Aga Khan Foundation U.S.A.

Financial Statements
and Supplementary Information
Years Ended December 31, 2015 and 2014

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Years Ended December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Aga Khan Foundation U.S.A.
Washington, D.C.

We have audited the accompanying financial statements of **Aga Khan Foundation U.S.A**. (the "Foundation"), which comprise the statements of financial position as of December 31, 2015 and 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Aga Khan Foundation U.S.A.** as of December 31, 2015 and 2014, 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.

BDO USA, LLP

May 24, 2016

Financial Statements

Aga Khan Foundation U.S.A.

Statements of Financial Position

December 31,		**2015**		2014
Assets				
Cash and cash equivalents	**$**	**29,822,287**	$	34,829,399
Notes receivable		**7,500,000**		3,750,000
Investments		**36,425,197**		32,286,031
Accounts receivable and other current assets		**130,365**		83,995
Grants receivable		**-**		715,250
Donor agency receivables		**4,565,821**		3,277,759
Receivables from affiliates		**4,361,793**		2,518,207
Contributions receivable, net		**12,051,175**		13,629,760
Fixed assets, net		**75,074,723**		76,582,802
Total assets	**$**	**169,931,361**	$	167,673,203
Liabilities and net assets				
Liabilities				
Accounts payable and accrued liabilities	**$**	**279,893**	$	333,232
Property tax accrual		**3,376,462**		2,402,389
Payables to affiliates		**2,572,447**		4,118,308
Deferred rent		**57,010**		-
Deferred revenue		**2,268,088**		2,571,322
Total liabilities		**8,553,900**		9,425,251
Net assets:				
Unrestricted		**145,532,240**		141,635,306
Temporarily restricted		**15,845,221**		16,612,646
Total net assets		**161,377,461**		158,247,952
Total liabilities and net assets	**$**	**169,931,361**	$	167,673,203

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

Aga Khan Foundation U.S.A

Statement of Activities

Year ended December 31, 2015	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	$ 27,992,881	$ 2,097,022	$ 30,089,903
Federal grants	19,977,980	-	19,977,980
Other grants	134,227	2,384,634	2,518,861
Investment return	(473,574)	-	(473,574)
Net assets released from restrictions	5,249,081	(5,249,081)	-
Total revenues	52,880,595	(767,425)	52,113,170
Expenses:			
Program grants	41,293,909	-	41,293,909
Supporting Services			
General and administrative expenses			
Salaries	2,628,801	-	2,628,801
Legal, accounting and consulting	131,252	-	131,252
Travel	166,608	-	166,608
Doubtful pledges provision	245,125	-	245,125
General office	305,311	-	305,311
Premises	245,036	-	245,036
Taxes and licenses (on property)	1,141,414	-	1,141,414
Resource development and communications	188,054	-	188,054
Total general and administrative expenses	5,051,601	-	5,051,601
Fundraising and public education events	1,152,572	-	1,152,572
Depreciation and amortization	1,485,579	-	1,485,579
Total supporting services	7,689,752	-	7,689,752
Total expenses	48,983,661	-	48,983,661
Change in net assets	3,896,934	(767,425)	3,129,509
Net assets at beginning of year	141,635,306	16,612,646	158,247,952
Net assets at end of year	$ 145,532,240	$ 15,845,221	$ 161,377,461

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

Aga Khan Foundation U.S.A

Statement of Activities

Year ended December 31, 2014	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	$ 22,386,788	$ 3,189,553	$ 25,576,341
Federal grants	16,547,228	-	16,547,228
Other grants	166,987	1,459,578	1,626,565
Investment return	(444,589)	-	(444,589)
Net assets released from restrictions	4,606,719	(4,606,719)	-
Total revenues	43,263,133	42,412	43,305,545
Expenses:			
Program grants	32,276,163	-	32,276,163
Supporting Services			
General and administrative expenses			
Salaries	2,780,335	-	2,780,335
Legal, accounting and consulting	93,980	-	93,980
Travel	167,285	-	167,285
Doubtful pledges provision	160,277	-	160,277
General office	252,270	-	252,270
Premises	334,883	-	334,883
Taxes and licenses (on property)	2,521,994	-	2,521,994
Resource development and communications	119,749	-	119,749
Total general and administrative expenses	6,430,773	-	6,430,773
Fundraising and public education events	830,844	-	830,844
Depreciation and amortization	1,386,435	-	1,386,435
Total supporting services	8,648,052	-	8,648,052
Total expenses	40,924,215	-	40,924,215
Change in net assets	2,338,918	42,412	2,381,330
Net assets at beginning of year	139,296,388	16,570,234	155,866,622
Net assets at end of year	$ 141,635,306	$ 16,612,646	$ 158,247,952

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

Aga Khan Foundation U.S.A.

