ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Financial Statements and United States Office of Management and Budget Circular A-133 Reports

For the Years Ended September 30, 2015, and 2014

(With Independent Auditor's Reports Thereon)

Table of Contents

ALEXANDER GIBBS CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

1401 Mercantile Lane
Suite 200FF
Largo, Maryland 20774
Phone (301) 772-3154
Fax (301) 772-2764
www.agibbscpa.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ethiopian Community Development Council, Inc.
Arlington, VA

We have audited the accompanying consolidated statements of financial position of the Ethiopian Community Development Council, Inc., and subsidiaries (collectively, the Organization) as of September 30, 2015, and September 30, 2014, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2015, and September 30, 2014, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 29, 2016, on our consideration of the Organization's internal control over financial reporting and 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 result 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 in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Organization. The consolidated schedules of functional expenses on pages 32 and 33 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The accompanying combined schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic consolidated financial statements of the Organization. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 basic consolidated financial statements as a whole.

Alexander Gibbs Chartered

Largo, MD
January 29, 2016

This page is intentionally left blank.

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of September 30,

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,759,034	$ 6,142,603
Investments	149,753	657,603
Grants receivable	3,469,917	2,204,138
Microloan notes receivable, net of allowance for loan losses (current portion)	1,517,101	1,496,531
Accrued interest receivable, net of allowance for interest losses	13,957	14,072
Rents receivable	8,748	13,110
Other receivable	163,321	86,796
Inventories	94,985	128,777
Prepaid expenses	35,863	88,710
TOTAL CURRENT ASSETS	13,212,679	10,832,340
MICROLOAN NOTES RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSSES (LONG-TERM PORTION)	1,662,760	1,577,709
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	5,963,230	5,760,628
OTHER ASSETS		
Cash restricted in microloan revolving fund accounts	1,372,929	2,146,347
Cash restricted in loan loss reserve fund accounts	315,261	182,241
Cash designated for loan loss reserves	497,263	559,931
Cash restricted in individual development accounts	27,345	103,567
Deferred financing costs, net of accumulated amortization	-	3,600
Deferred income taxes	211,156	211,156
Security deposits	29,211	29,211
TOTAL OTHER ASSETS	2,453,165	3,236,053
TOTAL ASSETS	$ 23,291,834	$ 21,406,730

The accompanying notes are an integral part of these financial statements.

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of September 30,

LIABILITIES AND NET ASSETS	2015	2014
LIABILITIES		
CURRENT LIABILITIES		
Due to microloan borrowers	$ 117	37
Accounts payable	949,739	652,311
Accrued expenses	793,170	715,302
Refundable advances	34,339	41,645
Deferred revenue	96,670	120,000
Individual development account deposits payable	27,345	103,567
Security deposits payable	49,992	45,012
Notes payable - current maturities	1,166,628	508,686
TOTAL CURRENT LIABILITIES	3,118,000	2,186,560
NONCURRENT LIABILITIES		
Equity equivalent investment	570,000	570,000
Mortgage notes payable - net of current maturities	6,870,239	7,293,130
TOTAL NONCURRENT LIABILITIES	7,440,239	7,863,130
TOTAL LIABILITIES	10,558,239	10,049,690
NET ASSETS		
Unrestricted		
Undesignated	11,828,738	9,931,942
Designated for loan loss reserves	497,263	559,931
Total unrestricted	12,326,001	10,491,873
Temporarily restricted	407,594	865,167
TOTAL NET ASSETS	12,733,595	11,357,040
TOTAL LIABILITIES AND NET ASSETS	$ 23,291,834	$ 21,406,730

The accompanying notes are an integral part of these financial statements.

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

For the Years Ended September 30,

	2015				
	Unrestricted			Temporarily	
	Undesignated	Designated	Total	Restricted	Grand Total
SUPPORT, REVENUES AND GAINS					
Federal government grants	$ 16,809,673	$ -	$ 16,809,673	$ 407,594	$ 17,217,267
State and local government grants	287,509	-	287,509	-	287,509
Private foundation grants	427,911	-	427,911	-	427,911
Monetary contributions	375,855	-	375,855	-	375,855
Loan origination fees	35,013	-	35,013	-	35,013
Event revenues	39,849	-	39,849	-	39,849
Tuition fees	1,720	-	1,720	-	1,720
Sales	147,931	-	147,931	-	147,931
Sponsorships	22,000	-	22,000	-	22,000
Management fees	-	-	-	-	-
Fees for services	46,149	-	46,149	-	46,149
Contributed goods and services	134,037	-	134,037	-	134,037
Microloan interest income	300,579	-	300,579	-	300,579
Penalty micro loans	11,023	-	11,023		11,023
Rental income	621,600	-	621,600	-	621,600
Parking fees	70,485	-	70,485	-	70,485
Equity in earnings of subsidiary	-	-	-	-	-
Unrealized holding gain on derivative financial instrument	-	-	-	-	-
Interest income on deposits	3,458	-	3,458	-	3,458
Other	77,128	-	77,128	-	77,128
Net assets released from restrictions	927,835	(62,668)	865,167	(865,167)	-
TOTAL SUPPORT AND REVENUE	20,339,755	(62,668)	20,277,087	(457,573)	19,819,514
EXPENSES AND LOSSES					
Program services					
Community leadership	45,315	-	45,315	-	45,315
Employment services	1,841,185	-	1,841,185	-	1,841,185
Health services	97,451	-	97,451	-	97,451
Legal, immigration, and information referral	103,560	-	103,560	-	103,560
International development	10,300	-	10,300	-	10,300
Refugee reception and placement	13,077,228	-	13,077,228	-	13,077,228
Individual development accounts	-	-	-	-	-
Microenterprise development	648,491	-	648,491	-	648,491
Total program services	15,823,530	-	15,823,530	-	15,823,530
Supporting services					
Cost of revenues	562,020	-	562,020	-	562,020
Fundraising	297,527	-	297,527	-	297,527
General and administrative	1,759,882	-	1,759,882	-	1,759,882
Total supporting services	2,619,429	-	2,619,429	-	2,619,429
TOTAL EXPENSES AND LOSSES	18,442,959	-	18,442,959	-	18,442,959
CHANGE IN NET ASSETS BEFORE INCOME TAXES	1,896,796	(62,668)	1,834,128	(457,573)	1,376,555
DEFERRED INCOME TAX (EXPENSE) BENEFIT	-	-	-	-	-
CHANGE IN NET ASSETS	1,896,796	(62,668)	1,834,128	(457,573)	1,376,555
NET ASSETS AT BEGINNING OF YEAR AS PREVIOUSLY STATED	9,931,942	559,931	10,491,873	865,167	11,357,040
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	9,931,942	559,931	10,491,873	865,167	11,357,040
NET ASSETS AT END OF YEAR	$ 11,828,738	$ 497,263	$ 12,326,001	$ 407,594	$ 12,733,595

The accompanying notes are an integral part of these financial statements.

