

NETHOPE, INC.
Fairfax, Virginia
FINANCIAL REPORT
JUNE 30, 2016

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GLOSSARY OF ACRONYMS	
DIAL	Digital Impact Alliance
GBI	Global Broadband and Innovations
ICT	Information and Communication Technology
OFDA	Office of U.S. Foreign Disaster Assistance

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of NetHope, Inc. (NetHope), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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, 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 NetHope, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

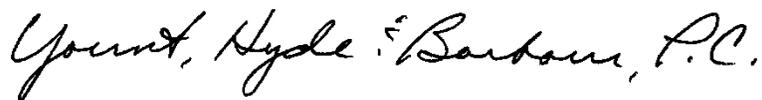
The financial statements of NetHope, Inc. as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated February 26, 2016, expressed an unmodified opinion on those statements.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of NetHope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NetHope's internal control over financial reporting compliance.



Winchester, Virginia
December 13, 2016

NETHOPE, INC.

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Current Assets		
Cash and cash equivalents	\$ 5,462,810	\$ 2,353,023
Accounts receivable	2,206,986	72,911
Grants receivable	804,279	1,234,707
Prepaid expenses	53,451	20,596
Total current assets	<u>8,527,526</u>	<u>3,681,237</u>
Deposits	<u>82,952</u>	<u>16,705</u>
Property and Equipment, net	<u>41,061</u>	<u>4,210</u>
Total assets	<u>\$ 8,651,539</u>	<u>\$ 3,702,152</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,515,976	\$ 1,112,135
Deferred revenue	172,800	151,931
Refundable advance	180,544	--
Total current liabilities	<u>4,869,320</u>	<u>1,264,066</u>
 Net Assets		
Unrestricted	734,339	1,138,254
Temporarily restricted	<u>3,047,880</u>	<u>1,299,832</u>
Total net assets	<u>3,782,219</u>	<u>2,438,086</u>
Total liabilities and net assets	<u>\$ 8,651,539</u>	<u>\$ 3,702,152</u>

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 3,456,317	\$ 4,036,130	\$ 7,492,447
Donated goods and services	1,348,714	--	1,348,714
Membership dues	763,489	--	763,489
Contract services and fees	330,189	--	330,189
Interest and other income	31,921	--	31,921
Net assets released from restrictions:			
Released from purpose restrictions	2,288,082	(2,288,082)	--
Total revenue and support	8,218,712	1,748,048	9,966,760
Expenses			
Program Services:			
Emergency Response	1,858,275	--	1,858,275
GBI	2,769,412	--	2,769,412
Connectivity	849,384	--	849,384
OFDA	15,653	--	15,653
Summit	405,676	--	405,676
HealthCom Capacity	138,267	--	138,267
Malawi	1,276	--	1,276
Shared Services	98,238	--	98,238
NetHope Academy	73,849	--	73,849
Solution Center	116,387	--	116,387
DIAL	3,042	--	3,042
ICT	107,388	--	107,388
Other Programs	165,509	--	165,509
Total program services	6,602,356	--	6,602,356
Supporting Services:			
Management and general	1,667,820	--	1,667,820
Fundraising	352,451	--	352,451
Total supporting services	2,020,271	--	2,020,271
Total expenses	8,622,627	--	8,622,627
Change in net assets	(403,915)	1,748,048	1,344,133
Net Assets, beginning of year	1,138,254	1,299,832	2,438,086
Net Assets, end of year	\$ 734,339	\$ 3,047,880	\$ 3,782,219

See Notes to Financial Statements.

NETHOPE, INC.

Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 4,976,852	\$ 7,740,935	\$ 12,717,787
Donated goods and services	881,643	--	881,643
Membership dues	707,517	--	707,517
Contract services and fees	451,100	--	451,100
Interest and other income	18,467	--	18,467
Net assets released from restrictions:			
Released from purpose restrictions	7,832,875	(7,832,875)	--
Total revenue and support	14,868,454	(91,940)	14,776,514
Expenses			
Program Services:			
Emergency Response	6,963,849	--	6,963,849
GBI	4,011,644	--	4,011,644
Connectivity	607,885	--	607,885
OFDA	234,319	--	234,319
Summit	201,324	--	201,324
HealthCom Capacity	192,455	--	192,455
Shared Services	188,455	--	188,455
NetHope Academy	130,023	--	130,023
Solution Center	124,088	--	124,088
Other Programs	6,677	--	6,677
Total program services	12,660,719	--	12,660,719
Supporting Services:			
Management and general	1,516,425	--	1,516,425
Fundraising	234,557	--	234,557
Total supporting services	1,750,982	--	1,750,982
Total expenses	14,411,701	--	14,411,701
Change in net assets	456,753	(91,940)	364,813
Net Assets, beginning of year	681,501	1,391,772	2,073,273
Net Assets, end of year	\$ 1,138,254	\$ 1,299,832	\$ 2,438,086

See Notes to Financial Statements.

