

**INDEGO AFRICA PROJECT**

**DECEMBER 31, 2011 AND 2010**

# **INDEGO AFRICA PROJECT**

## **TABLE OF CONTENTS**

|   |       |
|---|-------|
| <b>INDEPENDENT AUDITOR'S REPORT ON<br/>THE FINANCIAL STATEMENTS</b> | 1     |
| <b>FINANCIAL STATEMENTS</b>   |       |
| Statements of Financial Position                                    | 2     |
| Statements of Activities  | 3     |
| Statements of Functional Expenses                                   | 4     |
| Statements of Cash Flows  | 5     |
| Notes to Financial Statements                                       | 6 - 8 |



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Indego Africa Project

We have audited the accompanying statements of financial position of Indego Africa Project, (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

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, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Spire Group, PC*

Clark, New Jersey  
October 24, 2012

**INDEGO AFRICA PROJECT**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

**ASSETS**

|                       | <u>2011</u>           | <u>2010</u>           |
|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>         |                       |                       |
| Cash                  | \$ 180,802            | \$ 142,147            |
| Receivables           | 18,933                | --                    |
| Prepaid Expense       | 1,500                 | --                    |
| Deposits on Inventory | 10,667                | --                    |
| Inventory             | <u>27,157</u>         | <u>14,816</u>         |
| <br>Total Assets      | <br><u>\$ 239,059</u> | <br><u>\$ 156,963</u> |

**LIABILITIES AND NET ASSETS**

|                                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|
| <b>Liabilities</b>                    |                       |                       |
| Accounts Payable and Accrued Expenses | <u>\$ 743</u>         | <u>\$ 10,009</u>      |
| <br>Total Liabilities                 | <br>743               | <br>10,009            |
| <br><b>Net Assets – Unrestricted</b>  | <br><u>238,316</u>    | <br><u>146,954</u>    |
| <br>Total Liabilities and Net Assets  | <br><u>\$ 239,059</u> | <br><u>\$ 156,963</u> |

See independent auditor's report and notes to financial statements.

**INDEGO AFRICA PROJECT**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| <b>Changes in Unrestricted Net Assets</b>   |                   |                   |
| <b>Revenue and Support</b>  |                   |                   |
| Product Sales Revenue – net of expense of \$146,924<br>and \$50,127, respectively | \$ 80,880         | \$ 18,884         |
| Contributions   | 255,755           | 142,578           |
| Fundraising Events  | 48,109            | 41,590            |
| Interest  | 443               | 564               |
|   | <u>385,187</u>    | <u>203,616</u>    |
| <b>Expenses</b>   |                   |                   |
| Program Services  | 218,323           | 94,635            |
| Fund Raising  | 46,269            | 32,851            |
| Management and General  | 29,233            | 12,543            |
|   | <u>293,825</u>    | <u>140,029</u>    |
| Total Expenses  |                   |                   |
| Increase in Net Assets  | 91,362            | 63,587            |
| Net Unrestricted Assets – Beginning of Year                                       | <u>146,954</u>    | <u>83,367</u>     |
| Net Unrestricted Assets – End of Year   | <u>\$ 238,316</u> | <u>\$ 146,954</u> |

See independent auditor's report and notes to financial statements.

**INDEGO AFRICA PROJECT**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|                                  | 2011                |                  |                           |                                 | 2010                |                  |                           |                                 |
|----------------------------------|---------------------|------------------|---------------------------|---------------------------------|---------------------|------------------|---------------------------|---------------------------------|
|                                  | Program<br>Services | Fund<br>Raising  | Management<br>and General | Total<br>Functional<br>Expenses | Program<br>Services | Fund<br>Raising  | Management<br>and General | Total<br>Functional<br>Expenses |
| <b>Functional Expenses</b>       |                     |                  |                           |                                 |                     |                  |                           |                                 |
| Salaries                         | \$ 108,891          | \$ 8,096         | \$ 12,656                 | \$ 129,643                      | \$ 31,480           | \$ 8,720         | \$ 5,000                  | \$ 45,200                       |
| Payroll Taxes                    | 15,720              | 1,169            | 1,827                     | 18,716                          | 7,751               | 2,147            | 1,231                     | 11,129                          |
| Contract Labor                   | 7,725               | --               | --                        | 7,725                           | 16,507              | --               | --                        | 16,507                          |
| Professional                     | --                  | --               | 9,887                     | 9,887                           | --                  | --               | 3,898                     | 3,898                           |
| Advertising                      | 2,151               | 561              | 1,964                     | 4,676                           | 56                  | 1,107            | 1,107                     | 2,270                           |
| Market Access Program            | 14,867              | --               | --                        | 14,867                          | 13,412              | --               | --                        | 13,412                          |
| Hand Up Training Program         | 41,025              | --               | --                        | 41,025                          | 19,346              | --               | --                        | 19,346                          |
| Rent                             | 4,500               | --               | --                        | 4,500                           | 2,044               | --               | --                        | 2,044                           |
| Materials and Equipment          | --                  | --               | --                        | --                              | 734                 | --               | --                        | 734                             |
| Insurance                        | 332                 | --               | 996                       | 1,328                           | 173                 | --               | 1,048                     | 1,221                           |
| Licenses and Permits             | 1,091               | 88               | 580                       | 1,759                           | 184                 | 15               | 100                       | 299                             |
| Office Expense                   | 11,908              | --               | 1,323                     | 13,231                          | --                  | --               | 159                       | 159                             |
| Travel and Entertainment         | 8,075               | 2,277            | --                        | 10,352                          | 2,135               | 670              | --                        | 2,805                           |
| Fundraising                      | --                  | 34,078           | --                        | 34,078                          | --                  | 20,192           | --                        | 20,192                          |
| Bank Charges                     | 2,038               | --               | --                        | 2,038                           | 813                 | --               | --                        | 813                             |
| <b>Total Functional Expenses</b> | <b>\$ 218,323</b>   | <b>\$ 46,269</b> | <b>\$ 29,233</b>          | <b>\$ 293,825</b>               | <b>\$ 94,635</b>    | <b>\$ 32,851</b> | <b>\$ 12,543</b>          | <b>\$ 140,029</b>               |

