

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K/A**

**(Amendment No. 1 to Form 8-K filed May 6, 2016)**

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): **May 2, 2016**

**DLH Holdings Corp.**

(Exact name of registrant as specified in its charter)

COMMISSION FILE NUMBER: **0-18492**

**New Jersey**

(State or other jurisdiction of incorporation or organization)

**22-1899798**

(I.R.S. Employer Identification No.)

**3565 Piedmont Road, NE, Building 3, Suite 700**  
**Atlanta, GA 30305**

(Address and zip code of principal executive offices)

**(866) 952-1647**

(Registrant's telephone number, including area code)

CHECK THE APPROPRIATE BOX BELOW IF THE FORM 8-K FILING IS INTENDED TO SIMULTANEOUSLY SATISFY THE FILING OBLIGATION OF THE REGISTRANT UNDER ANY OF THE FOLLOWING PROVISIONS:

c Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

c Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

c Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

c Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Explanatory Note

This Current Report on Form 8-K/A is filed as an amendment (the "Amendment") to the Current Report on Form 8-K filed on May 6, 2016 (the "Original Form 8-K") by DLH Holdings Corp. ("DLH" or the "Company") in order to provide financial information required by Item 9.01 of the Original Form 8-K. As previously reported in the Original Form 8-K, DLH acquired Danya International, LLC ("Danya") pursuant to a definitive Equity Purchase Agreement dated May 3, 2016 (the "Purchase Agreement") among Danya, DI Holdings, Inc. (the "Seller") and certain equity holders thereof. The acquisition was completed on May 3, 2016 and Danya became a direct, wholly-owned subsidiary of DLH on such date (the "Acquisition"). The Original Form 8-K is amended by this Current Report on Form 8-K/A to present certain financial statements of Danya and to present certain unaudited pro forma financial information in connection with the Acquisition. Danya's financial statements and the unaudited pro forma information of DLH and its subsidiaries are filed as exhibits hereto. The foregoing description of the Purchase Agreement and the transactions contemplated therein is not complete and is subject to, and qualified in its entirety by, the full text of the Purchase Agreement, which is attached as Exhibit 2.1 to the Original Form 8-K and incorporated herein by reference. Items and exhibits previously reported in the Original Form 8-K that are not included in this Amendment remain unchanged.

### Item 7.01 Regulation FD Disclosure.

In addition to the unaudited pro forma financial information filed as Exhibit 99.3 to this Current Report on Form 8-K/A, DLH has prepared, and has furnished as Exhibit 99.4 to this Current Report on Form 8-K/A, certain non-GAAP financial information to present the unaudited pro-forma adjusted EBITDA of DLH for the fiscal year ended September 30, 2015 and the six months ended March 31, 2016 as if its acquisition of Danya was consummated on October 1, 2014. A reconciliation of the non-GAAP pro-forma financial information included to the net income of DLH is also included in Exhibit 99.4.

The information in Item 7.01 of this Current Form 8-K/A and Exhibit 99.4 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

### Item 9.01 Financial Statements and Exhibits.

#### (a) Financial Statements of Businesses Acquired

The audited consolidated balance sheet of Danya as of December 31, 2015 and December 31, 2014 and the related consolidated statement of operations, consolidated statement of members' equity and consolidated statement of cash flows for the years ended December 31, 2015 and 2014, the notes to the consolidated financial statements and the independent auditor's report are filed as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated by reference herein.

The unaudited consolidated balance sheet of Danya as of March 31, 2016 and March 31, 2015 and the related consolidated statement of operations, consolidated statement of members' equity and consolidated statement of cash flows for the quarter ended March 31, 2016 and 2015, and the notes to the consolidated financial statements are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and are incorporated by reference herein.

#### (b) Pro Forma Financial Information

The unaudited pro forma condensed combined balance sheet of DLH Holdings Corp. and its subsidiaries as of March 31, 2016 and the unaudited pro forma condensed combined statements of operations of DLH Holdings Corp. and its subsidiaries for the six months ended March 31, 2016 and the year ended September 30, 2015 giving effect to the acquisition of Danya are filed as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated by reference herein.

(d) Exhibits.

The following exhibits are attached to this Current Report on Form 8-K.

<u>Exhibit No.</u>	
23.1	Consent of Aronson LLC.
99.1	Audited consolidated balance sheet of Danya as of December 31, 2015 and 2014 and the related consolidated statement of operations, consolidated statement of members' equity and consolidated statement of cash flows for the years ended December 31, 2015 and 2014, the notes to the consolidated financial statements and the independent auditor's report.
99.2	Unaudited Financial Statements of Danya for the six months ended March 31, 2016.
99.3	Unaudited pro forma condensed combined balance sheet of DLH Holdings Corp. and its subsidiaries as of March 31, 2016, and the unaudited pro forma condensed combined statements of operations of DLH Holdings Corp. and its subsidiaries for the six months ended March 31, 2016 and the year ended September 30, 2015 giving effect to the acquisition of Danya.
99.4	Unaudited pro forma presentation of Adjusted EBITDA, a non-GAAP measure

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DLH Holdings Corp.

Date: June 30, 2016

By: /s/ Kathryn M. JohnBull  
Kathryn M. JohnBull  
Chief Financial Officer and Treasurer

## EXHIBITS

Exhibit No.

- |      |   |
|------|---|
| 23.1 | Consent of Aronson LLC.   |
| 99.1 | Audited consolidated balance sheet of Danya as of December 31, 2015 and 2014 and the related consolidated statement of operations, consolidated statement of members' equity and consolidated statement of cash flows for the years ended December 31, 2015 and 2014, the notes to the consolidated financial statements and the independent auditor's report.    |
| 99.2 | Unaudited Financial Statements of Danya for the six months ended March 31, 2016.  |
| 99.3 | Unaudited pro forma condensed combined balance sheet of DLH Holdings Corp. and its subsidiaries as of March 31, 2016, and the unaudited pro forma condensed combined statements of operations of DLH Holdings Corp. and its subsidiaries for the six months ended March 31, 2016 and the year ended September 30, 2015 giving effect to the acquisition of Danya. |
| 99.4 | Unaudited pro forma presentation of Adjusted EBITDA, a non-GAAP measure   |

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements of DLH Holdings Corp. on Form S-3 (File Nos. 333-184912, 333-74478 and 333-120423) and on Form S-8 (No. 333-88012, 333-41871, 333-62380, 333-75263, 333-136400, 333-41867, 333-122711, 333-41869) of our report dated February 24, 2016, related to our audit of the consolidated financial statements of Danya International, Inc. and Subsidiaries as of and for the years ended December 31, 2015 and 2014, included in this Current Report on Form 8-K/A.