		2014		
	Unrestricted		Temporarily	
Undesignated	Designated	Total	Restricted	Grand Total
$ 16,217,498	$ -	$ 16,217,498	$ 865,167	$ 17,082,665
302,298	-	302,298	-	302,298
512,627	-	512,627	-	512,627
189,300	-	189,300	-	189,300
38,573	-	38,573	-	38,573
44,672	-	44,672	-	44,672
23,189	-	23,189	-	23,189
163,422	-	163,422	-	163,422
25,500	-	25,500	-	25,500
-	-	-	-	-
53,108	-	53,108	-	53,108
131,753	-	131,753	-	131,753
255,241	-	255,241	-	255,241
463,908	-	463,908	-	463,908
71,596	-	71,596	-	71,596
-	-	-	-	-
-	-	-	-	-
18,605	-	18,605	-	18,605
53,070	-	53,070	-	53,070
395,745	9,508	405,253	(405,253)	-
18,960,105	9,508	18,969,613	459,914	19,429,527
47,333	-	47,333	-	47,333
1,760,268	-	1,760,268	-	1,760,268
195,047	-	195,047	-	195,047
114,010	-	114,010	-	114,010
8,767	-	8,767	-	8,767
13,014,832	-	13,014,832	-	13,014,832
12,611	-	12,611	-	12,611
863,997	-	863,997	-	863,997
16,016,865	-	16,016,865	-	16,016,865
573,006	-	573,006	-	573,006
196,979	-	196,979	-	196,979
1,471,379	-	1,471,379	-	1,471,379
2,241,364	-	2,241,364	-	2,241,364
18,258,229	-	18,258,229	-	18,258,229
701,876	9,508	711,384	459,914	1,171,298
-	-	-	-	-
701,876	9,508	711,384	459,914	1,171,298
9,230,066	550,423	9,780,489	405,253	10,185,742
-	-	-	-	-
9,230,066	550,423	9,780,489	405,253	10,185,742
$ 9,931,942	$ 559,931	$ 10,491,873	$ 865,167	$ 11,357,040

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Year Ended September 30,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,376,555	$ 1,171,298
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts	3,415	87,804
Depreciation	93,702	93,702
Unrealized holding gain on derivative financial instrument	-	-
Deferred income tax expense (benefit)	-	-
Amortization of deferred financing costs	3,600	3,600
Loss on impairment of inventories		
Change in operating assets and liabilities		
(Increase) decrease in operating assets		
Grants receivable	(1,265,779)	(504,765)
Accrued interest receivable	115	(905)
Rents receivable	4,362	22,149
Other receivable	(97,209)	(86,040)
Inventories	33,792	(28,795)
Prepaid expenses	52,847	(38,305)
Security deposits	-	-
Increase (decrease) in operating liabilities		
Due to microloan borrowers	80	(10,063)
Accounts payable	297,428	225,944
Accrued expenses	77,868	114,687
Refundable advances	(7,306)	7,914
Deferred revenue	(23,330)	20,000
Individual development accounts deposits payable	(76,222)	(342,410)
Security deposits payable	4,980	12,797
CASH PROVIDED BY OPERATING ACTIVITIES	478,898	748,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of investments	507,850	184,739
Cash advanced as microloans	(2,285,301)	(2,527,110)
Proceeds from principal repayments on microloans issued	2,196,948	1,917,432
(Investments in) withdrawals from cash restricted in microloan revolving fund accounts	773,418	(588,674)
(Investments in) withdrawals from cash restricted in loan loss reserve fund accounts	(133,020)	(1,456)
(Investments in) withdrawals from cash designated for loan loss reserves	62,668	(9,508)
Investments in individual development accounts	76,222	342,410
Purchases of property and equipment	(296,304)	(93,174)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	902,481	(775,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on notes issued	800,000	1,200,000
Principal repayments on notes issued	(564,948)	(1,113,022)
NET CASH PROVIDED BY FINANCING ACTIVITIES	235,052	86,978
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,616,431	60,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	$ 6,142,603	$ 6,082,354
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,759,034	$ 6,142,603
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 152,830	$ 171,200

The accompanying notes are an integral part of these financial statements.

A—NATURE OF ORGANIZATION

The Ethiopian Community Development Council, Inc., (ECDC), a non-profit corporation, was incorporated under the laws of the Commonwealth of Virginia on June 08, 1983. It develops and administers programs designed to (a) resettle refugees; (b) promote cultural, educational and socio-economic development programs in the immigrant community in the United States; and (c) conduct humanitarian and socio-economic development programs in the Horn of Africa. ECDC's activities are supported primarily by grants from federal, state, and local government agencies as well as private foundations; and corporate and public individual contributions of cash, goods and services.

ECDC Enterprise Development Group (EDG) is a non-profit corporation, which was organized under the laws of the Commonwealth of Virginia on June 19, 1997. EDG, which formally began operations on May 10, 2001, when its non-profit status was approved by the Internal Revenue Service, is a Community Development Financial Institution currently certified by the Community Development Financial Institutions Fund (CDFI) of the United States Department of the Treasury pursuant to the regulations of the CDFI. Its mission is to promote sustainable community and economic development among underserved populations by providing entrepreneurial financing and technical assistance; employment training; rental assistance; and a spectrum of related services. EDG's activities are supported primarily by grants and loans from federal, state, and local government agencies; financial institutions; as well as private foundations; and corporate and public individual contributions of cash, goods and services.