Statements of Cash Flows

Years ended December 31,	**2015**	2014
Cash flows from operating activities		
Change in net assets	**$ 3,129,509**	$ 2,381,330
Adjustments to reconcile change in net assets to net cash (used in) provided by in operating activities:		
Depreciation and amortization	**1,485,579**	1,386,435
Stock contribution received	**(3,735,940)**	(1,396,377)
Realized losses on contributed stocks	**3,722,699**	9,025
Proceeds from sale of stock contributions received	**13,241**	1,387,352
Realized gain on equity investment in FMFB	**114,467**	(135,109)
Change in cash surrender value of life insurance policies	**(2,689,230)**	(1,802,974)
Allowance for doubtful contributions	**78,906**	(551,687)
Present value component of discounts on contributions receivable	**(20,948)**	(7,877)
(Increase) decrease in assets:		
Notes receivable	**(3,750,000)**	(3,750,000)
Accounts receivable and other current assets	**(46,370)**	7,772
Grants receivable	**715,250**	779,750
Donor agency receivables	**(1,288,062)**	(846,199)
Receivables from affiliates	**(1,843,586)**	(649,690)
Contributions receivable	**1,520,627**	505,185
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	**(53,339)**	(86,344)
Property tax accrual	**974,073**	2,402,389
Payables to affiliates	**(1,545,861)**	1,619,674
Deferred rent	**57,010**	(50,213)
Deferred revenue	**(303,234)**	1,729,990
Net cash (used in) provided by operating activities	**(3,465,209)**	2,932,432
Cash flows from investing activities		
Purchase of Investments - short term	**(1,564,402)**	(46,241)
Fixed asset purchases	**-**	(2,895,569)
Proceeds from fixed assets disposal	**22,499**	-
Net cash used in investing activities	**(1,541,903)**	(2,941,810)
Net decrease in cash and cash equivalents	**(5,007,112)**	(9,378)
Cash and cash equivalents, beginning of year	**34,829,399**	34,838,777
Cash and cash equivalents, end of year	**$ 29,822,287**	$ 34,829,399

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

1. Organization

Aga Khan Foundation U.S.A. (the Foundation) was incorporated on October 9, 1981 to promote development and social welfare through philanthropic activities. The Foundation's principal sources of financial support are grants and contributions from individuals, government agencies, and domestic and foreign corporations and foundations, including the Aga Khan Foundation established in Geneva, Switzerland. The Foundation's headquarters is located in Washington, D.C.

The Foundation is a not-for-profit organization and is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, except for income derived from unrelated business sources.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Foundation in the preparation of these financial statements:

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market funds and certificates of deposit with original maturities of three months or less. The carrying value of these cash and cash equivalents approximated their fair values at year end.

Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. Accounts at federally insured institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank at December 31, 2015 and 2014. At December 31, 2015 and 2014, the Foundation held $27,571,287 and $31,916,961, respectively, in uninsured funds. The Foundation has never experienced any losses related to these balances and believes it is not exposed to any significant credit risk on its cash and cash equivalents and certificates of deposits.

The Foundation maintains cash and cash equivalents and investments with high quality institutions and has established diversification and maturity guidelines to reduce risk and maintain liquidity. The Foundation maintains separate cash accounts in banks that combine the balances of all Foundation accounts to determine amounts insured by the FDIC. The Foundation mitigates exposure to the FDIC limits by sweeping balances to money market funds owned in the Foundation’s name.

Credit risk with respect to accounts and contributions receivable was limited because these amounts are due from a large number of individual customers and donors.

Investments

The cash surrender value of the life insurance policies is based on information provided by the respective insurance companies to the Foundation. Changes in cash surrender value, net of premiums paid, were recognized in the statements of activities as investment return in accordance with authoritative guidance. Investments also include certificates of deposit with original maturities of greater than six months. Unrealized and realized gains and losses are included in the statements of activities during the period in which they occur.