/s/ Aronson LLC

Aronson, LLC  
Rockville, Maryland  
June 27, 2016

**DANYA INTERNATIONAL, INC.  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND DECEMBER 31, 2014**

**DANYA INTERNATIONAL, INC. AND SUBSIDIARIES**

**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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# Danya International, Inc. and Subsidiaries

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## Independent Auditor's Report

Board of Directors  
**Danya International, Inc.**  
Silver Spring, Maryland

We have audited the accompanying consolidated financial statements of **Danya International, Inc. and Subsidiaries**, which comprise the Consolidated Balance Sheets as of December 31, 2015 and 2014, and the related Consolidated Statements of Income, Equity 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

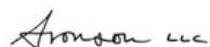
### Independent Auditor's Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Danya International, Inc. and Subsidiaries** as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland  
February 24, 2016

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 322,119	\$ 395,762
Accounts receivable - contracts	9,723,333	8,600,461
Due from stockholders	168,800	293,783
Prepaid expenses and other current assets	374,999	602,183
<b>Total current assets</b>	<b>10,589,251</b>	<b>9,892,189</b>
<b>Property and equipment, net</b>	<b>494,622</b>	<b>856,611</b>
<b>Other assets</b>	<b>285,779</b>	<b>291,808</b>
<b>Total assets</b>	<b>\$ 11,369,652</b>	<b>\$ 11,040,608</b>

## Danya International, Inc. and Subsidiaries

### Consolidated Balance Sheets

	2015	2014
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Note payable - line of credit	\$ 1,759,436	\$ 889,440
Accounts payable and accrued expenses	3,249,534	2,718,305
Accrued salaries and related liabilities	1,107,402	1,090,289
Current portion of deferred rent	-	183,565
<b>Total current liabilities</b>	<b>6,116,372</b>	<b>4,881,599</b>
<b>Long term liabilities</b>		
Deferred rent, net of current portion	-	11,821
<b>Total liabilities</b>	<b>6,116,372</b>	<b>4,893,420</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Common stock - \$.01 par value, 1,000,000 shares authorized, 709,350 shares issued and outstanding as of December 31, 2015 and 2014	7,094	7,094
Additional paid-in capital	479,196	477,463
Retained earnings	4,763,672	5,660,426
<b>Total Danya International, Inc. stockholders' equity</b>	<b>5,249,962</b>	<b>6,144,983</b>
<b>Noncontrolling interest</b>	<b>3,318</b>	<b>2,205</b>
<b>Total equity</b>	<b>5,253,280</b>	<b>6,147,188</b>
<b>Total liabilities and equity</b>	<b>\$ 11,369,652</b>	<b>\$ 11,040,608</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Income**

<i>Years Ended December 31,</i>	2015		2014	
	Amount	Percent	Amount	Percent
<b>Revenue</b>				
Contract revenue - government	\$ 45,564,641	96.8 %	\$ 54,530,915	91.8 %
Contract revenue - commercial	1,484,819	3.2	4,767,588	8.0
Federal grants	-	-	121,603	0.2
<b>Total revenue</b>	<b>47,049,460</b>	<b>100.0</b>	<b>59,420,106</b>	<b>100.0</b>
<b>Direct costs</b>				
Direct labor	8,282,507	17.6	9,735,734	16.4
Subcontractors and consultants	15,122,085	32.1	20,011,711	33.7
Travel	5,922,589	12.6	7,657,268	12.9
Other direct costs	1,328,201	2.8	1,653,214	2.8
<b>Total direct costs</b>	<b>30,655,382</b>	<b>65.2</b>	<b>39,057,927</b>	<b>65.7</b>
<b>Gross margin on revenue</b>	<b>16,394,078</b>	<b>34.8</b>	<b>20,362,179</b>	<b>34.3</b>
<b>Indirect costs</b>	<b>11,370,925</b>	<b>24.2</b>	<b>16,621,912</b>	<b>28.0</b>
<b>Income from operations</b>	<b>5,023,153</b>	<b>10.6</b>	<b>3,740,267</b>	<b>6.3</b>
<b>Other (expense) income</b>				
Interest income	3,303	-	10,689	-
Other income	2,003	-	1,255	-
Interest expense	(154)	-	(2,323)	-
Loss on disposal of property and equipment	(73,947)	(0.2)	-	-
<b>Total other (expense) income</b>	<b>(68,795)</b>	<b>(0.1)</b>	<b>9,621</b>	<b>-</b>
<b>Net income</b>	<b>4,954,358</b>	<b>10.5</b>	<b>3,749,888</b>	<b>6.3</b>
<b>Net income attributable to noncontrolling interest</b>	<b>1,113</b>	<b>-</b>	<b>308</b>	<b>-</b>
<b>Net income attributable to Danya International, Inc.</b>	<b>\$ 4,953,245</b>	<b>10.5 %</b>	<b>\$ 3,749,580</b>	<b>6.3 %</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Equity**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Danya Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount					
<b>Balance, January 1, 2014</b>	709,250	\$ 7,093	\$ 472,481	\$ 7,960,846	\$ 8,440,420	\$ 1,897	\$ 8,442,317
Stock options exercised	100	1	2,887	-	2,888	-	2,888
Share based compensation	-	-	2,095	-	2,095	-	2,095
Distributions to stockholders	-	-	-	(6,050,000)	(6,050,000)	-	(6,050,000)
Net income	-	-	-	3,749,580	3,749,580	308	3,749,888
<b>Balance, December 31, 2014</b>	709,350	7,094	477,463	5,660,426	6,144,983	2,205	6,147,188
Share based compensation	-	-	1,733	-	1,733	-	1,733
Distributions to stockholders	-	-	-	(5,849,999)	(5,849,999)	-	(5,849,999)
Net income	-	-	-	4,953,245	4,953,245	1,113	4,954,358
<b>Balance, December 31, 2015</b>	709,350	\$ 7,094	\$ 479,196	\$ 4,763,672	\$ 5,249,962	\$ 3,318	\$ 5,253,280

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

<i>Years Ended December 31.</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 4,954,358	\$ 3,749,888
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation and amortization	300,876	422,982
Share based compensation	1,733	2,095
Loss on sale of property and equipment	73,947	-
<b>(Increase) decrease in</b>		
Accounts receivable - contracts	(1,122,872)	2,855,876
Prepaid expenses and other current assets	227,184	12,487
Other assets	6,029	64,253
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	531,229	(403,016)
Accrued salaries and related liabilities	17,113	(671,298)
Deferred rent	(195,386)	(151,326)
<b>Net cash provided by operating activities</b>	<b>4,794,211</b>	<b>5,881,941</b>
<b>Cash flows from investing activities</b>		
Collections from (advances to) stockholders	124,983	(140,145)
Purchases of property and equipment	(12,834)	(627,510)
<b>Net cash provided (used) by investing activities</b>	<b>112,149</b>	<b>(767,655)</b>
<b>Cash flows from financing activities</b>		
Proceeds from note payable - line of credit	2,355,436	3,147,440
Payments of note payable - line of credit	(1,485,440)	(2,315,692)
Proceeds from the issuance of common stock	-	2,888
Distributions	(5,849,999)	(6,050,000)
<b>Net cash used by financing activities</b>	<b>(4,980,003)</b>	<b>(5,215,364)</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.



**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows (continued)**

<i>Years Ended December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Net change in cash and cash equivalents</b>	<b>(73,643)</b>	<b>(101,078)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>395,762</b>	<b>496,840</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 322,119</b>	<b>\$ 395,762</b>
<b>Supplemental information:</b>		
Interest paid	<b>\$ 154</b>	<b>\$ 2,323</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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1. **Organization and significant accounting policies** **Organization:** Danya International, Inc. was incorporated under the laws of the State of Maryland on May 17, 1996, to provide management consulting to government agencies and commercial organizations. Danya International, Inc. has elected to be treated as an S Corporation under the Internal Revenue Code.

Danya International Kenya Limited was incorporated in Kenya on June 12, 2008, to provide consulting services, training and monitoring production of health and education materials and services in public health, communication, research and evaluation, information technology, education and training, program management and health product development. Danya International, Inc. owns 99% of Danya International Kenya Limited.

Danya International Technology Enabled Solutions was incorporated on January 14, 2014, in Ethiopia to provide service in the sectors of information and communications technology, management consulting, pharmaceuticals, and energy. Danya International, Inc. owns 99% of Danya International Technology Enabled Solutions. There was no activity in the subsidiary during 2015 and 2014.

**Principles of consolidation:** The accompanying consolidated financial statements include the accounts of Danya International, Inc. and its 99% owned subsidiaries, Danya International Kenya Limited and Danya International Technology Enabled Solutions (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in consolidation.