Highland Holdings LLC (Highland) is a business entity that operates explicitly to acquire and develop real property and engage in business activities related or incidental thereto, including leasing some or all of it to ECDC, its sole member, and EDG, an affiliate. As a limited liability company, all of Highland's taxable income or loss is allocated to its sole member, ECDC, and reported in ECDC's Federal Form 990-Return of Organization Exempt from Income Tax and state income tax returns as unrelated business income or loss. Highland is classified as a flow-through entity for Federal and state income tax purposes. Highland is, however, subject annually to an entity tax and a gross-income based limited liability fee. Highland was formed under the laws of the Commonwealth of Virginia on September 29, 2003.

ECDC and EDG are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and are not classified as private foundations as defined in Code Section 509(a) and qualify for deductible contributions as provided in Section 170(b)(1) of the Internal Revenue Code, and as such are subject to income taxes only to the extent of unrelated business income. ECDC and EDG are, however, required to file Federal Form 990-Return of Organization Exempt from Income Tax, which is an informational return only.

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Generally accepted accounting principles require ECDC to consolidate legal entities in which it has operational and financial control. ECDC consolidates all investments in subsidiaries in which ECDC's ownership exceeds 50 percent or where ECDC has control. The accompanying consolidated financial statements include the accounts of ECDC; EDG, and Highland (collectively "the Organization"). All intra-entity accounts and transactions have been eliminated in consolidation.

Basis of Accounting

These consolidated financial statements have been prepared on the accrual basis of accounting. Consequently, revenues and gains are recognized when earned rather than received, and expenses and losses are recognized when obligations are incurred rather than when cash is disbursed.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05-6. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. 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, and, therefore, are available for various programs and administration.
- *Temporarily restricted net assets*—Net assets that are available for use but expendable only for those purposes specified by the grantor. Amounts restricted by the donor for a particular purpose are reported as temporarily restricted revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as 'net assets released from restrictions'. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.
- *Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Income from the assets held is available for either general operations or specific purposes in accordance with donor stipulations.

There were no permanently restricted net assets at year end.

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Use of 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.

Revenue Recognition
A substantial portion of ECDC's and EDG's revenues are derived from grants, contracts and cooperative agreements with federal, state, and local government agencies. Revenues from these grants, contracts and cooperative agreements are recognized in accordance with the terms of the underlying agreements. Amounts received on the basis of these agreements prior to the incurrence of expenditures are recorded as advances. Expenses incurred under cost-reimbursement agreements prior to receipt of the revenues are recorded as receivables.

Interest income is accrued as earned. Interest on microloans accrues from the date of issue through the date of maturity. Interest on microloans is computed based on the contractual loan note rate.

Revenue is generally recognized when all significant contractual obligations have been satisfied and collection of the resulting receivables is reasonably assured. Revenue from sales of thrift store inventory is recognized when title transfers to the customer, which is generally at the time of shipment or when the customer takes possession. Revenue from services is recognized at the time services are provided. Student tuition and fees are recognized when earned in accordance with the service agreement. When tuition and fees are received in advance, they are recorded as unearned revenue and recognized as income over the academic period for which they were paid. In instances where collection of a receivable or sale is not reasonably assured, revenues and the related costs are deferred.

Cash and Cash Equivalents
Cash includes cash on hand and on deposit with banks. The Organization considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments
Investments consist of debt securities, which are classified as held-to-maturity and carried at amortized cost.

Notes receivable and related allowance for loan losses
The reported balance of notes receivable, net of the allowance for loan losses, represents EDG's estimate of the amount that ultimately will be realized in cash. Management considers receivables over 90 days as past due. EDG reviews the adequacy of the allowance for loan losses on an ongoing basis, using historical payment trends, the age of the receivables, the current business environment and knowledge of its individual borrowers. When its analyses indicate, it increases or decreases the allowance accordingly. However, if the financial condition of the borrowers were to deteriorate, additional allowances might be required.

Inventories
Inventories consist of donated goods held for sale and are stated at the lower of cost or market. Cost is determined on an estimated fair value basis at the date of donation. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, deterioration and other factors in evaluating net realizable value.

Property and Equipment
Property and equipment are carried at cost. Acquisitions with an initial cost of $1,000 or more are capitalized at cost, when purchased, or at fair market value at the date of gift, when donated.

Asset acquisition costs that extend the life, increase the capacity, or improve the safety or efficiency of property, are capitalized. Depreciation is computed using the straight-line method based on the assets' estimated useful lives of 39 years for building and improvements; 5-7 years for furniture, fixtures and equipment; and 10 years for motor vehicles.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Refundable Advances
ECDC and EDG record grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred. Amounts that have been received but not earned are included in refundable advances.

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Cash and Other Monetary Assets

Contributions of cash and other monetary assets, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized as revenues in the period the contribution is received or unconditional promise is given. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor; the Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Services

Donated services are recognized as contributions at either the fair value of the services received or the fair value of the asset or of the asset enhancement resulting from the services if the services (a) create or enhance nonfinancial assets, including land, buildings, use of facilities or utilities, materials and supplies, intangible assets, or other services or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ECDC or EDG. Volunteers have donated significant amounts of time assisting ECDC and EDG with fundraising, special projects, and provision of program services throughout the year, which are not recognized as contributions in the financial statements since the recognition criteria codified under FASB ASC 958-605-30-10 were not met.

Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organization accounts for its financial instruments at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability.

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, the Organization uses assumptions that market participants would use in pricing the asset or liability. The Organization is required by GAAP to categorize its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. The financial instrument recorded on the balance sheets is categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or use model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; pricing models whose inputs are observable for substantially the full term of the asset or liability; and pricing models whose inputs are derived principally from or corroborated by observable market data. Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date.

Functional Allocation of Expenses
Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Sales Tax
The State of Colorado (“the State”) imposes a sales tax of 2.90 percent on all of ECDC’s sales to non-exempt customers, while the local municipality imposes a rate of 1.10 percent, for a combined rate of 4 percent; additionally, in the current location the thrift store sales are subject

B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales Tax (continued)

to City and County sales tax of 3.75 percent and 0.25 percent, respectively. ECDC collects the sales tax from customers and remits the entire amount to the State. ECDC's accounting policy is to include the tax collected and remitted to the State in revenue and sales tax expense. For the years ended September 30, 2015 and 2014, ECDC's revenues and sales tax expense include $8,405 and $10,458, respectively, of sales tax collected and remitted.

