

**NETHOPE, INC.**  
**Fairfax, Virginia**  
**FINANCIAL REPORT**  
**JUNE 30, 2017**

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows 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 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 audits. We conducted our audits 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 NetHope'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 NetHope'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, 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.

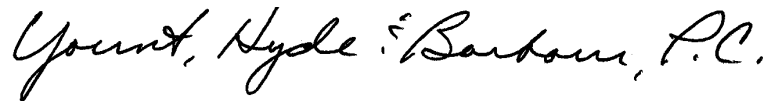
## **Other Matters**

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 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 audits 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 statement, 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 November 16, 2017, 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 the effectiveness of NetHope's 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 and compliance.



Winchester, Virginia  
November 16, 2017

**NETHOPE, INC.**

**Statements of Financial Position**

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,631,344	\$ 5,462,810
Accounts receivable	446,918	2,206,986
Grants receivable	927,791	804,279
Prepaid expenses	59,918	53,451
Total current assets	<u>5,065,971</u>	<u>8,527,526</u>
Deposits	<u>44,874</u>	<u>82,952</u>
Property and equipment, net	<u>104,633</u>	<u>41,061</u>
Total assets	<u>\$ 5,215,478</u>	<u>\$ 8,651,539</u>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 543,439	\$ 4,515,976
Deferred revenue	286,700	172,800
Refundable advance	1,055,152	180,544
Total current liabilities	<u>1,885,291</u>	<u>4,869,320</u>
 <b>Net Assets</b>		
Unrestricted	828,417	734,339
Temporarily restricted	<u>2,501,770</u>	<u>3,047,880</u>
Total net assets	<u>3,330,187</u>	<u>3,782,219</u>
Total liabilities and net assets	<u>\$ 5,215,478</u>	<u>\$ 8,651,539</u>

See Notes to Financial Statements.

**NETHOPE, INC.**

**Statement of Activities**

For the Year Ended June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Grants and contributions	\$ 3,666,365	\$ 3,100,697	\$ 6,767,062
Donated goods and services	1,972,032	--	1,972,032
Membership dues	852,000	--	852,000
Contract services and fees	677,256	--	677,256
Interest and other income	25,373	--	25,373
Net assets released from restrictions:			
Released from purpose restrictions	3,646,807	(3,646,807)	--
Total revenue and support	10,839,833	(546,110)	10,293,723
<b>Expenses</b>			
Program Services:			
Emergency Response and Refugee Program	2,868,749	--	2,868,749
GBI	3,075,205	--	3,075,205
Connectivity	133,976	--	133,976
Summit	582,791	--	582,791
HealthCom Capacity	137,128	--	137,128
Shared Services and Strategic Sourcing	490,721	--	490,721
NetHope Academy	37,010	--	37,010
Solution Center	119,400	--	119,400
DIAL	87,100	--	87,100
ICT	50,039	--	50,039
Device Challenge	89,581	--	89,581
Other Programs	293,280	--	293,280
Total program services	7,964,980	--	7,964,980
Supporting Services:			
Management and general	2,425,882	--	2,425,882
Fundraising	354,893	--	354,893
Total supporting services	2,780,775	--	2,780,775
Total expenses	10,745,755	--	10,745,755
Change in net assets	94,078	(546,110)	(452,032)
<b>Net Assets, beginning of year</b>	734,339	3,047,880	3,782,219
<b>Net Assets, end of year</b>	\$ 828,417	\$ 2,501,770	\$ 3,330,187

See Notes to Financial Statements.

**NETHOPE, INC.**

**Statement of Activities**

For the Year Ended June 30, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
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
<b>Expenses</b>			
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
<b>Net Assets, beginning of year</b>	1,138,254	1,299,832	2,438,086
<b>Net Assets, end of year</b>	\$ 734,339	\$ 3,047,880	\$ 3,782,219

See Notes to Financial Statements.

