

TANZANIAN CHILDREN'S FUND, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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TANZANIAN CHILDREN'S FUND, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent Auditor's Report

To the Board of Directors
Tanzanian Children's Fund, Inc.
Cambridge, Massachusetts

I have audited the accompanying financial statements of the Tanzanian Children's Fund, Inc. (a non-profit organization) which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statement of Revenues, Expenses and changes in net assets, cash flows and functional expenses for the years 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion of these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 auditor's 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, I 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.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tanzanian Children's Fund, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "John M. Monte". The signature is written in a cursive style with a large initial "J" and "M".

Medford, Massachusetts
June 10, 2018

**TANZANIAN CHILDREN'S FUND, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

ASSETS

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash and cash equivalents	\$ 1,031,998	\$ -	\$ 1,031,998	\$ 1,424,280	\$ 42,749	\$ 1,467,029
Investments	3,231,794	61,069	3,292,863	2,162,870	-	2,162,870
Accounts receivable	-	-	-	-	-	-
Total Current Assets	<u>4,263,792</u>	<u>61,069</u>	<u>4,324,861</u>	<u>3,587,150</u>	<u>42,749</u>	<u>3,629,899</u>
Net Property and Equipment						
Property and equipment, net of accumulated depreciation of \$4007 and \$3,971, respectively	-	-	-	-	-	-
Other Assets						
Security Deposit	225	-	225	225	-	225
Total Assets	<u>\$ 4,264,017</u>	<u>\$ 61,069</u>	<u>\$ 4,325,086</u>	<u>\$ 3,587,375</u>	<u>\$ 42,749</u>	<u>\$ 3,630,124</u>

LIABILITIES AND FUND BALANCES

Current Liabilities:						
Accounts Payable	\$ 8,930	\$ -	\$ 8,930	\$ 9,110	\$ -	\$ 9,110
Total Current Liabilities	<u>8,930</u>	<u>-</u>	<u>8,930</u>	<u>9,110</u>	<u>-</u>	<u>9,110</u>
Net Assets:						
Unrestricted net assets:						
Operating	924,792	-	924,792	1,249,858	-	1,249,858
Board designated Rainy Day Fund	1,480,128	-	1,480,128	1,548,660	-	1,548,660
Board Designated Long Term Investment Fund	1,850,167	-	1,850,167	779,747	-	779,747
Total Net Assets	<u>4,255,087</u>	<u>-</u>	<u>4,255,087</u>	<u>3,578,265</u>	<u>-</u>	<u>3,578,265</u>
Temporarily restricted						
Total Net Assets:	<u>4,255,087</u>	<u>61,069</u>	<u>4,316,156</u>	<u>3,578,265</u>	<u>42,749</u>	<u>3,621,014</u>
Total Liabilities and Net Assets	<u>\$ 4,264,017</u>	<u>\$ 61,069</u>	<u>\$ 4,325,086</u>	<u>\$ 3,587,375</u>	<u>\$ 42,749</u>	<u>\$ 3,630,124</u>

See accompanying notes to financial statements.
See Independent Auditor's Report

TANZANIAN CHILDREN'S FUND, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Unrestricted public support and revenue:					
Contributions	\$ 1,658,921	\$ 225,857	\$ 1,884,778	\$ 244,474	\$ 2,086,195
Program service	80,366		80,366		54,380
Dividends and interest income	57,280	129	57,409	1,049	39,449
Unrealized gains (losses) on investments	122,490	824	123,314	-	201,626
Realized gains (losses) on sale of investments	197,892	955	198,847	(15,968)	(15,968)
T-shirt sales, net	1,537		1,537		-
Net assets released from restrictions	209,445	(209,445)		(233,827)	
Total public support and revenue	<u>2,327,931</u>	<u>18,320</u>	<u>2,346,251</u>	<u>11,696</u>	<u>2,365,682</u>
Expenses:					
Program Services:					
Rift Valley Children's Fund	1,384,037		1,384,037		1,340,527
Total program services	<u>1,384,037</u>		<u>1,384,037</u>		<u>1,340,527</u>
Supporting services:					
Management and general	\$ 134,682		\$ 134,682		\$ 120,995
Fundraising	132,390		132,390		152,319
Total supporting services	<u>267,072</u>		<u>267,072</u>		<u>273,314</u>
Total expenses	<u>1,651,109</u>		<u>1,651,109</u>		<u>1,613,841</u>
Change in net assets	676,822	18,320	695,142	11,696	751,841
Net Assets, beginning of year	3,578,265	42,749	3,621,014	31,053	2,869,173
Net Assets, end of year	<u>\$ 4,255,087</u>	<u>\$ 61,069</u>	<u>\$ 4,316,156</u>	<u>\$ 42,749</u>	<u>\$ 3,621,014</u>