Income Taxes

Deferred income taxes are provided for carry-forwards of net operating losses available to offset future taxable income, net of valuation allowances for potential expiration and other contingencies that could impact ECDC's ability to recognize the benefit. These cumulative net operating losses were sustained by Highland.

C—INVESTMENTS

The Organization's investment of cash in excess of requirements and cash held temporarily until restrictions are met were as follows at year-end:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ -	$ -	$ 506,769	$ 506,769
Grand Renaissance Dam Bond	5,000	5,000	5,000	5,000
Endowment fund Securities	144,753	144,753	145,834	145,834
	$ 149,753	$ 149,753	$ 657,603	$ 657,603

All investments were unrestricted at year-end. Net investment (loss)/income for fiscal years 2015 and 2014 was ($1,081) and $15,732, respectively.

D—MICROLOAN NOTES RECEIVABLE

Microloan notes receivable consist of amounts due to EDG on loans made to small businesses as well as to individuals. These loans were funded by loan funds received from the U. S. Small Business Administration, Community Development Financial

D—MICROLOAN NOTES RECEIVABLE (continued)

Institution Fund of the U. S. Department of the Treasury, Small Business Loan Fund, Arlington and Fairfax Counties of the Commonwealth of Virginia, City of Alexandria of the Commonwealth of Virginia, PNC Bank, NA, and Capital One Community Development Corporation. The notes are secured and bear interest ranging between 8.9 percent and 12.75 percent.

Notes receivable are reported at net realizable value and consist of the following at September 30:

	2015	2014
Microloan notes receivable	$3,341,243	$3,230,262
Allowance for loan losses	(161,382)	(156,022)
Microloan notes receivable net of allowances	$3,179,861	$ 3,074,240

Collectability of the receivables is reviewed regularly, and an allowance is established or adjusted, as necessary, using a combination of the specific identification method and the percentage method of recording bad debts based on historical experience. Loan losses have consistently been within management's expectation.

The notes receivable are pledged to collateralize notes issued to the U.S. Small Business Administration.

Interest income on these notes totaled $300,579 and $255,240 for fiscal years 2015 and 2014, respectively.

E—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2015 and 2014:

	2015	2014
Land	$ 2,779,788	$ 2,779,788
Construction-in-progress	1,412,402	1,116,099
Buildings and improvements	3,050,947	3,050,947
Furniture and equipment	405,507	405,507
Motor vehicles	104,779	104,779
Total property and equipment	7,753,423	7,457,120
Less: accumulated depreciation	(1,790,193)	(1,696,492)
Property and equipment net of depreciation	$ 5,963,230	$ 5,760,628

F—CASH RESTRICTED IN MICROLOAN REVOLVING FUND ACCOUNTS

EDG is required to segregate cash received from the U.S. Small Business Administration under the terms of its note agreements, therewith, that restricts its use to issuing microloans and maintaining adequate loan loss reserves. Funding received under these agreements is segregated in microloan revolving fund accounts at a financial institution and, such funding received, collateralizes notes issued to the U.S. Small Business Administration to secure them.

G—CASH RESTRICTED IN LOAN LOSS RESERVE FUND ACCOUNTS

As required by the terms of its note agreements underlying the face value of $4,100,000 and $3,600,000 of notes in 2015 and 2014, respectively, due in the aggregate to the U.S. Small Business Administration (SBA), EDG maintains as loan loss reserves an amount equivalent to 15% of the outstanding gross, SBA funded, microloan receivables at year-end. These reserves, which are held in interest-bearing accounts in EDG's name, stand as collateral for the $4,100,000 and $3,600,000 face value of notes due to SBA and are not available for operating purposes. These reserves are further pledged as collateral for funds due to SBA. The SBA funded microloan receivables were $2,101,738 and $1,214,937 in 2015 and 2014, respectively, while the related cash in loan loss reserve fund accounts were $315,261 and $182,241 in 2015 and 2014, respectively.

H—CASH DESIGNATED FOR LOAN LOSS RESERVES

Management has internally designated certain funds contributed locally to establish a long-term reserve to cover loan losses. These reserves are reported as a component of unrestricted net assets in the accompanying financial statements.

I—CASH RESTRICTED IN INDIVIDUAL DEVELOPMENT ACCOUNTS

Cash restricted in individual development accounts (IDA) on the Consolidated Statements of Financial Position, amounting to $27,345 and $103,567 as of September 30, 2015, and 2014, respectively, exclusively represents client deposits - under a federally matched savings program - into a designated account for specific purpose, such as homeownership, education or business start-up, etc. These funds, which are restricted from use by ECDC or its subsidiaries, are due in full on demand or upon the client's satisfaction of the program goals. Accordingly, a corresponding liability is shown on the Consolidated Balance Sheets. Clients are being assisted in exiting the IDA program as funding for the program has ended and new client deposits are not permitted.

J—DEFERRED FINANCING COSTS

Costs incurred in connection with restructuring the loan of $4,500,000 disclosed in Note L are deferred and amortized using the straight-line method over the term of the loan. Amortization of these costs is charged to interest expense in the accompanying statements of activities. The deferred financing cost is fully amortized in fiscal 2015.

K—DEFERRED TAX ASSET

ECDC has recorded a deferred tax asset of $221,156 as of September 30, 2015, unchanged from September 30, 2014, reflecting a potential benefit of $1,998,299 as of September 30, 2015, and $1,778,383 as of September 30, 2014, in net operating loss carry-forwards that expire through 2034. Realization is dependent on generating sufficient taxable income prior to the expiration of the loss carry-forwards. Management has elected to allow valuation allowances of $343,198 as of September 30, 2015 to remain unchanged from September 30, 2014. These valuation allowances for the deferred tax asset relate principally to the uncertainty of the utilization of deferred tax assets and were calculated in accordance with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification, which requires that a valuation allowance be established or maintained when it is “more likely than not” that all or a portion of deferred tax asset will not be realized. This valuation allowance is based on management estimates of future taxable income. Although the degree of variability inherent in the estimates of future taxable income is significant and subject to change in the near term, management believes that the estimate is adequate. The estimated valuation allowance is continually reviewed and as adjustments to the allowance become necessary, such adjustments are reflected in the current operations.