**Revenue recognition:** Revenue from cost-type contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs and an allocable portion of the fixed fee. Revenue from fixed-price type contracts is recognized under the percentage-of-completion method of accounting, with costs and estimated profits included in contract revenue as work is performed. If actual and estimated costs to complete a contract indicate a loss, provision is made currently for the loss anticipated on the contract. Revenue from time and materials contracts is recognized as costs are incurred at amounts represented by the agreed-upon billing amounts.

Revenue from federal grants was recognized as costs were incurred in accordance with the terms of the grant.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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**Cash and cash equivalents:** For purposes of financial statement presentation, the Corporation considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. The Corporation maintains cash balances which may exceed federally insured limits. At December 31, 2015 and 2014, cash and cash equivalents denominated in Kenyan shillings (the equivalent of \$218,789 and \$292,432 U.S. dollars, respectively) are held in financial institutions in Kenya. At December 31, 2015 and 2014, cash and cash equivalents denominated in Ethiopian birr (the equivalent of \$102,830 U.S. dollars) is held in a financial institution in Ethiopia. Translation exposure exists, which results from possible changes in translation rates between foreign currencies and the U.S. dollar. Management does not believe that this results in any significant credit risk.

**Accounts receivable:** The Corporation provides for an allowance for doubtful accounts based on management's best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts, if needed. All accounts, or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. At December 31, 2015 and 2014, management deemed all accounts receivable to be collectible.

**Other assets:** Included in other assets are investments in non-marketable common stock where ownership by the Corporation is 20% or less and where the Corporation does not exercise significant influence. The Corporation holds approximately 1.5% in a company with an aggregate carrying value of \$150,000 as of December 31, 2015 and 2014. The Company accounts for these investments under the cost method of accounting. Management has determined that there are no indicators of impairment as of December 31, 2015 and 2014.

**Property and equipment:** Property and equipment are recorded at the original cost and are being depreciated on a straight-line basis over estimated lives of three to seven years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter.

**Deferred rent:** The Corporation recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying consolidated balance sheets.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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**Foreign currency:** Exchange adjustments resulting from transactions in foreign currency are generally recognized in operations. The cumulative translation adjustments are not material to the financial statements and therefore are not disclosed. The Corporation has an office and conducts business in Kenya.

**Income taxes:** The Corporation has elected to be treated as an S Corporation for federal income tax purposes whereby the tax attributes of the Corporation are passed through to and reported on the stockholders' tax returns. Accordingly, there is no provision for federal or state income taxes included in the accompanying consolidated financial statements.

The Corporation evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the Corporation's financial statements. To the extent that the Corporation's estimates change or the final tax outcome of these matters is different than the amounts that have been recorded, such differences will impact the income tax provision when such determinations are made. If applicable, the Corporation records interest and penalties as a component of income tax expense. As of December 31, 2015 and 2014 there were no accruals for uncertain tax positions. Tax years from January 1, 2012 through the current year remain open for examination by federal and state tax authorities.

**Stock based compensation:** The Corporation measures compensation expense for its stock based compensation plan based on the grant date fair value of the equity instruments, which is recognized as compensation expense ratably over the service period. There were no stock options granted in 2015 or 2014. Compensation expense for stock options is determined using the Black-Scholes model. Included in the model are the following assumptions. Expected term represents the midpoint between the vesting period and contractual term. Volatility was determined by reference to the historical volatility of public companies conducting business in the federal market place, as the Corporation's own shares lack sufficient trading history to determine volatility. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

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

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

**Subsequent events:** Management has evaluated subsequent events for disclosure in these consolidated financial statements through February 24, 2016, which is the date the consolidated financial statements were available to be issued.

2. **Accounts receivable** Accounts receivable at December 31, 2015 and 2014, consist of amounts due under contracts in progress with Federal government agencies, primarily the Department of Health and Human Services. The components of accounts receivable are:

	2015	2014
Billed receivables	\$ 9,528,870	\$ 8,441,458
Unbilled receivables	110,069	91,864
Other accounts receivable	84,394	67,139
<b>Total</b>	<b>\$ 9,723,333</b>	<b>\$ 8,600,461</b>

Of the total receivables as of December 31, 2015 and 2014, approximately 78% and 63%, are due from one customer, respectively, under contracts that generated approximately 80% and 70% of total contract revenues for the years ended December 31, 2015 and 2014, respectively.

3. **Stockholders' advances** The Corporation has made advances to stockholders for both nonresident tax payments and short-term advances that are non-interest bearing and are due on demand.

4. **Property and equipment** Property and equipment consist of the following at December 31:

	2015	2014
Furniture, fixtures and equipment	\$ 2,582,868	\$ 2,760,637
Software	1,651,553	1,641,143
Leasehold improvements	609,766	609,766
<b>Total</b>	4,844,187	5,011,546
Less: Accumulated depreciation and amortization	(4,349,565)	(4,154,935)
<b>Net</b>	<b>\$ 494,622</b>	<b>\$ 856,611</b>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$300,876 and \$422,982, respectively.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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5. **Note payable - line of credit** - The Corporation has a revolving line of credit agreement with a bank which expires on September 30, 2016. Under the terms of the agreement, the Corporation can borrow up to \$6,000,000, limited to 90% of eligible billed government receivables plus 80% of eligible commercial receivables and any outstanding letters of credit, with interest at the LIBOR rate plus 2%. The interest rate was 2.24% and 2.16%, at December 31, 2015 and 2014, respectively. The line is secured by all business assets. The line of credit contains various financial covenants, which include minimum net income and net worth requirements, and is subject to periodic review by the bank. The Corporation was in compliance with the financial covenants as of December 31, 2015 and 2014. The December 31, 2015 and 2014 line of credit balances of \$1,759,436 and \$889,440, respectively, include outstanding checks in excess of the bank balance of \$780,441 and \$366,438, respectively.

Letters of credit up to \$750,000, can be issued under the line of credit agreement and will reduce the amount available for borrowing. There are no letters of credit outstanding at December 31, 2015 and 2014.

6. **Retirement plan** - The Corporation sponsors a qualified 401(k) Plan under the Internal Revenue Code to provide retirement benefits for all eligible employees. Participating employees may elect to contribute up to 92% of their gross annual earnings (not to exceed IRS limits) to the Plan. The employer may make discretionary matching contributions to the plan. The total employer contribution to the Plan for the years ended December 31, 2015 and 2014 was \$125,524 and \$221,350, respectively, which was based on up to 50 percent of the first four and six percent, respectively, of compensation that a participant contributed to the Plan. Participants vest 100% in their voluntary contributions and vest ratably over five years in the employer contributions.

7. **Operating leases** - The Corporation is obligated, as lessee, under non-cancelable operating leases for office space in Georgia and Kenya and under a month-to-month lease for office space in Maryland.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

The following is a schedule by years of future minimum rental payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of December 31, 2015:

Year Ending December 31	Total
2016	\$ 80,975

Total rent expense for the years ended December 31, 2015 and 2014 was \$1,329,222 and \$1,520,043, respectively.

8. **Contract status** The Corporation has authorized but uncompleted contracts in progress at December 31, 2015, approximately as follows:

Total contract price of initial contract awards including modifications, exercised options, and approved change orders	\$ 49,068,000
Completed to date	(26,618,000)
Authorized backlog	\$ 22,450,000

9. **Stock option plan** During 2009, the Corporation adopted the 2009 Key Employee's Incentive Share Option plan (the 2009 plan) to obtain and retain the services of key employees and to provide incentives through the acquisition of common shares of the Corporation through share options. The plan provides for grants which vest over five years and have a contractual term of five to ten years. The plan permits the granting of options to acquire 50,000 shares, and 34,300 options remain available to be granted.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

A summary of the status of the Corporation's stock option plan is presented below for the years ended December 31:

	2015		2014	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding - beginning of year	2,900	\$ 28.88	9,200	\$ 28.03
Forfeited/canceled	(1,000)	28.88	(6,200)	23.29
Exercised	-	-	(100)	28.88
<hr/>				
Options outstanding - end of year	1,900	\$ 28.88	2,900	\$ 28.88
<hr/>				
Options exercisable - end of year	1,500	\$ 28.88	1,100	\$ 28.88

No options were granted during the years ended December 31, 2015 and 2014.