NETHOPE, INC.

Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 1,344,133	\$ 364,813
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,832	1,241
Decrease (increase) in assets:		
Accounts receivable	(2,134,075)	(45,154)
Grants receivable	430,428	(873,863)
Prepaid expenses	(32,855)	8,280
Deposits	(66,247)	(4,405)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,403,841	542,890
Deferred revenue	20,869	(80,352)
Refundable advance	180,544	--
Net cash provided by (used in) operating activities	3,152,470	(86,550)
 Cash Flows from Investing Activities,		
purchase of property and equipment	(42,683)	(1,324)
 Increase (decrease) in cash and cash equivalents	3,109,787	(87,874)
 Cash and Cash Equivalents		
Beginning of year	2,353,023	2,440,897
 End of year	\$ 5,462,810	\$ 2,353,023

See Notes to Financial Statements.

NETHOPE, INC.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

NetHope, Inc. (NetHope) which started in 2001, is a new-generation information technology collaboration of 49 leading international governmental organizations (NGOs) representing more than \$40 billion U.S. dollars of humanitarian development, emergency response and conservation programs serving millions of beneficiaries in more than 180 countries. Through member collaboration and by facilitating public-private partnerships with major technology companies, foundations and individuals, NetHope helps members use their technology investments to better serve people in the most remote areas. NetHope is supported primarily through membership dues and grants and contributions and was incorporated under the laws of the state of Delaware.

Basis of Accounting

NetHope uses the accrual method of accounting for financial statement reporting purposes. Under this method, revenue is recognized when earned and expenses when occurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts. For the purposes of the statement of cash flows, cash equivalents consist of all highly liquid debt instruments with initial maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. All amounts are due within one year. Accounts receivable that are past due are individually analyzed for collectibility. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible. As of June 30, 2016 and 2015, NetHope did not have an allowance for doubtful accounts.

Property and Equipment and Related Depreciation and Amortization

Property and equipment in excess of \$500 are capitalized and are carried at cost. Depreciation on program and office equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Costs related to the website are recorded at cost and is amortized using the straight-line method over five years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Notes to Financial Statements

Net Assets

The net assets of NetHope, Inc. are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for operations;
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

NetHope recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. NetHope reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net asset are classified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Revenue recognized on these grants for which the cash has not been received from the grantor as of year-end is reflected as grants receivable in the accompanying statements of financial position.

NetHope receives grants from U.S. Government agencies in exchange for services. Revenue from these grants is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on these grants for which billings have not been presented to the grantor and cash has not been received from the grantor is reflected as grants receivable in the accompanying statements of financial position.

Income from membership dues is recorded during the period of membership, which is generally one year. NetHope prepares an annual dues formula based on members' annual revenue. Dues payments received in advance for a succeeding year are reflected as deferred revenue in the accompanying statements of financial position.

Contract service and fees revenue represents information technology (IT) support services that are provided to member organizations. Revenue is recognized as services are provided to the member. Revenue recognized on contracts for which billings have not been billed or received as of year-end is included in accounts receivable in the accompanying statements of financial position.

Donated Goods

In-kind contributions are recognized as revenue and support and expenses in the accompanying statements of activities at their estimated fair value as provided by the donor, at the date of receipt. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated goods and services consist of contributed services and equipment.