**INDEGO AFRICA PROJECT**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|  | <u>2011</u>              | <u>2010</u>              |
|--|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities</b>  |                          |                          |
| Increase in Net Assets   | \$ 91,362                | \$ 63,587                |
| Adjustments to Reconcile Increase in Net Assets<br>to Net Cash Provided by Operating Activities: |                          |                          |
| Increase in Operating Assets   |                          |                          |
| Accounts Receivable  | (18,933)                 | (173)                    |
| Inventory  | (12,341)                 | (2,275)                  |
| Deposits on Inventory  | (10,667)                 | --                       |
| Prepaid Expenses   | (1,500)                  | (58)                     |
| Decrease in Operating Liabilities  |                          |                          |
| Accounts Payable and Accrued Expenses  | <u>(9,266)</u>           | <u>9,142</u>             |
| Net Cash Provided by Operating Activities  | 38,655                   | 70,223                   |
| Increase in Cash   | 38,655                   | 70,223                   |
| Cash - Beginning of Year   | <u>142,147</u>           | <u>71,924</u>            |
| Cash – End of Year   | <u><u>\$ 180,802</u></u> | <u><u>\$ 142,147</u></u> |
| <b>Supplemental Information</b>  |                          |                          |
| Interest Paid  | <u>\$ --</u>             | <u>\$ --</u>             |
| Taxes Paid   | <u><u>\$ --</u></u>      | <u><u>\$ --</u></u>      |

See independent auditor's report and notes to financial statements.

## **INDEGO AFRICA PROJECT**

### **NOTES TO FINANCIAL STATEMENTS** **FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

#### **Note A**    **Nature of Activities and Significant Accounting Policies**

##### **Nature of Activities**

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

##### **Classification of Net Assets**

Unrestricted net assets represent the Organization's net assets that are available for its general operations.

Temporary restricted net assets have donor imposed restrictions that permit the Organization to use up or expend the donated assets as specified and the restriction is satisfied either by the passage of time or by actions of the Organization. There are no temporarily restricted assets.

Permanently restricted net assets have donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Organization. There are no permanently restricted assets.

##### **Product Inventory**

Inventory consists of artisan products for wholesale and retail sale. Inventory is valued using the average cost method at the lower of cost or market.

##### **Functional Expenses**

Expenses are charged directly to program, fundraising, or management and general categories based on specific identification.

##### **Income Tax Status**

Indego Africa Project is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in these financial statements.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2011.

See independent auditor's report.



**INDEGO AFRICA PROJECT**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note A**    **Nature of Activities and Significant Accounting Policies (Continued)**

**Income Tax Status (Continued)**

The Organization's exempt from federal income tax return are no longer subject to examination by federal taxing authorities for years before 2008.

**Subsequent Events**

The Organization has evaluated all subsequent events through October 24, 2012, the date these financial statements were available to be issued.

**Note B**    **Concentration of Credit Risk**

At December 31, 2011 and 2010, the Organization had no deposits in excess of FDIC insured limits.

**Note C**    **Geographic Area of Operations**

As of December 31, 2011 and 2010, the Organization's entire inventory is produced in the country of Rwanda.

**Note D**    **House Rental**

Effective July 15, 2011, the Organization entered into a residential rental agreement for temporary housing located in Kigali, Rwanda. The agreement calls for monthly rental of \$1,000 through August 15, 2013.

The future minimum lease payments are as follows:

|       |                  |
|-------|------------------|
| 2012  | \$ 12,000        |
| 2013  | <u>7,500</u>     |
| Total | <u>\$ 19,500</u> |

Rent expense was \$4,500 and \$2,044 for the year ended December 31, 2011 and 2010, respectively.

See independent auditor's report.

**INDEGO AFRICA PROJECT**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note E**     **Subsequent Event**

IAR Innovations Ltd., a subsidiary company of Indego Africa Project, was formed on May 22, 2012. IAR Innovations Ltd. (the “Company”) is a Rwandan company limited by shares pursuant to and in accordance with the Companies Act of the Republic of Rwanda.

See independent auditor’s report.