The following table summarizes information about stock options outstanding at December 31, 2015:

Options Outstanding			Options Exercisable	
Exercise Prices (\$)	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Exercisable	Weighted-Average Remaining Contractual Life
28.88	1,900	6.67	1,500	6.65



## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

A summary of the status of the Corporation's nonvested options at December 31, 2015 and changes during 2015 is presented below:

<u>Nonvested Options</u>	<u>Number of Options</u>	<u>Weighted- Average Grant Date Fair Value</u>
Nonvested at December 31, 2014	1,800	\$ 28.88
Vested	(800)	28.88
Forfeited	(600)	28.88
<b>Nonvested at December 31, 2015</b>	<b>400</b>	<b>\$ 28.88</b>

At December 31, 2015, there was \$1,733 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted-average period of three years. Total compensation cost recognized in operations for 2015 and 2014 was \$1,733 and \$2,095, respectively.



**DANYA INTERNATIONAL, INC.  
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2016 AND MARCH 31, 2015**

## Danya International, Inc. and Subsidiaries

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<i>March 31,</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 594,669	\$ 5,037,142
Accounts receivable - contracts, net	9,679,747	5,041,109
Due from stockholders	-	312,583
Prepaid expenses and other current assets	327,388	396,204
<b>Total current assets</b>	<b>10,601,804</b>	<b>10,787,038</b>
<b>Property and equipment, net</b>	<b>426,519</b>	<b>696,871</b>
<b>Other assets</b>	<b>243,005</b>	<b>274,226</b>
<b>Total assets</b>	<b>\$ 11,271,328</b>	<b>\$ 11,758,135</b>

**Danya International, Inc. and Subsidiaries**

**Consolidated Balance Sheets  
(Unaudited)**

	2016	2015
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 3,495,531	\$ 2,960,033
Accrued salaries and related liabilities	1,085,625	1,031,163
Deferred rent	-	153,099
<b>Total liabilities</b>	<b>4,581,156</b>	<b>4,144,295</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Common stock - \$.01 par value, 1,000,000 shares authorized, 709,350 shares issued and outstanding as of March 31, 2016 and 2015	7,094	7,094
Additional paid-in capital	479,629	477,896
Retained earnings	6,203,449	7,127,448
<b>Total Danya International, Inc. stockholders' equity</b>	<b>6,690,172</b>	<b>7,612,438</b>
<b>Noncontrolling interest</b>	<b>-</b>	<b>1,402</b>
<b>Total equity</b>	<b>6,690,172</b>	<b>7,613,840</b>
<b>Total liabilities and equity</b>	<b>\$ 11,271,328</b>	<b>\$ 11,758,135</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Income  
(Unaudited)**

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<i>For the three months ended March 31,</i>	<b>2016</b>	<b>2015</b>
<b>Contract revenue</b>	<b>\$ 14,023,151</b>	<b>\$ 12,572,120</b>
<b>Direct contract costs</b>	<b>10,060,199</b>	<b>8,918,598</b>
<b>Gross margin</b>	<b>3,962,952</b>	<b>3,653,522</b>
<b>Indirect costs</b>		
Indirect expenses	2,211,661	2,023,647
Depreciation and amortization expense	64,620	85,834
<b>Total indirect costs</b>	<b>2,276,281</b>	<b>2,109,481</b>
<b>Income from operations</b>	<b>1,686,671</b>	<b>1,544,041</b>
<b>Other (expense) income</b>		
Other income (expense)	1,295	(3,837)
Interest expense	(4,778)	(79)
Gain (loss) on sale of property and equipment	1,517	(73,906)
<b>Total other expense</b>	<b>(1,966)</b>	<b>(77,822)</b>
<b>Net income</b>	<b>1,684,705</b>	<b>1,466,219</b>
<b>Net loss attributable to noncontrolling interest</b>	<b>(2,291)</b>	<b>(803)</b>
<b>Net income attributable to Danya International, Inc.</b>	<b>\$ 1,686,996</b>	<b>\$ 1,467,022</b>

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The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Equity  
(Unaudited)**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Danya Stockholders' Equity	Noncontrolling Interest	Total Equity
<b>Balance, January 1, 2015</b>	\$ 7,094	\$ 477,463	\$ 5,660,426	\$ 6,144,983	\$ 2,205	\$ 6,147,188
Share based compensation	-	433	-	433	-	433
Net income (loss)	-	-	1,467,022	1,467,022	(803)	1,466,219
<b>Balance, March 31, 2015</b>	\$ 7,094	\$ 477,896	\$ 7,127,448	\$ 7,612,438	\$ 1,402	\$ 7,613,840
Balance, January 1, 2016	\$ 7,094	\$ 479,196	\$ 4,763,672	\$ 5,249,962	\$ 3,318	\$ 5,253,280
Share based compensation	-	433	-	433	-	433
Distributions to stockholders	-	-	(248,246)	(248,246)	-	(248,246)
Shutdown of subsidiary	-	-	1,027	1,027	(1,027)	-
Net income (loss)	-	-	1,686,996	1,686,996	(2,291)	1,684,705
<b>Balance, March 31, 2016</b>	\$ 7,094	\$ 479,629	\$ 6,203,449	\$ 6,690,172	\$ -	\$ 6,690,172

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.



**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows  
(Unaudited)**

<i>For the three months ended March 31,</i>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 1,684,705	\$ 1,466,219
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation and amortization	64,620	85,834
Share based compensation	433	433
(Gain) loss on sale of property and equipment	(1,517)	73,906
Loss on shutdown of consolidated subsidiary	231,432	-
Bad debt expense	80,000	-
<b>(Increase) decrease in</b>		
Accounts receivable - contracts	(38,050)	3,559,352
Prepaid expenses and other current assets	6,824	205,979
Other assets	29,619	17,582
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	249,348	241,728
Accrued salaries and related liabilities	17,807	(59,126)
Deferred rent	-	(42,287)
<b>Net cash provided by operating activities</b>	<b>2,325,221</b>	<b>5,549,620</b>
<b>Cash flows from investing activities</b>		
Collections from (advances to) stockholders	168,800	(18,800)
Proceeds from sale of property and equipment	5,000	-
<b>Net cash provided (used) by investing activities</b>	<b>173,800</b>	<b>(18,800)</b>
<b>Cash flows from financing activities</b>		
Proceeds from note payable - line of credit	3,735,000	149,000
Payments on note payable - line of credit	(5,494,436)	(1,038,440)
Distributions to stockholders	(248,246)	-
<b>Net cash used by financing activities</b>	<b>(2,007,682)</b>	<b>(889,440)</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Danya International, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows (continued)  
(Unaudited)**

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<i>For the three months ended March 31,</i>	<b>2016</b>	<b>2015</b>
<b>Net change in cash and cash equivalents</b>	<b>491,339</b>	<b>4,641,380</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>103,330</b>	<b>395,762</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 594,669</b>	<b>\$ 5,037,142</b>
<b>Supplemental information:</b>		
Interest paid	\$ 4,778	\$ 79
<b>Supplemental information: Shutdown of consolidated subsidiary:</b>		
Assets and liabilities of the previously consolidated subsidiary at the time ceased being consolidated:		
Working capital surplus	\$ 218,277	\$ -
Other assets	13,155	-
<b>Loss on shutdown of subsidiary</b>	<b>\$ 231,432</b>	<b>\$ -</b>

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The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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1. **Organization and significant accounting policies** **Organization:** Danya International, Inc. was incorporated under the laws of the State of Maryland on May 17, 1996, to provide management consulting to government agencies and commercial organizations. Danya International, Inc. has elected to be treated as an S Corporation under the Internal Revenue Code.