Notes to Financial Statements

Transactions in Foreign Currencies

NetHope conducts some of its programs through a field office in a foreign country and, accordingly, transacts in the local currency of that country. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rate when each transaction is executed, and the exchange rate gains and losses are included in grants and contributions revenue in the accompanying statements of activities. The U.S. dollar is considered to be the functional and reporting current of NetHope. NetHope also maintains Indonesian bank accounts with a foreign bank for both convenience and containment of transaction costs. These accounts were closed subsequent to year end.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated proportionately among program and supporting services to which they relate on the basis of the estimated time employees work on each program or activity, direct costs, or other reasonable basis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Grants Receivable

NetHope's grants receivable consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Federal awards receivable	\$ 449,223	\$ 803,357
Corporate and other contributions receivable	<u>355,056</u>	<u>431,350</u>
Total grants receivable	<u>\$ 804,279</u>	<u>\$ 1,234,707</u>

All amounts are due in less than one year and considered fully collectible.

Notes to Financial Statements

Note 3. Property and Equipment and Accumulated Depreciation and Amortization

NetHope's property and equipment consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program equipment	\$ 25,722	\$ 25,721
Office equipment	12,604	9,922
Website	<u>41,000</u>	<u>1,000</u>
Total property and equipment	79,326	36,643
Less: accumulated depreciation and amortization	<u>(38,265)</u>	<u>(32,433)</u>
Property and equipment, net	<u>\$ 41,061</u>	<u>\$ 4,210</u>

Depreciation and amortization expense totaled \$5,832 and \$1,241 for the years ended June 30, 2016 and 2015, respectively.

Note 4 Demand Loan

NetHope has a \$250,000 demand loan with a financial institution which matures on March 30, 2017. The demand loan bears interest at the prime rate, as published in the Money Rates section of the Wall Street Journal, plus 0.5%, and at no time shall the interest be below 4.5% per annum. As of June 30, 2016, the interest rate was 4.5% and no amounts were outstanding on this demand loan.

Note 5. Risks and Contingencies

Office of Management and Budget Circular A-133 and the Uniform Guidance

NetHope has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2016, in compliance with Circular A-133 and the Uniform Guidance issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal agencies of the independent auditor's reports for the year ended June 30, 2016, will not have a material effect on NetHope's financial position as of June 30, 2016, or its results of operations for the year then ended.

Provisional Indirect Costs Rates

Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the U.S. Agency for International Development (USAID), NetHope's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

Notes to Financial Statements

USAID audits costs related to U.S. Government contracts and grants in accordance with Circular A-122 issued by the OMB and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. USAID has yet to audit indirect costs for the years ended June 30, 2011 through 2016. Management believes that cost disallowances, if any, arising from USAID's audits will not have a material effect on NetHope's financial position as of June 30, 2016, or results of operations for the year then ended.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following programs and time periods as of June 30, 2016 and 2015:

	2016	2015
Advocacy	\$ 13,925	\$ --
Connectivity	227,235	372,874
Emergency Response	1,589,272	337,744
E-Mitra Project	--	191,985
Fidelity Grant Award	107,753	--
Field Capacity	--	44,450
Leadership Institute	35,515	--
NetHope Academy	93,059	111,611
Solution Center	1,393	34,425
General Purpose Time-Restricted Funds	500,000	116,440
Visa Innovation Grant Awards	425,952	46,014
Women's Tech Connect	53,776	44,289
Total	\$ 3,047,880	\$ 1,299,832

Note 7. Concentrations

Major Grantors

For the years ended June 30, 2016, NetHope earned revenue of \$2,842,282 directly from USAID and \$2,650,000 directly from Google and Microsoft, which represented 33% and 31%, respectively, of NetHope's total revenue and support excluding in-kind revenue. For the year ended June 30, 2015, NetHope earned revenue of \$4,049,341 directly from USAID and \$5,015,086 directly from two corporate donors, which represented 29% and 36%, respectively, of NetHope's total revenue and support excluding in-kind revenue.

Notes to Financial Statements

As of June 30, 2016, \$448,882 and \$325,000 of NetHope's grants receivable balance was due from USAID and Google, respectively, which represented 56% and 40%, respectively, of NetHope's grants receivable balance. As of June 30, 2015, \$684,200 and \$227,169 of NetHope's grants receivable balance was due from USAID and the corporate donors, respectively, which represented 55% and 18%, respectively, of NetHope's grants receivable balance.

In addition, NetHope received in-kind revenue, totaling \$1,280,727 from Cisco, which represented 95% of NetHope's in-kind revenue, for the year ended June 30, 2016. NetHope received in-kind revenue, totaling \$798,734 from Cisco, which represented 91% of NetHope's in-kind revenue, for the year ended June 30, 2015.