L—NOTES PAYABLE

Notes payable consisted of the following at September 30, 2015, and 2014:

Highland Holdings:
Notes payable on September 30, 2015, and 2014, were $3,674,999 and $3,899,999 respectively. On October 9, 2003 Highland secured a loan in the original amount of $4,700,000 from Bank of America, N.A. The Note bearing interest at the British Bankers’ Association London Inter-Bank Offer Rate (BBA LIBOR) Daily Floating Rate plus 2.65 percentage points per annum is secured by, among other things, a deed of Trust, covering real estate owned by Highland and located in Arlington, Virginia, along with all other property real and personal. The loan is guaranteed by ECDC. Unless sooner paid, the unpaid principal sum, together with accrued interest was due in full on September 30, 2010. In April 2008, the Note was restructured, resulting in 70% of the outstanding principal or $2,950,380 bearing interest at a rate of 6.12 percent fixed by an interest rate swap and the remaining 30% of the outstanding principal or $1,264,010 bearing interest at BBA LIBOR. The interest rate swap matured April 1, 2013, and no longer affects the note.

On September 15, 2010, the maturity date of this Note was extended to December 30, 2010. Subsequently, on January 31, 2011, Highland and the lender executed an amendment to the Note providing for re-advances up to $630,862 of amounts previously repaid under the Note, such that the maximum amount re-advanced plus the aggregate unpaid principal amount then outstanding under the Note amounted to $4,500,000; and extended the maturity date of the Note to January 31, 2016. In December 2011 Highland borrowed the $630,862 made available by the amended note. Prior to maturity, effective February 1, 2012 the amended Note is payable at $18,750 per month

L—NOTES PAYABLE (continued)

on the principal portion, in addition to interest on all unpaid principal at the floating and fluctuating BBA LIBOR in effect from time to time plus 2.65 percentage points per annum. At maturity date, Highland is required to pay in full all amounts that remain unpaid under the Note, including all unpaid principal, all accrued unpaid interest, and any unpaid fees, charges or other amounts. The Note mandates Highland to attain a debt service coverage ratio of at least 1.0:1.0 as of the last day of each six month period ending on March 31 and September 30 on a consolidated basis.

At September 30, 2015, the future maturities of the Note for succeeding years using the amended terms of note agreement were as follows:

2016	$ 3,674,999

EDG:

Notes payable consist of the following:

	2015	2014
Notes payable to U.S. Small Business Administration originating on May 28, 2009, in the amount of $750,000 at .50%, maturing May 28, 2019.	$309,439	$392,906
Notes payable to U.S. Small Business Administration originating on May 1, 2009, in the amount of $250,000 at 1.125%, maturing May 1, 2019.	125,897	153,533
Capital One National Association originating on August 14, 2014, in the amount of $750,000 at 2.00% Maturing July 1, 2019. Interest is payable quarterly commencing October 1, 2014, principal is due at loan maturity.	$750,000	$750,000
Notes payable to U.S. Small Business Administration originating on May 5, 2014, in the amount of $450,000 at 0.00% in the first 12 months and interest rate of .025% starting in month 13. Maturing May 5, 2024, with principal due in the entirety at maturity.	429,309	450,000
Notes payable to U.S. Small Business Administration originating on March 30, 2012, in the amount of $400,000 at 1.250%, maturing March 30, 2022. Effective October 1, 2014, the interest has been reduced to 0.00%	288,889	333,334
Notes payable to U.S. Small Business Administration originating on March 30, 2012 in the amount of $400,000 at 1.250%, maturing March 30, 2022. Effective October 1, 2014, the interest rate has been reduced to 0.00%.	288,889	333,333

L—NOTES PAYABLE (continued)

	2015	2014
Notes payable to U.S. Small Business Administration originating on March 30, 2012, in the amount of $250,000 at 1.250%, now at 0.00%, maturing March 30, 2022	180,556	208,333
Notes payable to U.S. Small Business Administration originating on May 3, 2013, in the amount of $800,000 with interest rate currently of 0.00%, maturing May 3, 2023.	688,889	780,378
Note payable to U.S. Small Business Administration originating on November 19, 2014, in the amount of $800,000 at 0.00% for months 1 to 12 provided that the average microloan funded is not greater than $10,000. If the average microloan funded is greater than $10,000, interest will then be 0.38%	800,000	
Interest payments on the SBA loans begin on the 13th month from date of loan origination. Interest accrued during the first twelve months is divided into 108 equal installments and added to the calculated payments of principal and interest during the thirteenth through the one-hundred twentieth month of the note unless the note is prepaid, in which case, all interest accrued would be payable in full at time of principal payoff. The notes are secured by a first lien and security interest in all monies in microloan revolving fund accounts, monies restricted in loan loss reserves fund accounts, and all microloan notes receivable outstanding.		
Note payable to PNC Bank, NA at 2.75% per annum, payable quarterly. The unsecured note dated August 24, 2011, is due and payable in full on September 1, 2016, along with any accrued interest on the outstanding principal. The Note contains a prepayment cost recovery provision requiring a payment to PNC Bank, NA equal to the losses incurred by PNC Bank, NA as a result of any prepayments.	$ 500,000	$ 500,000
Total notes payable	4,361,868	3,901,817
Notes payable—current maturities	(941,628)	(283,686)
Notes payable—net of current maturities	$3,420,240	$3,618,131

L—NOTES PAYABLE (continued)

Maturities of notes payable are as follows:

2016	941,628
2017	458,764
2018	461,776
2019	1,161,770
2020 and thereafter	1,337,930

M—FAIR VALUE MEASUREMENT

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of year-end:

	2015			
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ -	$ -	$ -	$ -
Grand Renaissance Dam Bond	5,000	-	5,000	-
Endowment Securities	144,753	144,753	-	-
	$ 149,753	$ 144,753	$ 5,000	$ -

	2014			
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 506,769	$ 506,769	$ -	$ -
Grand Renaissance Dam Bond	5,000	-	5,000	-
Endowment Securities	131,114	131,114	-	-
	$ 642,883	$ 637,883	$ 5,000	$ -

N—EQUITY EQUIVALENT INVESTMENT

EDG has two outstanding amounts under equity equivalent securities agreements—one with the United States Department of the Treasury (Treasury), and the other with Wells Fargo Community Investment Holdings (Wells Fargo). These securities are subordinated and junior in right of payment, as to principal, interest and premium, to all claims against EDG and possess attributes of corporate stock but do not constitute a class of stock or represent any equity ownership. These obligations are not secured by the assets of EDG. The securities have not been registered under the securities Act of 1933, as amended, or the securities laws of any state.