Grants Receivable

The Foundation receives funding from grants received from several grantors for direct and indirect program costs. This funding is generally subject to restrictions, which must be met through incurring qualifying expenses for particular programs. These balances are receivable in less than one year and are carried at undiscounted cost.

Donor Agency Receivables and Deferred Revenue

Donor agency grant revenue is recognized and donor agency receivables accrued when matching program expenses are incurred. Donor agency grant receipts, based on approved grant agreements that are in excess of matching grant expenses for the year, are recognized as deferred revenue in the statements of financial position.

Fixed Assets

Fixed assets are carried at cost. The Foundation capitalizes assets with an original cost of $5,000 or greater. Depreciation of furniture, fixtures and equipment is computed on the straight-line method over the estimated useful lives of five years. Buildings are depreciated over 20 years. Leasehold improvements are amortized over the shorter of the remaining term of the lease or their estimated useful life of five years. The Foundation received a donation of several historic books and photographs to use for display at the Museum in Toronto during fiscal year 2014. The Foundation capitalized these donated assets at fair value. These assets are not depreciated since the organization deems that these items have historical value that is worth preserving perpetually and intends to protect and preserve these assets.

Impairment of Long-Lived Assets

The Foundation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the accompanying statements of activities, to its current fair value.

Deferred Rent

Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statements of financial position.

Classification of Net Assets

The Foundation's net assets have been grouped into the following classes:

Unrestricted Net Assets

Unrestricted net assets generally result from unrestricted contributions, unconditional promises to give, unconditional pledges, donations, and Federal grants. They also result from realized and unrealized gains and losses on contributed stocks and interest from investing in income producing assets. Netted against the revenues are expenses related to funding program activities, the making of grants, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets

Temporarily restricted net assets generally result from contributions pledged by donors for use in future time periods or for any restricted purposes. When these restrictions are met, temporarily restricted net assets are released from restrictions and reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions

The Foundation recognizes contributions and unconditional promises to give as revenue in the period received or promised, whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions reported as temporarily restricted are those received with donor stipulations that limit their use for specific purposes or are subject to time restrictions. A donor restriction expires when the purpose of the contribution is accomplished or a stipulated time restriction ends. If the restrictions are met within the same year that the contribution was received, the revenue is classified as unrestricted. Unconditional promises to give, recorded in 2008 and prior years, which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the risk free rate of return on U.S. government securities with similar maturities. Unconditional promises to give, received in years after 2008, are recorded at the present value of their estimated future cash flows using discount rates equal to one year LIBOR plus 50 basis points.

Contributions receivable are recorded at the net realizable value. An allowance for doubtful receivables is recorded based on aging of contributions receivable, except for receivables from special campaigns, for which an allowance is recorded based on past collection history of similar campaigns.

In-Kind Donations

Included in contributions revenue and fundraising and public education events expenses in the statements of activities are in-kind donations of $97,712 and $179,191 for goods provided at fundraising activities for the years ended December 31, 2015 and 2014, respectively.

Federal Grants

Federal grants revenue is recognized when the Foundation has incurred eligible expenditures and met all of the other grant eligibility requirements.

Fair Value Measurements

The Foundation follows the ASC 820, *Fair Value Measurements*. ASC 820 establishes a common definition for fair value to be applied under generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Measurement date is the date of the financial statements. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation’s estimates about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are directly or indirectly observable.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Income Taxes

Under provisions of the Internal Revenue Code and the applicable state regulations, the Foundation is exempt from taxes on income other than unrelated business income. No provision for income taxes has been recorded as of December 31, 2015 and 2014, since the Foundation had no material unrelated business income.

The Foundation has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, the Foundation must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely than not that the position will be sustained. The Foundation does not believe there are any unrecognized tax benefits that need to be recorded.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized in the statements of activities based on their respective functions. Certain costs, other than depreciation and amortization, have been allocated to the programs and supporting services benefited as presented in the statements of activities. Functional costs are defined by their purpose:

Program grants relate to expenses incurred to provide grant funds to various programs in order to achieve the Foundation’s programmatic goals.

General and administrative expenses relate to expenses incurred by the Foundation’s offices for administration of the various programs and to manage operations of the Foundation.