Danya International Kenya Limited was incorporated in Kenya on June 12, 2008, to provide consulting services, training and monitoring production of health and education materials and services in public health, communication, research and evaluation, information technology, education and training, program management and health product development. Danya International, Inc. owns 99% of Danya International Kenya Limited. In January 2016, the Corporation shutdown the operations of Danya International Kenya Limited. The Corporation recorded a loss in 2016 as part of Indirect Costs in the accompanying Consolidated Statements of Income. The shutdown of Danya International Kenya Limited was not deemed to be discontinued operations and was not accounted as such.

Danya International Technology Enabled Solutions was incorporated on January 14, 2014, in Ethiopia to provide service in the sectors of information and communications technology, management consulting, pharmaceuticals, and energy. Danya International, Inc. owns 99% of Danya International Technology Enabled Solutions. There was no significant activity in the subsidiary during 2016 and 2015.

**Basis of preparation:** The accompanying consolidated financial statements of Danya International, Inc. and subsidiaries (the "Corporation") as of March 31, 2016 and 2015, are unaudited. However, in the opinion of management, such statements include all adjustments necessary for a fair statement of the information presented therein.

Consolidated results of operations for interim periods are not necessarily indicative of those to be achieved for full fiscal years.

**Principles of consolidation:** The accompanying consolidated financial statements include the accounts of Danya International, Inc. and its 99% owned subsidiaries, Danya International Kenya Limited and Danya International Technology Enabled Solutions (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in consolidation.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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**Revenue recognition:** Revenue from cost-type contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs and an allocable portion of the fixed fee. Revenue from fixed-price type contracts is recognized under the percentage-of-completion method of accounting, with costs and estimated profits included in contract revenue as work is performed. If actual and estimated costs to complete a contract indicate a loss, provision is made currently for the loss anticipated on the contract. Revenue from time and materials contracts is recognized as costs are incurred at amounts represented by the agreed-upon billing amounts.

Revenue from federal grants was recognized as costs were incurred in accordance with the terms of the grant.

Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which such revisions are determined.

**Cash and cash equivalents:** For purposes of financial statement presentation, the Corporation considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. The Corporation maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk. At March 31, 2015, cash and cash equivalents denominated in Kenyan shillings (the equivalent of \$286,929 U.S. dollars) were held in financial institutions in Kenya. At March 31, 2016 and 2015, cash and cash equivalents denominated in Ethiopian birr (the equivalent of \$97,931 and \$102,830 U.S. dollars, respectively) were held in a financial institution in Ethiopia. Translation exposure exists, which results from possible changes in translation rates between foreign currencies and the U.S. dollar. Management does not believe that this results in any significant credit risk.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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**Accounts receivable:** Accounts receivable are recorded at the invoiced amount, are granted on an unsecured basis, and are typically considered past due if the invoice has been outstanding beyond sixty days of the customer's receipt of invoice. The Corporation does not typically charge interest on accounts receivable.

The face amount of accounts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. The Corporation has provided for an allowance for doubtful accounts as of March 31, 2016 of \$140,000. At March 31, 2015, management deemed all accounts receivable to be collectible.

**Other assets:** Included in other assets are investments in non-marketable common stock where ownership by the Corporation is 20% or less and where the Corporation does not exercise significant influence. The Corporation holds approximately 1.5% in a company with an aggregate carrying value of \$150,000 as of March 31, 2016 and 2015. The Corporation accounts for these investments under the cost method of accounting. Management has determined that there are no indicators of impairment as of March 31, 2016 and 2015.

**Property and equipment:** Property and equipment are recorded at the original cost and are being depreciated on a straight-line basis over estimated lives of three to seven years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter.

**Deferred rent:** The Corporation recognizes the minimum non-contingent rents required under operating lease as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying Consolidated Balance Sheets.

**Income taxes:** The Corporation has elected to be treated as an S Corporation for federal income tax purposes whereby the tax attributes of the Corporation are passed through to and reported on the stockholders' tax returns. Accordingly, there is no provision for federal or state income taxes included in the accompanying consolidated financial statements.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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The Corporation evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the Corporation's financial statements. To the extent that the Corporation's estimates change or the final tax outcome of these matters is different than the amounts that have been recorded, such differences will impact the income tax provision when such determinations are made. If applicable, the Corporation records interest and penalties as a component of income tax expense. As of March 31, 2016 and 2015 there were no accruals for uncertain tax positions. Tax years from January 1, 2012 through the current year remain open for examination by federal and state tax authorities.

**Stock-based compensation:** The Corporation measures compensation expense for its stock-based compensation plans based on the grant date fair value of the equity instruments, which is recognized as compensation expense ratably over the service period. There were no stock options granted in 2016 or 2015. Compensation expense for stock options is determined using the Black-Scholes model. Included in the model are the following assumptions. Expected term represents the midpoint between the vesting period and contractual term. Volatility was determined by reference to the historical volatility of public companies conducting business in the federal market place, as the Corporation's own shares lack sufficient trading history to determine volatility. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

**Use of accounting estimates:** The preparation of financial statements in conformity with 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.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

2. **Accounts receivable** Accounts receivable at March 31, 2016 and 2015, consists of amounts due under contracts in progress with Federal government agencies, primarily the Department of Health and Human Services. The components of accounts receivable are:

	2016	2015
Billed receivables	\$ 9,663,396	\$ 4,987,057
Unbilled receivables	80,568	53,586
Other accounts receivable	15,783	466
<b>Total</b>	<b>9,759,747</b>	<b>5,041,109</b>
Less: Allowance for doubtful accounts	(80,000)	-
<b>Total</b>	<b>\$ 9,679,747</b>	<b>\$ 5,041,109</b>

Of the total receivables as of March 31, 2016 and 2015, approximately 89% and 75%, are due from one customer, respectively, under contracts that generated approximately 84% and 80% of total contract revenues for the three months ended March 31, 2016 and 2015, respectively.

3. **Stockholders' advances** The Corporation has made advances to stockholders for both nonresident tax payments and short-term advances that are non-interest bearing and are due on demand.
4. **Property and equipment** Property and equipment consist of the following at March 31:

	2016	2015
Furniture, fixtures and equipment	\$ 2,575,662	\$ 2,582,868
Software	1,651,553	1,638,758
Leasehold improvements	609,766	609,766
<b>Total</b>	<b>4,836,981</b>	<b>4,831,392</b>
Less: Accumulated depreciation and amortization	(4,410,462)	(4,134,521)
<b>Net</b>	<b>\$ 426,519</b>	<b>\$ 696,871</b>