**NETHOPE, INC.**

**Statements of Cash Flows**  
For the Years Ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (452,032)	\$ 1,344,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,219	5,832
Decrease (increase) in assets:		
Accounts receivable	1,760,068	(2,134,075)
Grants receivable	(123,512)	430,428
Prepaid expenses	(6,467)	(32,855)
Deposits	38,078	(66,247)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,972,537)	3,403,841
Deferred revenue	113,900	20,869
Refundable advance	874,608	180,544
Net cash (used in) provided by operating activities	(1,754,675)	3,152,470
 <b>Cash Flows from Investing Activities,</b>		
purchase of property and equipment	(76,791)	(42,683)
 (Decrease) increase in cash and cash equivalents	(1,831,466)	3,109,787
 <b>Cash and Cash Equivalents</b>		
Beginning of year	5,462,810	2,353,023
 End of year	\$ 3,631,344	\$ 5,462,810

See Notes to Financial Statements.



## **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 51 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.

In addition to normal revenue and expense fluctuations as new programs are funded and old ones are finished, NetHope's income and expenses can vary greatly if NetHope has responded to a disaster during the fiscal year. Not all years include disaster response, but the years that do, NetHope will have a large fluctuation in the overall income and expenses.

#### **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, 2017 and 2016, NetHope did not have an allowance for doubtful accounts.

## **Notes to Financial Statements**

### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment in excess of \$1,000 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.

### **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.

## **Notes to Financial Statements**

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.

### **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 during the year ended June 30, 2017. NetHope closed its field office during the year ended June 30, 2016.

### **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.

## Notes to Financial Statements

### New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for NetHope for the year ended June 30, 2021. Early adoption is permitted. NetHope is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for NetHope for the year ended June 30, 2019. Early adoption is permitted. NetHope is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

### Note 2. Grants Receivable

NetHope's grants receivable consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Federal awards receivable	\$ 896,645	\$ 449,223
Corporate and other contributions receivable	<u>31,146</u>	<u>355,056</u>
Total grants receivable	<u>\$ 927,791</u>	<u>\$ 804,279</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program equipment	\$ 25,722	\$ 25,722
Office equipment	8,015	12,604
Website	<u>117,791</u>	<u>41,000</u>
Total property and equipment	151,528	79,326
Less: accumulated depreciation and amortization	<u>(46,895)</u>	<u>(38,265)</u>
Property and equipment, net	<u>\$ 104,633</u>	<u>\$ 41,061</u>

Depreciation and amortization expense totaled \$13,219 and \$5,832 for the years ended June 30, 2017 and 2016, respectively.

### Note 4. Demand Loan

NetHope has a \$250,000 demand loan with a financial institution which matures on March 30, 2018. 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, 2017 and 2016, the interest rate was 4.75% and 4.5%, respectively, and no amounts were outstanding either year on this demand loan.

### Note 5. Risks and Contingencies

#### Office of Management and Budget and the Uniform Guidance

NetHope has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2017, in compliance with 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, 2017, will not have a material effect on NetHope's financial position as of June 30, 2017, 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 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 2017. 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, 2017 and 2016, or results of operations for the years 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Advocacy	\$ 132,088	\$ 13,925
Device Challenge	232,501	--
Emergency Response	854,169	1,816,507
Fidelity Grant Award	50,898	107,753
Leadership Institute	--	35,515
NetHope Academy	54,039	93,059
Solution Center	--	1,393
General Purpose Time-Restricted Funds	248,060	500,000
Visa Innovation Grant Awards	885,403	425,952
Women's Tech Connect	44,612	53,776
Total	<u>\$ 2,501,770</u>	<u>\$ 3,047,880</u>

### Note 7. Concentrations

#### Major Grantors

For the year ended June 30, 2017, NetHope earned revenue of \$3,311,713 directly from USAID and \$1,050,000 directly from Visa which represented 40% and 13%, respectively, of NetHope's total revenue and support excluding in-kind revenue. For the year 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.

## Notes to Financial Statements

As of June 30, 2017, \$896,645 of NetHope's grants receivable balance was due directly from USAID which represented 97% of NetHope's grants receivable balance. As of June 30, 2016, \$448,882 and \$325,000 of NetHope's grants receivable balance was due directly from USAID and Google, respectively, which represented 56% and 40%, respectively, of NetHope's grants receivable balance.

In addition, NetHope received in-kind revenue, totaling \$734,694 from Cisco and \$651,431 from Microsoft, which represented 37% and 33% respectively, of NetHope's in-kind revenue, for the year ended June 30, 2017. 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.