See accompanying notes to financial statements.
See Independent Auditor's Report

**TANZANIAN CHILDREN'S FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017**

	Program services				Supporting services		2017 Total Expenses
	Rift Valley Children's Fund	Rift Valley TCF Direct	Rift Valley Children's Fund Total	Management and General	Fundraising		
Salaries and taxes	\$ -	\$ 78,468	\$ 78,468	\$ 63,234	\$ 84,527	\$ 226,229	
Professional fee expense		551	551	26,187	640	27,378	
Office expense		2,101	2,101	5,099	3,018	10,218	
Subcontractors		75,990	75,990	6,307		82,297	
Filing fees			-	1,541		1,541	
Contributions	1,189,962		1,189,962			1,189,962	
Miscellaneous		59	59		5,226	5,285	
Printing			-	2,797	10,415	13,212	
Supplies		1,969	1,969	4,201	427	6,597	
Shipping costs		2,799	2,799		5,472	8,271	
Travel		16,078	16,078	455	22,446	38,979	
Insurance		14,596	14,596	7,352		21,948	
Bank service charges			-	13,605		13,605	
Website expense			-	3,904	219	4,123	
Recruiting and training		1,464	1,464			1,464	
Total Operating Expenses	\$ 1,189,962	\$ 194,075	\$ 1,384,037	\$ 134,682	\$ 132,390	\$ 1,651,109	

See accompanying notes to financial statements.
See Independent Auditor's Report

TANZANIAN CHILDREN'S FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016

	Program services			Supporting services		2016
	Rift Valley Children's Fund	Rift Valley TCF Direct	Rift Valley Children's Fund Total	Management and General	Fundraising	
Salaries and taxes	\$	64,467	\$ 64,467	69,337	\$ 75,014	\$ 208,818
Professional fee expense			-	8,250	30,646	38,896
Office expense		2,686	2,686	5,984	6,246	14,916
Subcontractors		64,944	64,944	5,841	-	70,785
Filing fees			-	529		529
Contributions	1,157,127		1,157,127	-		1,157,127
Miscellaneous		1,272	1,272	330	5,457	7,059
Printing			-	987	12,460	13,447
Supplies		16,113	16,113		224	16,337
Shipping costs		15,682	15,682			15,682
Travel		1,308	1,308			16,353
Insurance		15,109	15,109	212	14,833	22,423
Bank service charges			-	7,314	973	17,915
Website expense			-	16,942		11,699
Recruiting and training		1,819	1,819	5,233	6,466	1,819
Depreciation			-	36		36
Total Operating Expenses	\$	1,157,127	\$ 1,340,527	\$ 120,995	\$ 152,319	\$ 1,613,841

See accompanying notes to financial statements.
See Independent Auditor's Report

TANZANIAN CHILDREN'S FUND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from operating activities:		
Change in unrestricted net assets	\$ 695,142	\$ 751,841
Depreciation	-	36
Realized and Unrealized (gains) losses on investments	(322,161)	(185,658)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Accounts receivable	-	38,800
Accounts payable	(180)	7,001
	<u>372,801</u>	<u>612,020</u>
Net cash provided by/(used in) operating activities		
Cash Flows from investing activities:		
Proceeds from sale of investments	473,325	263,690
Purchase of investments	(1,281,157)	(710,196)
	<u>(807,832)</u>	<u>(446,506)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	(435,031)	165,514
Cash and cash equivalents, beginning of year	<u>1,467,029</u>	<u>1,301,515</u>
Cash and cash equivalents, end of year	<u>\$ 1,031,998</u>	<u>\$ 1,467,029</u>

See accompanying notes to financial statements.
See Independent Auditor's Report

TANZANIAN CHILDREN'S FUND, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Organization and Purposes

Tanzanian Children's Fund, Inc. (TCF) is a not-for-profit organization organized in March 2003, under the laws of the State of Massachusetts for the purpose of establishing aid to the orphaned and marginalized children of Tanzania. The Tanzanian Children's Fund, Inc. will provide support for the Rift Valley Children's Village, an orphanage in the Karatu district of Tanzania and, other related community based programs that improve the lives of children and families in Tanzania.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting whereby revenues are recognized in the appropriate net asset class as earned and expenses recognized as incurred.