Foreign Operations

During the year ended June 30, 2016, NetHope performed services and transacted business in Botswana, Denmark, Egypt, Germany, Ghana, Greece, Guinea, Haiti, India, Indonesia, Jamaica, Jordan, Kenya, Lebanon, Liberia, Namibia, Nepal, Nigeria, the Philippines, Rwanda, Serbia, Sierra Leone, Slovenia, South Africa, Turkey, Vanuatu, Zambia, and Zimbabwe. During the year, NetHope closed its field office in Indonesia. At June 30, 2016, NetHope still maintained cash accounts in Indonesia. These accounts were closed subsequent to year end. As of June 30, 2016, NetHope had cash in Indonesia of approximately \$25,121, representing less than 1% of NetHope's total assets.

Note 8. Donated Goods and Services

Donated goods and services consist primarily of professional services, legal services, staffing, IT support and equipment donations. Donated services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individual possessing these skills, and would typically need to be purchased if not donated. The financial statements include in-kind revenue and expense for the years ended June 30, 2016 and 2015, related to the following:

	<u>2016</u>	<u>2015</u>
Staffing and equipment	\$ 1,293,182	\$ 798,733
Legal services	51,032	80,216
Other	<u>4,500</u>	<u>2,694</u>
Total	<u>\$ 1,348,714</u>	<u>\$ 881,643</u>

Notes to Financial Statements

Note 9. Retirement Plan

NetHope established a tax-exempt profit sharing plan and trust (the Plan), effective January 1, 2006, under Internal Revenue Code (IRC) Section 401(a). Employees become eligible upon employment and attaining the age of 21. NetHope will match 100% of the employee's contribution to the plan up to 3% of the employee's gross annual salary, and then 50% of the employee's contribution to the plan up to 5% of the employee's gross annual salary. Employees are fully vested in the employer contributions once they begin participating in the plan. Contributions to the plan by NetHope were \$39,711 and \$24,043 for the years ended June 30, 2016 and 2015, respectively.

Note 10. Income Taxes

NetHope qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. As such, NetHope is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the years ended June 30, 2016 and 2015, as there was no net unrelated business income.

NetHope follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NetHope performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is NetHope's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2016, the statute of limitations for tax years ended June 30, 2013 through June 30, 2015, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which NetHope files tax returns.

Note 11. Subsequent Events

Subsequent to year end, the Indonesian bank accounts were closed and the funds were transferred to the U.S.

NetHope has evaluated the effect of subsequent events on these financial statements through December 13, 2016, the date the financial statements were available to be issued. There were no additional subsequent events identified through December 13, 2016, that are required to be disclosed in these financial statements.

NETHOPE, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2016

	<u>Supporting Services</u>			Total Supporting Services	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Consulting	\$ 2,642,517	\$ 88,194	\$ 3,669	\$ 91,863	\$ 2,734,380
Supplies	215,541	6,970	542	7,512	223,053
Grants	224,907	--	--	--	224,907
Personnel	1,033,270	1,038,237	289,721	1,327,958	2,361,228
Telecommunication	28,841	3,758	213	3,971	32,812
Travel and related expenses	448,621	82,267	29,676	111,943	560,564
Donated goods and services expense	1,293,182	55,532	--	55,532	1,348,714
Website, marketing and communication	140,374	49,709	4,838	54,547	194,921
Professional fees	33,819	240,937	19,666	260,603	294,422
Postage and delivery	103,306	989	132	1,121	104,427
Dues and subscription	207,316	41,514	699	42,213	249,529
Conferences and meetings	166,347	4,320	1,935	6,255	172,602
Equipment	12,416	3,104	33	3,137	15,553
Occupancy	19,381	--	--	--	19,381
Miscellaneous	19,349	33,458	82	33,540	52,889
Printing and publication	6,953	3,405	1,245	4,650	11,603
Insurance	1,216	9,594	--	9,594	10,810
Depreciation	--	5,832	--	5,832	5,832
Bad debt expense	5,000	--	--	--	5,000
Total expenses	<u>\$ 6,602,356</u>	<u>\$ 1,667,820</u>	<u>\$ 352,451</u>	<u>\$ 2,020,271</u>	<u>\$ 8,622,627</u>