The principal sum of $320,000 associated with the Treasury agreement is due in full on September 29, 2019, along with all accrued interest on any outstanding principal on that date. However, EDG may elect to extend the Maturity date to September 20, 2021, with a 90-day notice of such election. Interest of 2% is payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year until the 8th year anniversary of the original issue date, which is September 20, 2011. Beginning with the 33rd quarterly interest payment period of the 8th year anniversary and thereafter, interest is payable at 9%.

The principal sum of $250,000 associated with the Wells Fargo agreement is due in full on December 14, 2024, along with all accrued interest on any outstanding principal on that date. Interest of 2% is payable quarterly in arrears on the 15th day of the month after the end of each calendar quarter following the Disbursement Date. Quarterly principal payments shall be made in eight equal amounts of $62,500, commencing March 15, 2023, with a final payment being made on December 14, 2024.

O—EMPLOYEE BENEFIT PLAN

ECDC and EDG maintain an IRC 403(b) Tax Deferred Annuity Plan for its employees. Employees are eligible to participate on the first entry date on or following completion of one year of service. ECDC and EDG make discretionary contributions to the plan on an annual basis. Employees may elect to contribute, pursuant to a salary reduction agreement, a percentage of annual compensation not to exceed the limits of IRC sections 403(b), 402(g) and 415. Contributions are invested in individual flexible premium deferred annuity contracts issued by an insurance company. Contributions for the year ended September 30, 2015, and 2014 were $580,845 and $497,156, respectively.

P—COMMITMENTS AND CONTINGENCIES

Grants and loans require the fulfillment of certain conditions set forth in the underlying agreements. Failure to fulfill or comply with the conditions could result in the return of funds to the grantor or lender and the termination of the funding agreements. Although this is a possibility, ECDC's and EDG's Boards of Directors consider the possibility remote, since by accepting the funds they have accommodated the objectives of ECDC and EDG to the provisions of the grants and loans. Amounts received under grant agreements are subject to audit and adjustments by the funding agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization.

P—COMMITMENTS AND CONTINGENCIES (continued)

The amounts, if any, of expenditures, which may be disallowed by the funding agency, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the agency. No such adjustments were made during 2015 nor 2014.

In the ordinary course of business, the Organization is subject to litigation for which it carries professional and general liability coverage. The insurance program is designed to provide protection to the Organization from such liabilities on a claims-made basis. Professional liability claims may be asserted arising from services provided to clients in the past. Management is unaware of any claims against the Organization.

Q—UNCERTAIN TAX POSITIONS

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ECDC and EDG may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ECDC and EDG and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2015 and 2014.

ECDC and EDG file their forms 990 in the U.S. federal jurisdiction and the Department of Taxation for the State of Virginia. ECDC and EDG are generally no longer subject to examination by the Internal Revenue Service for years before 2011.

R—CONCENTRATIONS

Credit Risk Arising from Cash Deposits in Excess of Insured Limits
The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 limit per ownership category. At September 30, 2015 and 2014, the Organization's uninsured cash balances total $7,867,678 and $7,437,343, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents due to the creditworthiness of the financial institutions.

Revenues

During 2015 and 2014, the Organization derived approximately 86% and 88%, respectively, of its support from agreements with various U.S. Federal government agencies. Additionally, 96% and 99% of its grants receivable relate to agreements with the Federal government for those respective years. A significant variation in the level of

R—CONCENTRATIONS (continued)

this support, if this were to occur, would have a material effect on the Organization's programs and activities

S—RECLASSIFICATION

Certain account balances have been reclassified to make the prior year statements comparable to the current year.

T—SUBSEQUENT EVENTS

The Organization's management has evaluated the events that have occurred subsequent to September 30, 2015, through January 29, 2016, the date that the financial statements were available to be issued.

Management has determined that no events have occurred during this period that require adjustment to or disclosure in the financial statements. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

ALEXANDER GIBBS CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

1401 Mercantile Lane
Suite 200FF
Largo, Maryland 20774
Phone (301) 772-3154
Fax (301) 772-2764
www.agibbscpa.com

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

The Board of Directors
Ethiopian Community Development Council, Inc.
Arlington, VA

We have audited the consolidated financial statements of the Ethiopian Community Development Council, Inc. and subsidiaries (collectively, the Organization) as of and for the year ended September 30, 2015 and have issued our report thereon dated January 29, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 statements 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Gibbs Chartered

Largo, MD
January 29, 2016

ALEXANDER GIBBS CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

1401 Mercantile Lane
Suite 200FF
Largo, Maryland 20774
Phone (301) 772-3154
Fax (301) 772-2764
www.agibbscpa.com

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNITED STATES OFFICE OF
MANAGEMENT AND BUDGET CIRCULAR A-133

The Board of Directors
Ethiopian Community Development Council, Inc.
Arlington, VA

Compliance

We have audited the compliance of Ethiopian Community Development Council, Inc. and subsidiaries (collectively, the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Gibbs Chartered

Largo, MD
January 29, 2016

SUPPLEMENTARY INFORMATION

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Combined Schedule of Expenditure of Federal Awards