Basis of Presentation

The accompanying financial statements include the assets, liabilities and net assets of Tanzanian Children's Fund, Inc. The financial statement presentation follows the provisions of the Not-for-profit Entities: Revenue Recognition topic and the Presentation of Financial Statements topic of the FASB Accounting Standards Codification. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are further classified as follows:

Undesignated operating net assets represent resources available for support of the Organization's general operation.

Board designated net assets is composed of resources that have been designated by the Board of Directors for long-term funding or to meet unanticipated financial needs. Disbursements of funds is in accordance with a policy established by the Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

TANZANIAN CHILDREN'S FUND, INC.
FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For financial statement purposes, management considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis.

Property and Equipment

Equipment is stated at cost. The organization capitalizes equipment with the useful life greater than one year. Depreciation is computed by the straight-line method over an estimated useful life of five years.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains and losses on investments of Board designated endowment are recorded as changes in unrestricted net assets.

Tax Status

Tanzanian Children's Fund, Inc. qualifies as an exempt organization under the provisions of Internal Revenue Code, Section 501(c)(3) and therefore, is not subject to corporate income taxes. It has also been classified as an organization that is not considered to be a private foundation under 509(a)(2) of the Code.

TANZANIAN CHILDREN'S FUND, INC.
FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (continued)

Effective January 1, 2009, the organization adopted the provisions of Accounting for Uncertainty in Income Taxes as provided for in the Income Tax topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on the organization's financial statements related to adoption of these provisions, and no interest or penalties related to uncertain tax positions were accrued. The organization is currently open to audit under the statute of limitations by the Internal Revenue Service and State Taxing authorities for the years ended December 31, 2014 through 2017.

Revenues and Expenses

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

Gains and losses on investments and other assets or liabilities are reported as increases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between applicable classes of net assets.

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.

TANZANIAN CHILDREN'S FUND, INC.
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3. Concentrations of Credit Risk

The organization maintains its bank accounts at two institutions. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. The organization had \$781,998 and \$1,038,164 of uninsured cash at December 31, 2017 and 2016, respectively.

4. Investments

Investments are valued at fair value and consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Mutual Funds	\$3,290,252	\$2,157,815
Equities	<u>2,611</u>	<u>5,055</u>
Totals	<u>\$3,292,863</u>	<u>\$2,162,870</u>

TCF's investments returns for fiscal years 2017 and 2016 included investments earnings (dividends and interest) of \$57,338 and \$39,449, respectively, and realized and unrealized gains (losses) of \$322,161 and \$185,658, respectively.

Investments are not insured by the Federal Deposit Insurance Corporation and may lose market value.

5. Assets measured at fair value on a recurring basis

In accordance with the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification, the organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. Level 3: Level 3 inputs are unobservable inputs for the assets or liabilities in which little or no market activity is available for the asset or liability at the measurement date. The reported values of assets measured

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 FOR THE YEAR ENDED DECEMBER 31, 2017

5. Assets measured at fair value on a recurring basis (continued)

at fair value or a recurring basis are categorized as follows at December 31, 2017:

		<u>Fair value measurements at report date using:</u>			
		<u>Total</u>	<u>Quoted prices</u>	<u>Significant</u>	<u>Significant</u>
		<u>Dec 31, 2017</u>	<u>in active</u>	<u>other</u>	<u>unobservable</u>
			<u>markets for</u>	<u>observable</u>	<u>inputs</u>
			<u>identical</u>	<u>inputs</u>	<u>(Level 3)</u>
			<u>assets</u>	<u>(Level 2)</u>	
			<u>(Level 1)</u>		
Cash and cash equivalents	\$	1,055,188	1,055,188		
Publicly Traded Securities		2,611	2,611		
Publicly traded domestic mutual funds		<u>3,290,252</u>	<u>3,290,252</u>		
Totals	\$	<u>4,324,861</u>	<u>4,324,861</u>		

The reported values of assets measured at fair value on a recurring basis are categorized as follows at December 31, 2016:

