CHILDREN OF UGANDA

FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS’ REPORT

DECEMBER 31, 2015

Children of Uganda
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December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Children of Uganda

We have audited the accompanying financial statements of Children of Uganda (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, 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

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Children of Uganda as of December 31, 2015, 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.

Salmon Sims Thomas & Associates

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

September 7, 2016

Children of Uganda
Statement of Financial Position
December 31, 2015

ASSETS

Cash	$	74,221
Pledges receivable, net of allowance for doubtful accounts		60,285
Fixed assets, net of accumulated depreciation		1,111
TOTAL ASSETS	$	135,617

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	871
Payroll and related liabilities		13,381
Accrued expenses		15,329
Total Liabilities		29,581
Net Assets		
Unrestricted		106,036
TOTAL LIABILITIES AND NET ASSETS	$	135,617

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

Children of Uganda
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Operating Revenues			
Contributions and gifts	$ 94,444	$ -	$ 94,444
Sponsorships	296,211	-	296,211
Tour and fundraising	164,776	-	164,776
	555,431	-	555,431
Net assets released from restriction	-	-	-
Total Operating Revenues	555,431	-	555,431
Operating Expenses			
Program services	455,394	-	455,394
Management and general	34,353	-	34,353
Fundraising	23,579	-	23,579
Total Operating Expenses	513,326	-	513,326
Increase in Net Assets	42,105	-	42,105
Net assets at beginning of year	63,931	-	63,931
Net assets at end of year	$ 106,036	$ -	$ 106,036

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

Children of Uganda
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Uganda childrens' support	$ 289,645	$ -	$ -	$ 289,645
Salaries and related benefits	106,757	13,344	13,344	133,445
Tour expenses	6,444	-	4,296	10,740
Professional fees	-	16,199	-	16,199
Office	16,129	1,050	339	17,518
Bad debts*	17,516	-	-	17,516
Insurance	2,233	279	279	2,791
Occupancy	8,580	1,073	1,073	10,726
Printing and postage	8,090	-	4,248	12,338
Other	-	2,047	-	2,047
Depreciation	-	361	-	361
	$ 455,394	$ 34,353	$ 23,579	$ 513,326

Supplemental Information
* Any reference to "bad debts" in this report represents unpaid sponsorship pledges.

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

Children of Uganda
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash Flows From Operating Activities		
Increase in Net Assets	$	42,105
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation		361
Bad debts		17,516
Increase in assets:		
Pledges receivable		(26,418)
Increase (Decrease) in liabilities:		
Accounts payable		(1,737)
Payroll and related liabilities		3,398
Other liabilities		(117)
Net Cash Used by Operating Activities		35,108
Net Increase in Cash		35,108
Cash, December 31, 2014		39,113
Cash, December 31, 2015	$	74,221

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Children of Uganda (Organization) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

Children of Uganda, who formally changed their name from Uganda Children's Charity Foundation on September 1, 2006, was formed and incorporated in 1995 in the State of Texas. The purpose of the Organization is to enhance the ability of Ugandan orphans to fulfill their own educational, economic, and social needs in the future by providing them with the opportunity to obtain an education. These financial statements do not include the operations of Children of Uganda Limited (Uganda Country Programme).

Foreign Operations

The Organization sends funds to Children of Uganda Limited (Uganda Country Programme) to support the programs of Uganda Country Programme. The funds are sent when directed by the Organization's Board in accordance with a pre-approved budget. Support from the Organization to Uganda Country Programme is used for maintenance of buildings and equipment, children's support, management, and administration costs for oversight of the needs of the children in the program.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include the assumption in recording depreciation, the realizable value of receivables and functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could differ from estimates.

Revenues and Expenses

The primary sources of support to the Organization is voluntary contributions from individuals, generally in the form of child sponsorships and organizations located primarily in the United States, and fundraising revenue generated from the tour in the United States.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are due more than one year beyond the statement of financial position date are discounted to a net present value using an estimated discount factor for risk-free borrowing.