For the Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal Catalog of Federal Domestic Assistance Number/ Contract Number	Federal Expenditures
U.S. DEPARTMENT OF STATE		
Bureau of Population, Refugees, and Migration—Refugee Reception and Placement Program	19.510	$10,843,140
Agency for International Development - Ocean Freight Reimbursement Program	98.003	$10,300
TOTAL U.S. DEPARTMENT OF STATE		$10,853,440
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct programs		
Administration for Children and Families—Office of Refugee Resettlement Matching Grant, Capacity Strengthening Technical Assistance Initiative and Preferred Communities	93.576	3,347,018
Administration for Children and Families—Ooffice of Refugee Resettlement		
Micro-Enterprise Opportunities	93.576	242,982
Administration for Children and Families—Office of Refugee Resettlement:		
Advanced Childcare Enterprise	93.576	35,338
Total Administration for Children and Families - Office of Refugee Resettlement		3,625,338
Pass-through programs		
Catholic Charities of Southern Nevada—Formula Targeted Assistance; Refugee Social Services	93.584; 93.566	357,819
Public Private Partnership Transitional Cash Assistance - International Rescue Committee	93.556	155,593
Fairfax County— Community Development Block Grant program	93.576	52,640
		566,052
State of Colorado		
Temporary assistance for needy families program – CARES	93.558	1,328,535
Youth Program	93.558	303,726
CRSP WMT	93.566	73,892
CFaSST Employment training	93.558; 93.566	29,798
Cultural Orientation	93.558	26,360
Total State of Colorado		1,762,311
Total pass-through programs		2,328,363
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		5,953,701
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass-through programs		
Arlington County, Commonwealth of Virginia—Community Development Block Grant program (microenterprise loan program, business incubator program)	14.218	55,554
Fairfax County —Community Development Block Grant program	14.218	50,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		105,554
U.S. DEPARTMENT OF THE TREASURY		
Community Development Financial Institution	21.020	84,215
Internal Revenue Service—low income taxpayer clinic "English as a second language" and "controversy" programs	21.008	11,456
TOTAL U.S. DEPARTMENT OF THE TREASURY		95,671
U.S. SMALL BUSINESS ADMINISTRATION		
Microloan Technical Assistance program	59.046	400,543
Microloan program	59.046	1,883,395
TOTAL U.S. SMALL BUSINESS ADMINISTRATION		2,283,938
Total Expenditures of Federal Awards		$19,292,304

The accompanying notes are integral part of this schedule.

Notes to Combined Schedule of Expenditure of Federal Awards

For the Year Ended September 30, 2015

A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) present a summary of the financial activities of the Ethiopian Community Development Council, Inc. and its subsidiary, ECDC Enterprise Development Group (collectively, the Organization) for the year ended September 30, 2015, which have been funded by the federal government. The Schedule has been prepared on the accrual basis of accounting, except for federal awards expenditures by sub-recipients, and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-122, "*Cost Principles for Non-Profit Organizations*," (OMB A-122) and include all expenditures of federal awards, direct and pass-through, received by the Organization from federal and state grantor agencies. Federal awards are deemed to be expended by the Organization when the funds are disbursed to sub-recipients, regardless of when the sub-recipients expend the federal funds. For purposes of the Schedule, federal awards include all federal financial assistance entered into directly between the federal government and the Organization and federal funds awarded to the Organization by a prime recipient pursuant to federal financial assistance agreements.

The information in the Schedule is presented in accordance with the requirements of the OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Organization's basic financial statements. Because the Schedule presents only federal expenditure activities of the Organization, they are not intended to and do not present the financial position, changes in net assets or cash flows of the Organization as a whole.

Expenditures consist of direct and indirect costs. Under cost principles embodied in OMB A-122, certain types of expenditures are not allowable or are limited as to reimbursement.

B—FRINGE BENEFITS AND INDIRECT COSTS

The Organization recovers fringe benefits and indirect costs associated with federal award programs pursuant to predetermined rates negotiated with the Organization's cognizant agency, the U.S. Department of Health and Human Services. These rates are effective from October 1, 2013, until amended and were unchanged from the period October 1, 2012 through September 30, 2013. The Organization had a provisional fringe benefit rate of 36.1% based on direct salaries and a provisional indirect cost rate of 26.7% based on modified total direct costs.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weakness? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weakness? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Major programs: (1) **CFDA:** 19.510 **Name:** Refugee reception and placement program; (2) **CFDA:** 59.046 **Name:** Microloan program;

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? Yes

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Schedule of Functional Expenses

For the Year Ended September 30, 2015

	PROGRAM SERVICES									SUPPORTING SERVICES				
	Community Leadership	Employment Services	Health Services	Legal, Immigration, and Information Referral	Refugee Reception and Placement	International Development	Individual Development Accounts	Micro-enterprise development	Total	Cost of Revenues	Fundraising	General and Administrative	Total	GRAND TOTAL
Salaries	$ 28,107	$ 959,434	$ 65,890	$ 75,430	$ 2,113,425	$ -	$ -	$ 400,655	$ 3,642,941	$ -	$ 47,128	$ 807,609	$ 854,737	$ 4,497,678
Fringe benefits	10,146	346,356	21,694	27,230	763,101	-	-	144,636	1,313,163	-	17,013	291,152	308,165	1,621,328
Bad debts	-	-	-	-	-	-	-	3,415	3,415	-	-	-	-	3,415
Subcontractors and Affiliates	-	-	-	-	8,124,523	-	-	-	8,124,523	-	-	835	835	8,125,358
Client assistance	1,808	310,329	25	-	1,647,061	-	-	9,000	1,968,223	-	119	16,428	16,547	1,984,770
Depreciation	-	-	-	-	-	-	-	-	-	62,976	-	30,726	93,702	93,702
Equipment rental	-	2,751	-	-	2,830	-	-	-	5,581	-	-	2,126	2,126	7,707
Insurance	-	7,624	-	-	1,791	-	-	-	9,415	17,012	65	40,609	57,686	67,101
Interest	-	-	-	-	-	-	-	44,180	44,180	112,250	-	-	112,250	156,430
International assistance	-	-	-	-	-	-	-	-	-	-	-	53,255	53,255	53,255
Licenses and taxes	-	74	-	-	401	-	-	-	475	143,238	8,996	21,588	173,822	174,297
Repairs and maintenance	-	2,190	-	-	4,209	-	-	-	6,399	13,230	3,352	7,100	23,682	30,081
Upkeep	-	454	-	-	1,107	-	-	-	1,561	39,689	319	523	40,531	42,092
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Meeting, conference and seminars	-	5,747	122	-	22,357	-	-	1,881	30,107	-	20,274	42,554	62,828	92,935
Miscellaneous	-	91	-	-	507	-	-	-	598	4,850	-	2,276	7,126	7,724
Postage and shipping	-	930	-	-	3,354	10,300	-	2,402	16,986	-	409	2,070	2,479	19,465
Materials	-	-	-	-	-	-	-	-	-	16,776	-	-	16,776	16,776
Printing	87	2,469	239	-	3,168	-	-	1,133	7,096	-	2,419	17,241	19,660	26,756
Professional fees	3,993	24,328	-	-	100,843	-	-	20,320	149,484	37,006	9,612	100,929	147,547	297,031
Outreach and advertsing	-	338	-	-	1,727	-	-	7,959	10,024	-	2,378	9,248	11,626	21,650
Occupancy	236	104,615	5,400	-	115,287	-	-	-	225,538	-	154,503	16,481	170,984	396,522
Subscriptions and membership dues	-	100	-	-	150	-	-	63	313	-	192	15,957	16,149	16,462
Supplies	874	23,664	-	820	25,555	-	-	8,800	59,713	-	5,275	22,922	28,197	87,910
Telephone, internet, network	-	9,199	-	-	2,594	-	-	1,687	13,480	3,611	533	19,439	23,583	37,063
Security	-	-	-	-	-	-	-	-	-	10,643	-	-	10,643	10,643
Technology	-	1,342	-	-	601	-	-	1,586	3,529	-	721	2,209	2,930	6,459
Travel	64	18,727	1,332	80	115,748	-	-	774	136,725	-	517	47,406	47,923	184,648
Utilities	-	4,700	-	-	10,505	-	-	-	15,205	86,799	21,814	-	108,613	123,818
In-kind Client Assistance	-	-	-	-	-	-	-	-	-	-	-	167,831	167,831	167,831
Janitorial	-	-	-	-	-	-	-	-	-	13,940	-	-	13,940	13,940
Workshop, training and incentive	-	15,723	2,749	-	16,384	-	-	-	34,856	-	1,888	21,368	23,256	58,112
TOTAL	$ 45,315	$ 1,841,185	$ 97,451	$ 103,560	$ 13,077,228	$ 10,300	$ -	$ 648,491	$15,823,530	$562,020	$ 297,527	$ 1,759,882	$ 2,619,429	$ 18,442,959

