE

Gross receipts from fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. In accordance with ASU 2014-09, the Organization is required to separately present the components of this revenue.

See below for approximated contribution and exchange component revenues recorded in accordance with fundraising events held during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 57,896	\$ 6,601
Event revenue - exchange component	1,500	-
Event revenue - gross	59,396	6,601
Less - direct expenses	(15,007)	(1,512)
Fundraising event revenue, net of direct expenses	<u>\$ 44,389</u>	<u>\$ 5,089</u>

NOTE 9: RISKS, CONCENTRATIONS AND UNCERTAINTIES

Credit Risk

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains cash balances in various financial institutions located in the United States, Rwanda and Ghana. The Organization's policy is designed to limit exposure to any one institution, and it performs periodic evaluations of the relative credit standing of these financial institutions that are considered in the Organization's investment strategy.

Foreign Currency & International Operations Risk

A significant portion of the Organization's programs are conducted in Rwanda and Ghana in addition to operations and administration in the United States of America. Because the Organization operates in Rwanda and Ghana, its cash flows are denominated not only in U.S. dollars, but also in Rwandan francs and Ghanaian cedis. Changes in exchange rates may affect operations outside of the United States. In addition, the Organization is subject to various geographical risks and potential disruptions related to its international operations.

INDEGO AFRICA PROJECT
Notes to Financial Statements (continued)

NOTE 9: RISKS, CONCENTRATIONS AND UNCERTAINTIES (continued)

Contributions

For the years ended December 31, 2023, there were five donors that comprised approximately 62% of contribution revenue. For the year ended December 31, 2022, there were four donors that comprised approximately 51% of contribution revenue.

Sales

For the years ended December 31, 2023 and 2022, there were no material concentrations of sales.

NOTE 10: SOURCES AND TIMING OF REVENUE

The Organization recognized net revenue from product sales with customers transferred at a point in time totaling \$88,572 and \$116,015 during the years ended December 31, 2023 and 2022, respectively. The company operates out of New York, however, they sell products globally.