Pledges receivable are considered past due when payments are not made under the terms of the pledge agreement. The Organization has established an allowance for doubtful accounts based on past performance. Generally, all accounts over six months past due are deemed uncollectible. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to income when collected. At December 31, 2015, the allowance for doubtful accounts was $27,549. Bad debts totaled to $17,516 at December 31, 2015.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
>
> Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.,* the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. The Organization places cash and marketable securities, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment used in the U.S. programs and operations are recorded at cost. Donated property and equipment are recorded at fair value at the date of the gift. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation is removed, and any gain or loss is included in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computers and equipment	3 - 7 years
Furniture and fixtures	7 - 10 years

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Functional Allocation of Expenses

The costs of providing the various program, supporting, and fundraising services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services, and fundraising benefited.

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through September 7, 2016, which is the date the financial statements were available to be issued.

NOTE 2: IN-KIND CONTRIBUTIONS

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, a substantial number of volunteers have donated significant amounts of their time to the Organization; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

The Organization also received various in-kind contributions such as clothing, food, and supplies during 2015. The amounts are considered immaterial and have not been recorded in the financial statements.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consisted of the following:

Equipment	$ 3,204
Computer equipment	17,677
Total Property and Equipment	20,881
Less: Accumulated depreciation	(19,770)
Net Property and Equipment	$ 1,111

NOTE 4: COMMITMENTS

The Organization leases its office space for monthly payments totaling $895. Lease payments are on a month-to-month basis.

SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
of Children of Uganda

We have audited the financial statements of Children of Uganda (Uganda–US) as of and for the year ended December 31, 2015 and our report thereon dated September 7, 2016, which expressed an unmodified opinion of those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the Uganda-US financial statements as a whole. The combining financial statements and related selected disclosures of Uganda–US and Children of Uganda Limited (Uganda-Ltd) 2015 financial statements, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

The selected information accompanying the supplemental schedules describes the combined operations of the Uganda–US and Uganda-Ltd. The Uganda-Ltd financial statements, prepared under International Financial Reporting Standards (IFRS), were audited by other auditors using International Standards for Auditing (ISA). The differences between IFRS and GAAP reporting for combining purposes have not been determined.

Salmon Sims Thomas & Associates

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

September 7, 2016

Children of Uganda
and
Children of Uganda Limited
Combining Statement of Financial Position
December 31, 2015

	Uganda-US	Uganda-Ltd	Total
ASSETS			
Cash	$ 74,221	$ 18,101	$ 92,322
Pledges receivable, net of allowance for doubtful accounts	60,285	6,907	67,192
Fixed assets, net of accumulated depreciation	1,111	11,701	12,812
TOTAL ASSETS	$ 135,617	$ 36,709	$ 172,326
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	$ 871	$ 4,183	$ 5,054
Payroll and related liabilities	13,381	-	13,381
Accrued expenses	15,329	-	15,329
Total Liabilities	29,581	4,183	33,764
Net Assets			
Unrestricted	106,036	32,526	138,562
TOTAL LIABILITIES AND NET ASSETS	$ 135,617	$ 36,709	$ 172,326

See independent auditors' report on supplemental information and selected information on supplemental information.

Children of Uganda
and
Children of Uganda Limited
Combining Statement of Activities
For the Year Ended December 31, 2015

	Uganda-US	Uganda Ltd	Eliminating Entries	Total
Operating Revenue				
Contributions and gifts	$ 94,444	$ -	$ -	$ 94,444
Sponsorship	296,211	-	-	296,211
Tour and fundraising	164,776	-	-	164,776
Grants from the U.S. office	-	197,746	(197,746)	-
IDF project funds	-	6,266	-	6,266
Other income	-	89,637		89,637
Total Operating Revenues	555,431	293,649	(197,746)	651,334
Operating Expenses				
Program services	455,394	232,722	(197,746)	490,370
Management and general	34,353	65,775	-	100,128
Fundraising	23,579	-	-	23,579
Total Operating Expenses	513,326	298,497	(197,746)	614,077
Increase (Decrease) in Net Assets	$ 42,105	$ (4,848)	$ -	$ 37,257

Supplemental Information

Grants from the U.S. office represent the funds transferred to Children of Uganda Limited. during the 2015 audit period. The funds were used to support programs as well as administrative costs.

See independent auditors' report on supplemental information and selected information on supplemental information.