NETHOPE, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Consulting	\$ 4,366,262	\$ 225,112	\$ 22,001	\$ 247,113	\$ 4,613,375
Supplies	2,394,130	990	206	1,196	2,395,326
Grants	2,084,637	--	--	--	2,084,637
Personnel	460,098	619,017	166,661	785,678	1,245,776
Telecommunication	982,474	9,664	114	9,778	992,252
Travel and related expenses	623,197	69,107	32,174	101,281	724,478
Donated goods and services expense	799,739	81,904	--	81,904	881,643
Website, marketing and communication	303,224	60,626	9,410	70,036	373,260
Professional fees	44,586	216,378	--	216,378	260,964
Postage and delivery	220,639	1,723	49	1,772	222,411
Dues and subscription	15,313	178,402	1,111	179,513	194,826
Conferences and meetings	110,388	36,494	2,669	39,163	149,551
Equipment	109,203	1,982	--	1,982	111,185
Occupancy	105,188	--	--	--	105,188
Miscellaneous	25,397	2,152	120	2,272	27,669
Printing and publication	14,556	2,808	42	2,850	17,406
Insurance	1,688	8,825	--	8,825	10,513
Depreciation	--	1,241	--	1,241	1,241
Total expenses	<u>\$ 12,660,719</u>	<u>\$ 1,516,425</u>	<u>\$ 234,557</u>	<u>\$ 1,750,982</u>	<u>\$ 14,411,701</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NetHope, Inc. (NetHope), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NetHope's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NetHope's internal control. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NetHope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NetHope's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gourent, Hyde & Barbour, P.C.

Winchester, Virginia
December 13, 2016

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE UNIFORM GUIDANCE**

To the Board of Directors
NetHope, Inc.
Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited NetHope, Inc.'s (NetHope) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NetHope's major federal programs for the year ended June 30, 2016. NetHope's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NetHope's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, OMB Circular A-133 and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NetHope's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NetHope's compliance.

Opinion on Each Major Federal Program

In our opinion, NetHope complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

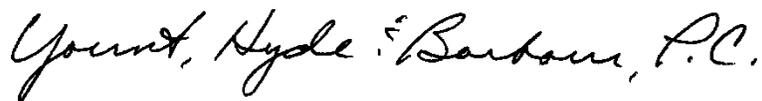
Report on Internal Control Over Compliance

Management of NetHope is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NetHope's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Winchester, Virginia
December 13, 2016

NETHOPE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Agency or Federal Grantor/Pass-Through Grantor/Program Title	Federal Pass-Through Grant Number	CFDA Number	Federal Expenditures
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
USAID Foreign Assistance for Programs Overseas			
Global Broadband and Innovations			
(GBI) Program	AUD-CIO-A-10-00001	98.001	\$ 2,911,150
for Programs Overseas			
Pass-through from Johns Hopkins University			
HealthCom Capacity Program (HCC)	AID-OAA-A-12-00058	98.012	<u>156,777</u>
Total Expenditures of Federal Awards			<u>\$ 3,067,927</u>

NETHOPE, INC.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of NetHope, Inc. under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NetHope, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of NetHope, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal program revenue	\$ 3,067,927
Plus: nonfederal program revenue	<u>4,424,520</u>
Grants and contributions per Statement of Activities	<u>\$ 7,492,447</u>

Note 4. Indirect Cost Rate

NetHope, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NETHOPE, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for major federal programs: Unmodified Qualified
 Adverse Disclaimer

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Any audit findings disclosed that are required to be

Reported in accordance with Section 510(a) of OMB Circular A-133 or 2 CFR 200.516 (a)? Yes No

Identification of Major Federal Program(s):

CFDA#	Name of Federal Program
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes No

B. FINANCIAL STATEMENT FINDINGS

None required to be reported.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

NETHOPE, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Identifying Number: 2015-001

Audit Finding: NetHope did not submit the required quarterly financial status reports or progress reports within the required due date of 30 days after the end of the reporting period. In addition, the final report, due 90 days after the grant ends, was not submitted as NetHope has requested a no-cost extension, and therefore, the grant has not been finalized.

Corrective Action Taken: The final report was filed with USAID and funds returned to NetHope of approximately \$70,000 were returned to USAID as a contractor returned the unused funds to NetHope. The program has been closed and the final report filed.