		<u>Fair value measurements at report date using:</u>			
		<u>Total</u>	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>
		<u>Dec 31, 2016</u>	<u>prices in</u>	<u>other</u>	<u>unobservable</u>
			<u>active</u>	<u>observable</u>	<u>inputs</u>
			<u>markets for</u>	<u>inputs</u>	<u>(Level 3)</u>
			<u>identical</u>	<u>(Level 2)</u>	
			<u>assets</u>		
			<u>(Level 1)</u>		
Cash and cash equivalents	\$	1,467,029	1,467,029		
Publicly Traded Securities		5,055	5,055		
Publicly traded domestic mutual funds		<u>2,157,815</u>	<u>2,157,815</u>		
Totals	\$	<u>3,629,899</u>	<u>3,629,899</u>		

6. Board Designated Funds

A portion of unrestricted net assets has been designated by the Board to the following funds:

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6. Board Designated Funds (continued)

- Board designated Rainy Day Operating and/or Capital Costs: To help with operating and/or capital costs of TCF and the Rift Valley Children's Village, and to provide a back-up source of funds in the case of unexpected financial need. The balance of this fund was \$1,480,128 and \$1,548,660 at December 31, 2017 and 2016, respectively.
- Board designated Long Term Investment Fund: To help with operating and/or capital costs of the Tanzanian Children's Fund and the Rift Valley Children's Village, including costs of Oldeani Secondary School and other secondary education costs. The balance of this fund was \$1,850,167 and \$779,747 at December 31, 2017 and 2016, respectively.

These two funds are included in an investment account at December 31, 2017, which includes the following:

Cash and Cash Equivalents	\$ 52,382
Publicly Traded Securities	2,611
Publicly Traded Mutual Funds	<u>3,275,303</u>
	<u>\$3,330,296</u>

7. Detail of Activity in Unrestricted Net Assets

	Unrestricted	Board Designated	Total
Balance as of January 1, 2017	\$ 1,249,858	\$ 2,328,407	\$ 3,578,265
Changes in Net Assets	299,238	377,584	676,822
Board transfers to Board Designated	<u>(624,305)</u>	<u>624,305</u>	<u>- 0 -</u>
Balance as of December 31, 2017	<u>\$ 924,791</u>	<u>\$ 3,330,296</u>	<u>\$ 4,255,087</u>

8. Restricted Net Assets

The Organization's restricted funds are classified and reported based on the existence of donor-imposed restrictions.

TANZANIAN CHILDREN'S FUND, INC.
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9. Restricted Net Assets (continued)

	<u>Beg.</u> <u>Balance</u> <u>Jan 1,</u> <u>2017</u>	<u>Additions</u>	<u>Investment</u> <u>Income</u>	<u>Releases</u>	<u>End.</u> <u>Balance</u> <u>Dec 31,</u> <u>2017</u>
Building Fund Gyetighi	\$ 1,778	\$ -		\$ -	\$ 1,778
Oldeani Capital	-	20,100		(100)	20,000
Building Fund Others	2,312	9,828		(12,140)	-
Gyetighi Operating	-	71,645		(71,645)	-
Oldeani Operating	4,333	69,520		(70,018)	3,835
Other Temporarily Restricted	21,000	54,764		(55,542)	20,222
Boniface Children Fund	13,326	-	1,908	-	15,234
	<u>\$42,749</u>	<u>\$225,857</u>	<u>\$1,908</u>	<u>\$(209,445)</u>	<u>\$61,069</u>

Temporarily Restricted Net Assets were restricted to the following purposes:

Oldeani Capital	\$20,000
Boniface Children Fund	15,234
Support Role Model Initiatives	10,000
Field Policies and Procedures	5,000
Gym Equipment for the Village	5,000
Oldeani Operating fund	3,835
Others	<u>2,000</u>
	<u>\$61,069</u>

5. Lease Commitment

The Organization leases its executive offices in Cambridge, Massachusetts, as a tenant at will. Under this lease agreement, either party will be required to give a sixty-day written notice to terminate the lease.

Rent expense charged to US Operations for the year ended December 31, 2017 was \$6,000.

TANZANIAN CHILDREN'S FUND, INC.
FINANCIAL STATEMENTS
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6. Subsequent events

In accordance with the Subsequent Events topic of FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through June 10, 2018, which is the date these financial statements were available to be issued.