Fundraising and public education events activities relate to direct costs to solicit gifts for the Foundation and to carry out events related to public education.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, (ASU) 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries under GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standards are effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued an update in ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which delayed the effective date of the new revenue accounting standards to fiscal years beginning after December 15, 2018. Management continues to evaluate the potential impact of this update on the Foundation’s financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40):* Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern. The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The update also provides related disclosures. The guidance is effective for the Foundation's fiscal year 2017. Management continues to evaluate the potential impact of this update on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*" (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The guidance is effective for the Foundation fiscal year 2020. Management is currently determining the impact that adoption of this guidance will have on the Foundations' financial statements.

3. Notes Receivable

In August 2014 the Foundation gave a note (loan) of $3,750,000 to Aga Khan Hospital and Medical College Foundation to advance its charitable mission by increasing the quality of and access to medical care and education in Pakistan, which will be accomplished through the expansion and improvement of facilities and construction of a private wing to generate revenue and enable the borrower to subsidize medical education and services for Pakistanis who otherwise will not be able to afford them. The closing date of the note receivable was August 29, 2014. The maturity date of the loan is October 1, 2033 and principal payments are not due until October 1, 2019. Interest payments are to be 1% per annum at a fixed rate. Interest only payments of $3,333 are to be paid beginning October 1, 2014 to October 1, 2018.

In September 2015 the Foundation issued a note (loan) of $3,750,000 to University of Central Asia (UCA) for a construction project that will advance its charitable mission by increasing the quality of and access to education in Tajikistan. The closing date of the note receivable was October 5, 2015. The maturity date of the loan is October 1, 2042 and principal payments (semi-annual payments) of $93,750 are due in April and October. Interest payments are to be 1% per annum at a fixed rate. The first payment on the note is due on April 1, 2023. Interest only payments of $18,339 are to be paid beginning March 31, 2016, to October 5, 2022.

4. Investments

The following table sets forth the fair values of those financial assets and liabilities that are recorded at fair value on a recurring basis according to the hierarchy described in ASC 820, as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	**$ 16,734,828**	**$ -**	**$ -**	**$ 16,734,828**
Life insurance policies	**-**	**16,818,061**	**-**	**16,818,061**
Equity investment in FMFB	**-**	**-**	**2,872,308**	**2,872,308**
Total	**$ 16,734,828**	**$ 16,818,061**	**$ 2,872,308**	**$ 36,425,197**

The following table sets forth the fair values of those financial assets and liabilities that are recorded at fair value on a recurring basis according to the hierarchy described in ASC 820, as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 15,170,425	$ -	$ -	$ 15,170,425
Life insurance policies	-	14,128,831	-	14,128,831
Equity investment in FMFB	-	-	2,986,775	2,986,775
Total	$ 15,170,425	$ 14,128,831	$ 2,986,775	$ 32,286,031

In September 2012, the Foundation entered into a shareholder agreement with First Microfinance Bank of Afghanistan (FMFB). The Foundation made an initial investment of $2,499,952 to acquire an equity ownership of 11.8% representing 10,504 shares. The investment is reported under the equity method of accounting and is adjusted annually for the Foundation's proportionate share of the bank's earnings or losses. The Foundation recorded an unrealized loss of ($114,467) and an unrealized gain of $135,109 under the equity method for the years ended December 31, 2015 and 2014, respectively.

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3), as of December 31, 2015 and 2014, respectively:

	2015	2014
Beginning balance	**$ 2,986,775**	$ 2,851,666
Purchases and additions	**-**	-
Sales, issuances, distributions, and settlements	**-**	-
Realized and unrealized (losses) gains relating to instruments still held at the statements of financial position date	**(114,467)**	135,109
Net transfers in and out of Level 3	**-**	-
Ending balance	**$ 2,872,308**	$ 2,986,775

The following table summarizes the significant unobservable inputs the Foundation used to value its investments categorized within Level 2 and Level 3 as of December 31, 2015. This table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to its determination of fair values.

Description	Fair Value at December 31, 2015 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Life insurance policies	**$ 16,818,061**	Cash Surrender Value	N/A	N/A
Equity investment in FMFB	**$ 2,872,308**	Discounted Cash Flow	Percentage ownership of net assets	11.8% of the total stocks of the bank

The following table summarizes the significant unobservable inputs the Foundation used to value its investments categorized within Level 2 and Level 3 as of December 31, 2014. This table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to its determination of fair values.