ETHIOPIAN COMMUNITY DEVELOPMENT COUNCIL, INC. AND SUBSIDIARIES

Consolidated Schedule of Functional Expenses

For the Year Ended September 30, 2014

	PROGRAM SERVICES									SUPPORTING SERVICES				
	Community Leadership	Employment Services	Health Services	Legal, Immigration, and Information Referral	Refugee Reception and Placement	International Development	Individual Development Accounts	Micro-enterprise development	Total	Cost of Revenues	Fundraising	General and Administrative	Total	GRAND TOTAL
Salaries	$ 20,057	$ 840,209	$ 132,150	$ 83,032	$ 1,770,251	$ -	$ 9,266	$ 474,138	$ 3,329,103	$ -	$ 45,090	$ 694,049	$ 739,139	$ 4,068,242
Fringe benefits	7,240	303,319	46,472	29,975	639,065	-	3,345	171,164	1,200,580	-	16,278	251,778	268,056	1,468,636
Bad debts	-	-	-	-	-	-	-	87,804	87,804	-	-	-	-	87,804
Subcontractors and Affiliates	-	-	-	-	8,451,330	-	-	-	8,451,330	-	-	-	-	8,451,330
Client assistance	-	364,530	139	9	1,740,006	-	-	8,647	2,113,331	-	396	19,571	19,967	2,133,298
Depreciation	-	-	-	-	-	-	-	-	-	62,976	-	30,726	93,702	93,702
Equipment rental	-	1,300	-	-	837	-	-	-	2,137	-	-	3,160	3,160	5,297
Insurance	-	1,644	-	-	4,390	-	-	-	6,034	14,605	-	29,086	43,691	49,725
Interest	-	-	-	-	-	-	-	56,342	56,342	118,458	-	-	118,458	174,800
International assistance	-	-	-	-	-	-	-	-	-	-	-	18,985	18,985	18,985
Licenses and taxes	-	219	-	-	811	-	-	-	1,030	131,559	11,072	20,576	163,207	164,237
Repairs and maintenance	-	1,079	-	-	8,246	-	-	-	9,325	45,645	1,970	16,550	64,165	73,490
Upkeep	400	-	-	-	2,970	-	-	-	3,370	25,403	2,697	2,414	30,514	33,884
Meeting, conference and seminars	21	1,015	-	-	17,557	-	-	4,382	22,975	-	324	26,923	27,247	50,222
Miscellaneous	-	272	-	-	1,351	-	-	-	1,623	3,018	-	17,320	20,338	21,961
Postage and shipping	-	1,461	6	-	5,250	8,767	-	3,202	18,686	-	1,373	5,466	6,839	25,525
Materials	-	-	-	-	-	-	-	-	-	23,466	-	-	23,466	23,466
Printing	-	3,692	1,043	280	2,486	-	-	1,250	8,751	-	2,784	9,783	12,567	21,318
Professional fees	4,665	25,185	1,463	-	106,056	-	-	34,732	172,101	15,895	15,039	86,215	117,149	289,250
Outreach and advertsing	-	100	-	-	-	-	-	4,833	4,933	-	1,741	178	1,919	6,852
Occupancy	14,200	142,829	5,400	-	92,810	-	-	-	255,239	-	61,629	33,351	94,980	350,219
Subscriptions and membership dues	-	-	-	-	-	-	-	-	-	-	272	23,652	23,924	23,924
Supplies	150	51,246	583	667	23,896	-	-	13,072	89,614	-	6,262	16,770	23,032	112,646
Telephone, internet, network	-	3,696	-	-	3,057	-	-	1,895	8,648	2,804	862	22,634	26,300	34,948
Security	-	-	-	-	-	-	-	-	-	11,926	-	-	11,926	11,926
Technology	-	1,929	-	-	200	-	-	1,830	3,959	-	846	5,441	6,287	10,246
Travel	-	10,986	3,268	47	125,814	-	-	706	140,821	-	190	21,875	22,065	162,886
Utilities	-	3,732	-	-	12,589	-	-	-	16,321	103,585	20,781	584	124,950	141,271
In-kind Client Assistance	-	-	-	-	-	-	-	-	-	-	-	102,957	102,957	102,957
Janitorial	-	-	-	-	-	-	-	-	-	13,665	-	-	13,665	13,665
Workshop, training and incentive	600	1,825	4,523	-	5,860	-	-	-	12,808	-	7,373	11,336	18,709	31,517
	$ 47,333	$ 1,760,268	$ 195,047	$ 114,010	$ 13,014,832	$ 8,767	$ 12,611	$ 863,997	$ 16,016,865	$ 573,005	$ 196,979	$ 1,471,380	$ 2,241,364	$18,258,229