Depreciation and amortization expense for the three months ended March 31, 2016 and 2015 was \$64,620 and \$85,834, respectively.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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5. **Note payable - line of credit** - The Corporation has a revolving line of credit agreement with a bank which expires on September 30, 2016. Under the terms of the agreement, the Corporation can borrow up to \$6,000,000, limited to 90% of eligible billed government receivables plus 80% of eligible commercial receivables and any outstanding letters of credit with interest at the LIBOR rate plus 2%. The interest rate was 2.44% and 2.18% at March 31, 2016 and 2015, respectively. The line is secured by all business assets. The line of credit contains various financial covenants, which include minimum net income and net worth requirements, and is subject to periodic review by the bank. The Corporation was in compliance with the financial covenants as of March 31, 2016 and 2015. There is no line outstanding balance on the line of credit at March 31, 2016 and 2015.
- Letters of credit up to \$750,000, can be issued under the line of credit agreement and will reduce the amount available for borrowing. There are no letters of credit outstanding at March 31, 2016 and 2015.
- Subsequent to March 31, 2016, with the acquisition of the Corporation's stock by DLH Holdings Corp., the line of credit was terminated.
6. **Retirement plan** - The Corporation sponsors a qualified 401(k) Plan under the Internal Revenue Code to provide retirement benefits for all eligible employees. Participating employees may voluntarily contribute up to 92% of their gross annual earnings (not to exceed IRS limits) to the Plan. The employer may make discretionary matching contributions to the plan. Retirement plan expense for the three months ended March 31, 2016 and 2015 was \$39,187 and \$40,702, respectively, which was based on up to 50 percent of the first four and six percent, respectively, of compensation that a participant contributed to the Plan. Participants vested 100% in their voluntary contributions and vest ratably over five years in the employer contributions.
7. **Operating leases** - The Corporation is obligated, as lessee, under non-cancelable operating leases for office space in Georgia and under a month-to-month lease for office space in Maryland.
- Total rent expense for the three months ended March 31, 2016 and 2015 was \$314,755 and \$364,680, respectively.
8. **Stock option plan** - During 2009, the Corporation adopted the 2009 Key Employee's Incentive Share Option plan (the 2009 plan) to obtain and retain the services of key employees and to provide incentives through the acquisition of common shares of the Corporation through share options. The plan provides for grants which vest over five years and have a contractual term of five to ten years. The plan permits the granting of options to acquire 50,000 shares, and 34,300 options remain available to be granted.



**Danya International, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
(Unaudited)**

The following table summarizes information about stock options outstanding at March 31, 2016:

Exercise Prices (\$)	Options Outstanding	Weighted-Average Remaining Contractual Life	Options Exercisable
28.88	1,900	6.43 years	1,550

A summary of the status of the Corporation's stock option plan is presented below for the three months ended March 31, 2016:

	Shares	Weighted- Average Exercise Price
Options outstanding - January 1, 2016	1,900	\$ 28.88
Options outstanding - March 31, 2016	1,900	\$ 28.88
Options exercisable - March 31, 2016	1,550	\$ 28.88

A summary of the status of the Corporation's nonvested options at March 31, 2016 and changes during 2016 is presented below:

	Number of Options	Weighted- Average Grant Date Fair Value
Nonvested at January 1, 2016	400	\$ 28.88
Vested	(50)	28.88
<b>Nonvested at March 31, 2016</b>	<b>350</b>	<b>\$ 28.88</b>

The total compensation expense recognized for the three months ended March 31, 2016 and 2015 was \$433 and \$433, respectively. At March 31, 2016, there was \$1,300 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted-average period of one year.

## Danya International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Unaudited)

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9. **Subsequent events** Management has evaluated subsequent events for disclosures in these financial statements through June 27, 2016, which is the date the financial statements were available to be issued.

On May 3, 2016, 100% of Danya International, Inc.'s stock was acquired by DLH Holdings Corp. for a purchase price of \$38.75 million. The effect of this transaction has not been reflected in the accompanying unaudited Consolidated Financial Statements. Immediately prior to closing, Danya International, Inc. was converted into a limited liability company, under the laws of the State of Maryland, and changed its corporate name to Danya International, LLC. Danya International Kenya Limited and Danya International Technology Enabled Solutions were transferred to a holding company prior to the effective point of the transaction, and were not included in the acquisition.



**DLH UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements combine the historical consolidated financial information of DLH Holdings Corp. and Subsidiaries (the “Company”) and the consolidated financial statements of Danya International, Inc. and its subsidiaries (collectively “Danya”), acquired on May 3, 2016. The unaudited pro forma condensed combined financial information gives effect to the acquisition of Danya as if the acquisition had been consummated at October 1, 2014 for the unaudited pro forma condensed combined statements of operations for the year ended September 30, 2015 and the six months ended March 31, 2016. The unaudited pro forma condensed combined balance sheet at March 31, 2016 gives effect to the acquisition of Danya as if the acquisition had been consummated on that date. The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recognized based upon their estimated fair values at the acquisition date.

The Company’s historical financial information was derived from its audited consolidated financial statements for the year ended September 30, 2015 (as filed in its Annual Report on Form 10-K with the Securities and Exchange Commission on December 16, 2015) and the Company’s unaudited consolidated financial statements for the six months ended March 31, 2016 (as filed in its Quarterly Report on Form 10-Q with the Securities and Exchange Commission on May 16, 2016). The Company’s historical financial statements used in preparing the unaudited pro forma financial data are summarized and should be read in conjunction with its historical financial statements and risk factors, all of which are included in the filings with the Securities and Exchange Commission noted above.

Danya’s full year financial information was derived from its audited financial statements for the year ended December 31, 2015. Danya’s financial information for the six months ended March 31, 2016 was derived from unaudited financial statements for the six months ended March 31, 2016.

The unaudited pro forma adjustments are based upon available information and upon certain assumptions that the Company believes are reasonable, as described in the accompanying notes. The Company is providing the unaudited pro forma condensed combined information for illustrative purposes only. The companies may have performed differently had they been combined during the periods presented. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies actually been combined during the periods presented or the future results that the combined companies will experience.

The Company is in the process of completing assessments of the fair value of the assets and liabilities acquired. Changes to these estimated fair values may occur. In addition, the purchase price is estimated based upon the working capital acquired. In the pro forma condensed combined balance sheet, the Company has estimated a purchase price based upon estimated working capital at March 31, 2016.

The preliminary base purchase price of \$38.75 million for Danya on May 3, 2016 included a target net working capital of \$3.5 million. Our estimated pro forma balance sheet included herein is stated as if the transaction occurred on March 31, 2016. As such, the estimated net working capital at March 31, 2016 is \$5.923 million, reflecting an excess of \$2.423 million over the \$3.5 million target. This also increased the estimated purchase price as of March 31, 2016, from \$38.75 million to \$41.173 million. Working capital balances on the actual date of the acquisition, May 3, 2016, will be different from those estimated at March 31, 2016. Future adjustments for working capital excess (deficit) compared to the \$3.5 million target will change as we finalize valuations and financial results as of the actual date of the acquisition on May 3, 2016.

**DLH HOLDINGS CORP. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS**  
**YEAR ENDED SEPTEMBER 30, 2015**  
(Amounts in thousands, except per share data)

	The Company	Danya International, Inc. and Subsidiaries [3a]	Danya Africa [3b]	Pro Forma Adjustments	Pro Forma Combined
Revenue	\$ 65,346	\$ 47,049	\$ —	\$ —	\$ 112,395
Direct expenses	53,658	30,655	(432)	2,661 [3c]	86,542
Gross profit	11,688	16,394	432	(2,661)	25,853
General and administrative expenses	9,137	11,371	(364)	(3,446) [3d]	16,698
Depreciation and amortization	55	—	—	301 [3d]	356
<b>Income from operations</b>	<b>2,496</b>	<b>5,023</b>	<b>796</b>	<b>484</b>	<b>8,799</b>
Interest and other income (expense), net	744	(69)	75	(949) [3e]	(199)
<b>Income/(loss) before income taxes</b>	<b>3,240</b>	<b>4,954</b>	<b>871</b>	<b>(465)</b>	<b>8,600</b>
Provision (benefit) for income taxes	(5,488)	—	—	2,144 [3f]	(3,344)
<b>Net income/(loss)</b>	<b>\$ 8,728</b>	<b>\$ 4,954</b>	<b>\$ 871</b>	<b>\$ (2,609)</b>	<b>\$ 11,944</b>
Earnings per share - basic	\$ 0.91				\$ 1.09 [3g]
Earnings per share - diluted	\$ 0.87				\$ 1.05 [3g]
<b>Weighted average shares outstanding</b>					
Basic	9,573			1,381 [3h]	10,954
Diluted	10,039			1,381 [3h]	11,420