### Foreign Operations

During the year ended June 30, 2017, NetHope performed services and transacted business in Afghanistan, Austria, Botswana, Cambodia, Canada, Congo, Dominican Republic, Germany, India, Indonesia, Ireland, Kenya, Liberia, Malawi, Mali, Nigeria, Norway, Rwanda, Pakistan, Somalia, UK, Uganda, Zambia, and Zimbabwe.

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 ended June 30, 2016, NetHope closed its field office in Indonesia. At June 30, 2016, NetHope still maintained cash accounts in Indonesia. These accounts were closed as of June 30, 2017. 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, 2017 and 2016, related to the following:

	<u>2017</u>	<u>2016</u>
Staffing and equipment	\$ 1,223,427	\$ 1,293,182
Software	651,431	--
Legal services	15,817	51,032
Other	<u>81,357</u>	<u>4,500</u>
Total	<u>\$ 1,972,032</u>	<u>\$ 1,348,714</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 \$62,497 and \$39,711 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017, 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, 2017, 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

NetHope has evaluated the effect of subsequent events on these financial statements through November 16, 2017, the date the financial statements were available to be issued. There were no subsequent events identified through November 16, 2017 that are required to be disclosed in these financial statements.



**NETHOPE, INC.**

**Schedule of Functional Expenses**

For the Year Ended June 30, 2017

	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Consulting	\$ 3,097,720	\$ 101,385	\$ 24,644	\$ 126,029	\$ 3,223,749
Supplies	32,202	17,727	1,026	18,753	50,955
Grants	15,000	--	--	--	15,000
Personnel	1,100,947	1,316,911	280,705	1,597,616	2,698,563
Telecommunication	79,797	3,230	116	3,346	83,143
Travel and related expenses	444,626	101,253	40,515	141,768	586,394
Donated goods and services expense	1,536,539	435,493	--	435,493	1,972,032
Website, marketing and communication	28,888	22,374	--	22,374	51,262
Professional fees	74,701	302,601	--	302,601	377,302
Postage and delivery	31,107	1,155	--	1,155	32,262
Dues and subscription	485,240	23,217	4,290	27,507	512,747
Conferences and meetings	376,253	46,585	1,989	48,574	424,827
Equipment	630,285	7,997	932	8,929	639,214
Occupancy	18,793	1,500	--	1,500	20,293
Miscellaneous	4,245	12,800	--	12,800	17,045
Printing and publication	8,471	2,426	676	3,102	11,573
Insurance	166	9,919	--	9,919	10,085
Depreciation	--	13,219	--	13,219	13,219
Bad debt expense	--	6,090	--	6,090	6,090
Total expenses	<u>\$ 7,964,980</u>	<u>\$ 2,425,882</u>	<u>\$ 354,893</u>	<u>\$ 2,780,775</u>	<u>\$ 10,745,755</u>

**NETHOPE, INC.**

**Schedule of Functional Expenses**

For the Year Ended June 30, 2016

	<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	\$ 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>

**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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2017.

**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 NetHope's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gourent, Hyde & Barbour, P.C.*

Winchester, Virginia  
November 16, 2017

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY 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, 2017. 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 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 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, 2017.

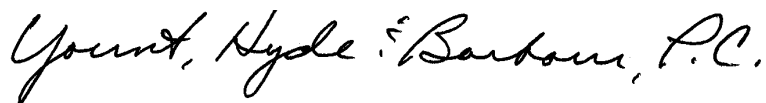
## Report on Internal Control Over Compliance

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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Winchester, Virginia  
November 16, 2017

**NETHOPE, INC.**

**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT</b>				
USAID Foreign Assistance for Programs Overseas Global Broadband and Innovations (GBI) Program	98.001		\$ 697,727	\$ 3,311,713
Pass-through from Johns Hopkins University HealthCom Capacity Program (HCC)	98.012	AID-OAA-A-12-00058	-	173,930
Total Expenditures of Federal Awards			<u>\$ 697,727</u>	<u>\$ 3,485,643</u>

## NETHOPE, INC.

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

*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, 2017. 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 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	\$ 3,485,643
Plus: nonfederal program revenue	<u>3,281,419</u>
Grants and contributions per Statement of Activities	<u>\$ 6,767,062</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, 2017

**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 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, 2017

No findings were reported for the year ended June 30, 2016.