Description	Fair Value at December 31, 2014 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Life insurance policies	$ 14,128,831	Cash Surrender Value	N/A	N/A
Equity investment in FMFB	$ 2,986,775	Discounted Cash Flow	Percentage ownership of net assets	11.8% of the total stocks of the bank

There were no changes in valuation techniques noted for level 2 and level 3 investments for 2015 and 2014.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the Foundation's investments are subject to market risks resulting from changes in the market value of its investments.

5. Contributions Receivable

Contributions receivable consists of the following unconditional promises to give at:

December 31,	**2015**	2014
Amounts due in:		
Less than one year	**$ 11,965,924**	$ 13,040,883
One to five years	**7,299,007**	7,744,675
Total contributions receivable	**19,264,931**	20,785,558
Less: Present value component of discounts	**(229,737)**	(250,685)
Allowance for doubtful contributions	**(6,984,019)**	(6,905,113)
Total contributions receivable, net	**$ 12,051,175**	$ 13,629,760

6. Fixed Assets

Fixed assets consist of the following at:

December 31,	**2015**	2014
Property held for charitable purposes:		
Land	**$ 60,651,176**	$ 60,673,676
Buildings	**32,597,580**	32,597,580
Donated assets (historic books and photographs)	**440,067**	440,067
Subtotal	**93,688,823**	93,711,323
Assets held for administrative purposes:		
Leasehold improvements	**-**	255,582
Furniture and fixtures	**-**	37,828
Equipment	**22,900**	41,024
Subtotal	**22,900**	334,434
Less accumulated depreciation and amortization	**(18,637,000)**	(17,462,955)
Total net fixed assets	**$ 75,074,723**	$ 76,582,802

Depreciation and amortization expense totaled $1,485,579 and $1,386,435 for the years ended December 31, 2015 and 2014, respectively.

7. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of the Foundation are as follows at December 31:

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	**$ 29,822,287**	**$ 29,822,287**	$ 34,829,399	$ 34,829,399
Contributions receivable, net	**12,051,175**	**11,738,201**	13,629,760	13,831,358
Investments	**36,425,197**	**36,425,197**	32,286,031	32,286,031

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: The carrying value is a reasonable estimate of fair value.

Contributions receivable: Contributions receivable are recorded at fair value when notice of the intent is received. The fair value of contributions receivable at the statements of financial position date is estimated by discounting the estimated future cash flows to their present values, using the appropriate risk free rates of return on U.S. government securities with similar maturities.

Investments: Valuation for the certificates of deposits are based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis and are deemed level 1 investments. Valuations based on quoted prices in markets that are not active or for which all significant inputs are directly or indirectly observable are level 2 and level 3 investments. Some of the Foundation's investments are considered Level 3 investments, for which a readily determinable fair value does not exist. The Impact Investment with the First Microfinance Bank of Afghanistan has been categorized as Level 3 in the fair value hierarchy.

The following section describes the valuation methodologies used by the Foundation to measure its financial assets and liabilities at fair value.

- *Certificates of Deposit*—The Foundation's certificates of deposit earn a fixed rate of interest for a specified period of time. The Foundation's estimated fair value for these investments is based on Level 1 inputs.

- *Life Insurance Policies*—The cash surrender value of the life insurance policies is based on information provided by the respective insurance companies to the Foundation. The Foundation's estimated fair value for these investments is based on Level 2 inputs.

- *Equity Investment*—The Foundation's equity investment consists of an equity ownership percentage in First Microfinance Bank of Afghanistan. The investment is valued using the equity method. The Foundation's estimated fair value for these investments is based on Level 3 inputs.

8. Commitments and Contingencies

Leases

The Foundation's lease expired on May 31, 2015 and on July 14, 2015; the Foundation renewed its lease for office space under a non-cancelable operating lease that will expire on May 1, 2023. The lease contained escalation provisions for increases in operating expenses and real estate taxes. During 2015 and 2014, rent expense related to this lease was $237,238 and $335,793, respectively.