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**DLH HOLDINGS CORP. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS**  
**SIX MONTHS ENDED MARCH 31, 2016**  
(Amounts in thousands, except per share data)

	The Company	Danya International, Inc. and Subsidiaries [3a]	Danya Africa [3b]	Pro Forma Adjustments	Pro Forma Combined
Revenue	\$ 33,493	\$ 28,261	\$ —	\$ —	\$ 61,754
Direct expenses	27,352	18,692	(108)	1,635 [3c]	47,571
Gross profit	6,141	9,569	108	(1,635)	14,183
General and administrative expenses	5,028	6,110	(307)	(2,203) [3d]	8,628
Depreciation and amortization	42	131	—	131 [3d]	304
<b>Income from operations</b>	<b>1,071</b>	<b>3,328</b>	<b>415</b>	<b>437</b>	<b>5,251</b>
Interest and other income (expense), net	(702)	1	2	254 [3e]	(445)
<b>Income/(loss) before income taxes</b>	<b>369</b>	<b>3,329</b>	<b>417</b>	<b>691</b>	<b>4,806</b>
Provision (benefit) for income taxes	148	—	—	1,775 [3f]	1,923
<b>Net income/(loss)</b>	<b>\$ 221</b>	<b>\$ 3,329</b>	<b>\$ 417</b>	<b>\$ (1,084)</b>	<b>\$ 2,883</b>
Earnings per share - basic	\$ 0.02				\$ 0.26 [3g]
Earnings per share - diluted	\$ 0.02				\$ 0.24 [3g]
<b>Weighted average shares outstanding</b>					
Basic	9,642			1,381 [3h]	11,023
Diluted	10,540			1,381 [3h]	11,921

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**DLH HOLDINGS CORP. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

March 31, 2016

(Amounts in thousands except par value of shares)

	The Company	Danya International, Inc. and Subsidiaries	Danya Africa [4a]	Pro Forma Adjustments	Pro Forma Combined
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 6,934	\$ 595	\$ (98)	\$ (7,455) <sup>(4b)</sup>	\$ (24)
Accounts receivable, net	3,354	9,680	—	—	13,034
Deferred taxes, net	982	—	—	—	982
Other current assets	484	327	—	—	811
<b>Total current assets</b>	<b>11,754</b>	<b>10,602</b>	<b>(98)</b>	<b>(7,455)</b>	<b>14,803</b>
Equipment and Improvements	329	426	—	—	755
Deferred taxes, net	9,286	—	—	—	9,286
Goodwill and other intangibles	8,595	—	—	34,731 <sup>(4c)</sup>	43,326
Other long-term assets	66	243	(150)	1,282 <sup>(4d)</sup>	1,441
<b>Total assets</b>	<b>\$ 30,030</b>	<b>\$ 11,271</b>	<b>\$ (248)</b>	<b>\$ 28,558</b>	<b>\$ 69,611</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Accrued payroll	\$ 2,617	\$ 1,086	\$ —	\$ —	\$ 3,703
Accounts payable, accrued expenses, and other current liabilities	3,813	3,495	—	188 <sup>(4e)</sup>	7,496
<b>Total current liabilities</b>	<b>6,430</b>	<b>4,581</b>	<b>—</b>	<b>188</b>	<b>11,199</b>
Long-term debt, less current portion	—	—	—	30,000 <sup>(4f)</sup>	\$ 30,000
Other long term liabilities	168	—	—	—	168
<b>Total liabilities</b>	<b>6,598</b>	<b>4,581</b>	<b>—</b>	<b>30,188</b>	<b>41,367</b>
Commitments and contingencies					
Shareholders' equity:					
Preferred stock, \$.10 par value; authorized 5,000 shares, none issued and outstanding	—	—	—	—	—
Common stock, \$.001 par value; authorized 40,000 shares; issued and outstanding 9,717 at March 31, 2016 and 9,551 at September 30, 2015	10	7	—	(5) <sup>(4g)</sup>	12
Additional paid-in capital	76,717	480	—	4,518 <sup>(4h)</sup>	81,715
Accumulated deficit	(53,295)	6,203	(248)	(6,143) <sup>(4i)</sup>	(53,483)
<b>Total shareholders' equity</b>	<b>23,432</b>	<b>6,690</b>	<b>(248)</b>	<b>(1,630)</b>	<b>28,244</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 30,030</b>	<b>\$ 11,271</b>	<b>\$ (248)</b>	<b>\$ 28,558</b>	<b>\$ 69,611</b>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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**Notes to accompanying Financial Statements:**

**1. Description of the transaction and basis of presentation**

On May 3, 2016, we acquired 100% of the equity interests of Danya International, LLC for a purchase price of \$38.75 million, subject to certain adjustments including a final assessment of Danya's closing date working capital. The preliminary base purchase price of \$38.75 million included a target net working capital of \$3.5 million. Future adjustments for working capital excess (deficit) compared to the \$3.5 million target will change as we finalize valuations and financial results as of the actual date of the acquisition on May 3, 2016.

The acquisition was financed through a combination of borrowings of \$30.0 million under our new senior credit facility with Fifth Third Bank, cash on hand of approximately \$5.0 million, shares of common stock issued to the seller with a value of \$2.5 million, and \$2.5 million pursuant to a subordinated loan arrangement with Wynnefield Capital.

The unaudited pro forma condensed combined financial statements have been prepared based upon the Company's historical financial information and the historical financial information of Danya, giving effect to the acquisition and related adjustments described in these notes. Certain note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted as permitted by SEC rules and regulations.

These unaudited pro forma condensed combined financial statements are not necessarily indicative of the results of operations that would have been achieved had the acquisitions actually taken place at the dates indicated and do not purport to be indicative of future financial position or operating results.

Danya's operating results included in the unaudited pro forma condensed combined statement of operations for the six months ended March 31, 2016 are not intended to represent or be indicative of operating results for a full year. Certain contracts within Danya's operations have had significant seasonality in their historical performance and such seasonality will likely continue in the future.

**2. Purchase accounting**

The acquisition of Danya is being accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recognized based upon their estimated fair values at the acquisition date.

The fair values of the assets and liabilities in the unaudited pro forma condensed combined financial statements are based upon a preliminary assessment of fair value and may change when the final valuation of intangible assets, working capital and tax-related matters are finalized.

The preliminary base purchase price for Danya was \$38.75 million, with adjustments as necessary based on an estimated working capital excess. The preliminary base purchase price of \$38.75 million included a target net working capital of \$3.5 million. Future adjustments for working capital excess (deficit) compared to the \$3.5 million target will change as we finalize valuations and financial results as of the actual date of the acquisition on May 3, 2016.

The preliminary base purchase price of \$38.75 million on the date of acquisition consisted of \$36.25 million in cash, and \$2.5 million of DLH common stock with shares issued to the Seller at closing.