Children of Uganda
and
Children of Uganda Limited
Combining Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Uganda-US				
Uganda childrens' support	$ 289,645	$ -	$ -	$ 289,645
Salaries and related benefits	106,757	13,344	13,344	133,445
Tour expenses	6,444	-	4,296	10,740
Professional fees	-	16,199	-	16,199
Office	16,129	1,050	339	17,518
Bad debts	17,516	-	-	17,516
Insurance	2,233	279	279	2,791
Occupancy	8,580	1,073	1,073	10,726
Printing and postage	8,090	-	4,248	12,338
Other	-	2,047	-	2,047
Depreciation	-	361	-	361
	455,394	34,353	23,579	513,326
Uganda-Ltd				
Basic education program	97,082	-	-	97,082
Youth development program	113,438	-	-	113,438
Family empowerment program	289	-	-	289
IDF project activities	13,073	-	-	13,073
Monitoring and evaluation	8,840	-	-	8,840
Administration and finance	-	65,775	-	65,775
	232,722	65,775	-	298,497
Eliminating entries	(197,746)	-	-	(197,746)
TOTAL EXPENSES	$ 490,370	$ 100,128	$ 23,579	$ 614,077

See independent auditors' report on supplemental information and selected information on supplemental information.

Children of Uganda
and
Children of Uganda Limited
Combining Statement of Cash Flows
For the Year Ended December 31, 2015

	Uganda-US	Uganda-Ltd	Total
Cash Flows From Operating Activities			
Increase (Decrease) in Net Assets	$ 42,105	$ (4,848)	$ 37,257
Adjustments to reconcile change in net assets			
to net cash provided (used) by operating activities:			
Depreciation	361	-	361
Bad debts	17,516	-	17,516
Exchange rate adjustment	-	(8,372)	(8,372)
Change in assets:			
Pledges receivable	(26,418)	539	(25,879)
(Increase) Decrease in liabilities:			
Accounts payable	(1,737)	-	(1,737)
Other liabilities	(117)	(6,491)	(6,608)
Payroll and related liabilities	3,398	-	3,398
Net Cash Provided (Used) by Operating Activities	35,108	(19,172)	15,936
Cash Flows From Investing Activities			
Gain on asset disposal	-	(163)	(163)
Proceeds from disposals of assets	-	1,919	1,919
Capital expenditure	-	(570)	(570)
Net Cash Provided by Investing Activities	-	1,186	1,186
Cash Flows From Financing Activities			
Capital expenditures	-	(142)	(142)
Net Increase (Decrease) in Cash	35,108	(18,128)	16,980
Cash, December 31, 2014	39,113	36,229	75,342
Cash, December 31, 2015	$ 74,221	$ 18,101	$ 92,322

See independent auditors' report on supplemental information and selected information on supplemental information.

Children of Uganda
and
Children of Uganda Limited
Selected Information to Combining Financial Statements --
Substantially All Required Disclosures Omitted

Basis of Presentation

The accompanying Combining Financial Statements include the financial statements of Children of Uganda (a Texas non-profit organization) ("Uganda-US") which were prepared using accounting principles generally accepted in the United States of America (US-GAAP) and the financial statements of Children of Uganda Limited (a Uganda Country Programme) ("Uganda-Ltd") which were prepared using International Financial Reporting Standards (IFRS). The differences between these bases of accounting, which management believes are not material, have not been determined. All significant transactions between the entities have been eliminated.

Foreign Operations

Funds are wired from the Uganda-US office to the Uganda-Ltd bank account to fund operational expenditures. The Uganda-Ltd in-country director administers the account. Funds from the account are debited as directed by the Uganda-US Board, as set forth in a pre-approved budget. As a method of accountability, the Uganda-US Board is provided with monthly balanced statements. Accordingly, all monies transferred from to the Uganda-US bank account to support the efforts in Uganda are accounted for as "childrens' support expenses" by Uganda-US at the time they are disbursed. Expenditures may also include amounts for maintenance of the buildings and equipment located in Uganda. These expenditures have also been consistently accounted for as childrens' support expenses as incurred by Uganda-US.

The title to real properties remains in the names of the orphanages to which the money was given for such projects. Uganda-Ltd management and administration staff are required to have proper oversight of the educational and social needs of the hundreds of children in the program. While categorized as administration staff – the majority of Ugandan employees work directly with the children, overseeing the funded education programs. These staff members include a child sponsorship coordinator, social workers and Family Empowerment Program staff. The Board Chair of the Uganda-US board and board members periodically make visits and inspections of the Ugandan operations.