Future minimum rental payments under this operating lease are as follows:

Year Ending December 31,	
2016	$ 317,449
2017	325,394
2018	333,497
2019	341,818
2020	352,357
Thereafter	930,068
	$ 2,600,583

Grant Commitments

The Foundation's Board of Directors approves annual and multi-year grants, subject to approval, for programs in support of its tax-exempt purposes. These programs are supported by grants, including donated commodities, received from donor agencies. Grant commitments were approximately $38.5 million and $40.8 million at December 31, 2015 and 2014, respectively.

Property Taxes

The Foundation has a potential contingent liability relating to ad valorem property tax appeals before the Harris County Appraisal Review Board in relation to its property located at 2323 Allen Parkway, Houston, Texas ("Property"). These appeals concern the 2012, 2013, 2014, and 2015 tax years. In the event of an adverse result, and the Foundation decides not to appeal further, it would owe ad valorem property tax associated with the Property for each of the tax years at issue. The potential ad valorem property tax owed in such instance would total approximately $2.4 million (or $600,000 for each tax year), plus interest and penalties. The amount of such liability is not final and the Foundation anticipates a reduction of tax, interest, and/or penalties as the appeals process moves forward. However, any potential reduction of tax is uncertain at this time. To date, the Foundation has not paid ad valorem property taxes associated with the Property for the 2013, 2014, or 2015 tax years to the Harris County Appraisal District. The Foundation has accrued $3,376,462 and $2,402,389 for property tax and interest and penalties as of December 31, 2015 and 2014, respectively.

Regulatory

Federal grants are subject to audit by relevant Federal agencies. Management believes that adjustments, if any, from these audits would not have a material effect on the Foundation's financial position or changes in net assets.

9. Related-Party Transactions

The Foundation is related to the Aga Khan Foundation established in Geneva, Switzerland, and has received contributions from this organization in the amounts of $1,751,486 and $3,216,393 in 2015 and 2014, respectively, to help offset capital expenses, operating costs and award program grant expenses.

As of December 31, 2015 and 2014, the amounts payable to affiliates for programs approved by the Board of Directors, were $2,572,447 and $4,118,308, respectively. As of December 31, 2015 and 2014, amounts receivable for program advances from affiliates were $4,361,793 and $2,518,207, respectively.

In 2012, the Foundation entered into an amended shareholder agreement with the First Microfinance Bank of Afghanistan in which the Foundation made an initial investment of $2,499,952 to acquire an equity ownership of 11.8% representing 10,504 shares. The First Microfinance Bank of Afghanistan is an agency of Aga Khan Development Network.

In August 2014 the Foundation gave a note (loan) of approximately $3,750,000 to Aga Khan Hospital and Medical College Foundation to advance its charitable mission by increasing the quality of and access to medical care and education in Pakistan. The Aga Khan Hospital and Medical College Foundation is an agency of Aga Khan Development Network (refer to Note 3).

In September 2015 the Foundation issued a note (loan) of $3,750,000 to University of Central Asia (UCA) for a construction project that will advance its charitable mission by increasing the quality of and access to education in Tajikistan. The closing date of the note receivable was October 5, 2015. The maturity date of the loan is October 1, 2042 and principal payments (semi-annual payments) of $93,750 are due in April and October. Interest payments are to be 1% per annum at a fixed rate. The first payment on the note is due on April 1, 2023. Interest only payments of $18,339 are to be paid beginning March 31, 2016, to October 5, 2022.

10. Retirement Plan

The Foundation has a defined-contribution retirement plan. All employees who meet the eligibility requirements can participate in the plan. Under the plan, the Foundation makes contributions based on a percentage of the payroll of those employees who participate in the plan. Costs incurred for the plan were $126,794 and $64,051 for the years ended December 31, 2015 and 2014, respectively.

11. Expenses

The following presents the expenses classified by functional categories. Depreciation expense on buildings in the amount of $1,483,279 and $1,349,928 was allocated from general and administrative expenses to program grant expenses in 2015 and 2014, respectively. Depreciation expense on furniture, fixtures and equipment in the amount of $2,300 and $36,507 for the years ended December 31, 2015 and 2014, respectively, was allocated to general and administrative expenses. Staffing costs in the amount of $238,380 and $245,125 for 2015 and 2014, respectively, were allocated to various programs from general and administrative expenses.

December 31,	**2015**	2014
Program grants	**$ 43,015,568**	$ 33,871,216
General and administrative	**4,815,521**	6,222,155
Fundraising and public donation events	**1,152,572**	830,844
Total expenses	**$ 48,983,661**	$ 40,924,215

12. Temporarily Restricted Net Assets

As of December 31, 2015 and 2014, temporarily restricted net assets of $15,845,221 and $16,612,646, respectively, were restricted as to time.

13. Subsequent Events

The Foundation evaluated subsequent events through May 24, 2016 which is the date the financial statements were available to be issued. No subsequent events were noted that required adjustments to or disclosure in the financial statements.

Supplementary Information

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Independent Auditor's Report On Supplementary Information

Board of Directors
Aga Khan Foundation U.S.A.
Washington, D.C.

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

May 24, 2016

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Aga Khan Foundation U.S.A.

Statements of Assets, Liabilities and Net Assets (Modified Cash Basis)

December 31,		**2015**		2014
Assets				
Cash and cash equivalents	**$**	**29,822,287**	$	34,829,399
Notes receivable		**7,500,000**		3,750,000
Investments		**36,425,197**		32,286,031
Accounts receivable and other current assets		**130,365**		83,995
Grants receivable		**-**		-
Donor agency receivables		**4,565,821**		3,277,762
Receivables from affiliates		**4,361,793**		2,518,207
Contributions receivable, net (Note 1)		**249,632**		327,704
Total assets, net of fixed assets		**83,055,095**		77,073,098
Fixed assets				
Property held for charitable purposes and other fixed assets, net accumulated depreciation and amortization		**75,074,723**		76,582,802
Total assets	**$**	**158,129,818**	$	153,655,900
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	**$**	**279,893**	$	333,232
Property Tax Accrual		**3,376,462**		2,402,389
Payables to affiliates		**2,572,447**		4,118,308
Deferred rent		**57,010**		-
Deferred revenue		**2,268,088**		2,571,322
Total liabilities		**8,553,900**		9,425,251
Net assets		**149,575,918**		144,230,646
Total liabilities and net assets	**$**	**158,129,818**	$	153,655,897

Aga Khan Foundation U.S.A.

Statements of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis)

For the year ended December 31,		2015		2014
Revenues				
Contributions (Note 1)	**$**	**30,899,595**	$	24,794,506
Federal and other grants		**23,212,090**		18,953,543
In-kind contributions and grants (Note 1)		**445,697**		619,258
Investment return		**(473,574)**		(444,589)
Total revenues	**$**	**54,083,808**	$	43,922,718
Expenses				
Program grants	**$**	**41,293,909**	$	32,276,163
General and administrative expenses				
Salaries		**2,628,801**		2,780,335
Legal, accounting and consulting		**131,252**		93,980
Travel		**166,608**		167,285
General office		**305,311**		252,270
Premises		**245,036**		334,883
Taxes and licenses (on property)		**1,141,414**		2,521,994
Resource development and communications		**188,054**		119,749
Total administrative expenses		**4,806,476**		6,270,496
Fundraising and public education events		**1,152,572**		830,844
Depreciation and amortization		**1,485,579**		1,386,435
Total expenses		**48,738,536**		40,763,938
Excess of revenues over expenses		**5,345,272**		3,158,780
Net assets, beginning of year		**144,230,646**		141,071,866
Net assets, end of year	**$**	**149,575,918**	$	144,230,646

1. Basis of Presentation

These financial statements are prepared on a modified cash basis. Accordingly, all transactions except as described in the following table are recorded on an accrual basis of accounting.

Below is the reconciliation for contribution income between the accrual and modified cash basis for the years ended December 31, 2015 and 2014:

December 31,	**2015**	2014
Contribution Income – Per Accrual Basis	**$ 30,089,903**	$ 25,576,341
Less: In-Kind Revenues	**(445,697)**	(619,258)
Adjustments:		
Cash Donations Income	**3,897,836**	3,944,303
Present Value – Pledge Receivable	**(20,947)**	(7,877)
Pledges Receivable - Income	**(2,621,500)**	(4,099,003)
Contribution Income – Modified Cash Basis	**$ 30,899,595**	$ 24,794,506
Doubtful Provision Excluded from Modified Cash	**$ (2,642,447)**	$ (4,106,881)

For the years ended December 31, 2015 and 2014, Federal and other grants of $0 and $715,250 were included on the statements of activities, respectively, but were not included for purposes of presentation on the statements of revenues, expenses, and changes in net assets (modified cash basis).