Based on March 31, 2016 data, we estimated total acquisition consideration and the preliminary allocation of fair value to the related assets and liabilities as follows:



(Amounts in thousands)

<b>Preliminary base purchase price for Danya</b>		<b>\$ 38,750</b>
Estimated working capital excess as if transaction closed on 3/31/16	[4j]	\$ 2,423
<b>Estimated purchase price, net of cash acquired</b>	<b>[4j]</b>	<b>\$ 41,173</b>
<b>Estimated net assets acquired as if transaction closed on 3/31/16:</b>		
Cash and cash equivalents		\$ 497
Accounts receivable		9,680
Other current assets		327
<b>Total current assets</b>		<b>10,504</b>
Accounts payable and accrued expenses		(3,495)
Payroll liabilities		(1,086)
<b>Estimated net working capital surplus</b>		<b>5,923</b>
Property and equipment, net		426
Other long term assets		93
<b>Net identifiable assets acquired</b>		<b>6,442</b>
Goodwill and other intangibles	[4c]	34,731
<b>Net assets acquired</b>		<b>\$ 41,173</b>

### 3. Pro forma Condensed Combined Statements of Operations adjustments and assumptions

- 3a. Danya International, Inc. was originally organized as an S corporation. Prior to the closing of the acquisition by the Company, Danya International, Inc. was converted from an S corporation to a limited liability company and was renamed Danya International, LLC. The results of Danya for the year are based upon their audited December 31, 2015 financial statements. The results of Danya for the six-month period ended March 31, 2016 are based upon financial statements prepared by Danya.
- 3b. DLH did not acquire the African subsidiaries of Danya International, Inc. Our pro forma financial statements have been adjusted to remove those Danya Africa subsidiaries that were not acquired in the purchase of Danya International, Inc.
- 3c. The adjustment conforms Danya's income statement presentation with that of DLH, classifying certain operating expenses as direct fringe costs.
- 3d. Adjustments to general and administrative, and depreciation and amortization expenses are as follows:

Amounts in Thousands	Unaudited	
	Pro Forma Financial Statements	
	Year Ended	Six Months Ended
	9/30/2015	3/31/2016
<b>Adjustments to G&amp;A and Depreciation expense:</b>		
Reclassify certain Danya fringe costs from G&A to direct costs	\$ (2,661)	\$ (1,635)
Reclassify Danya depreciation and amortization from G&A to depreciation	(301)	(131)
Eliminate Danya stock-based compensation expense related to Danya common stock units, which were terminated upon acquisition	(2)	(1)
Eliminate Danya severance payments, as this presentation assumes they would have been incurred prior to the acquisition	(107)	(56)
Eliminate Danya incurred acquisition expenses, as this presentation assumes such costs were incurred prior to the acquisition.	(375)	(380)
<b>Total adjustments to general and administrative expenses</b>	<b>\$ (3,446)</b>	<b>\$ (2,203)</b>
<b>Depreciation and amortization expense reclassified from G&amp;A</b>	<b>\$ 301</b>	<b>\$ 131</b>

3e. Adjustments to other income and expenses are as follows:

Amounts in Thousands	Unaudited	
	Pro Forma Financial Statements	
	Year Ended 9/30/2015	Six Months Ended 3/31/2016
<b>Adjustments to other income and expense</b>		
Eliminate acquisition expenses for the Company, as this presentation assumes such costs were incurred prior to the acquisition	\$ —	\$ 702
Eliminate interest expense as originally recorded by Danya	—	4
Eliminate interest expense as originally recorded by DLH	36	—
Add estimated interest expense under new \$25 Million Term Loan as if it began on October 1, 2014, using amortization schedule at date of closing	(813)	(368)
Add estimated interest expense under \$5M draw on revolving line of credit applied towards acquisition closing purchase price, as if closing occurred on 9/30/2014.	(172)	(86)
Eliminate Danya loss on disposal of property and equipment, as this presentation assumes such costs were incurred prior to the acquisition	—	2
<b>Total adjustments to other income and expense</b>	<b>\$ (949)</b>	<b>\$ 254</b>

3f. Adjustments to provision (benefit) for income taxes:

Amounts in Thousands	Unaudited	
	Pro Forma Financial Statements	
	Year Ended 9/30/2015	Six Months Ended 3/31/2016
<b>Adjustments to provision (benefit) for income taxes</b>		
Transition of Danya from an S corporation, whose tax obligations are passed to its owners, to a member of the DLH consolidated tax group. This adjustment also reflects the tax effects of the pro forma adjustments outlined above. Following the Acquisition, Danya will accrue taxes based upon corporate tax rates at U.S. Federal, state and local level.	\$ 2,144	\$ 1,775
<b>Total adjustments to other provision (benefit) for income taxes</b>	<b>\$ 2,144</b>	<b>\$ 1,775</b>

3g. The earnings per share calculations have been adjusted to reflect the pro forma transactions outlined above.

3h. Represents the increase in number of shares of DLH common stock issued and outstanding resulting from the acquisition of Danya:

Adjustments to the number of shares of DLH common stock issued and outstanding	Shares in thousands
Shares of DLH common stock issued to Seller on the date of acquisition	670
Shares of DLH common stock issued related to the rights offering	711
<b>Total increase in shares of DLH common stock issued and outstanding</b>	<b>1,381</b>

#### 4. Pro forma Condensed Combined Balance Sheet adjustments and assumptions

4a. DLH did not acquire the African subsidiaries of Danya International, Inc. Our pro forma financial statements have been adjusted to remove those Danya Africa subsidiaries that were not acquired in the purchase of Danya International, Inc.

4b. Adjustments to cash and cash equivalents:

Amounts in Thousands

	Unaudited Pro Forma Balance Sheet 3/31/2016
<b>Adjustments to cash and cash equivalents</b>	
Proceeds from \$30.0 million of senior debt and \$2.5 million of subordinated debt required to complete the acquisition.	\$ 32,500
Financing fees associated with securing 30.0 million senior debt	(1,282)
Based upon working capital at March 31, 2016, the estimated acquisition price for Danya used in this pro forma balance sheet would have been \$41.1 million.	(41,173)
Issuance of \$2.5 million of equity to Seller as partial consideration for the acquisition.	2,500
<b>Total adjustments to cash and cash equivalents</b>	<b>\$ (7,455)</b>

4c. This adjustment reflects recording goodwill and other intangibles of \$34.7 million resulting from the Acquisition, representing the difference between the preliminary estimate of the fair value of the identifiable assets acquired and liabilities assumed and the total estimated purchase price:

Amounts in Thousands		Unaudited Pro Forma Balance Sheet 3/31/2016
<b>Calculation of goodwill and other intangibles at 3/31/16 resulting from the acquisition</b>		
Estimated purchase price, net of cash acquired	[4i]	\$ 41,173
Less net identifiable assets acquired		(6,442)
<b>Total estimated goodwill and other intangibles at 3/31/16</b>		<b>\$ 34,731</b>

4d. This adjustment for \$1.282 million reflects deferred financing expenses incurred to obtain the senior credit facility of \$30.0 million.

4e. This adjustment for \$188 thousand reflects transaction costs incurred by the Company. These costs were incurred but not paid prior to the Acquisition Date.

4f. This adjustment reflects extinguishing the \$2.5 million subordinated debt with proceeds of rights offering to be filed in early July 2016. Proceeds from Term Loan and subordinated debt were \$32.5 million. The Remaining debt after extinguishing the subordinated debt is \$30.0 million senior debt.

4g. This adjustment reflects changes to common stock recorded at par value on our balance sheet:

Amounts in Thousands		Unaudited Pro Forma Balance Sheet 3/31/2016
<b>Adjustment to common stock recorded at par value:</b>		
Eliminate Danya balance sheet expense for shares issued and outstanding which were terminated upon the acquisition		\$ (7)
Expense at par value for additional 1,381 thousands shares issued and outstanding		2
<b>Total adjustment to common stock recorded at par value</b>		<b>\$ (5)</b>

4h. This adjustment reflects changes to additional paid in capital resulting from the acquisition of Danya:

Amounts in Thousands	Unaudited Pro Forma Balance Sheet 3/31/2016
<b>Adjustments to additional paid in capital</b>	
Eliminate Danya International Inc. historical paid in capital balance; equity was extinguished on the date of acquisition	\$ (480)
Paid in capital for 670 thousand shares common stock at \$3.73 per share issued to Danya seller on the date of acquisition (\$2,500 thousand less \$1 thousand = \$2,499 thousand)	2,499
Paid in capital for 711 thousand shares common stock at \$3.73 per share issued in the rights offering (\$2,650 thousand less \$1 thousand = \$2,649 thousand)	2,649
Less transaction expenses associated with the rights offering	(150)
<b>Total adjustments to additional paid in capital</b>	<b>\$ 4,518</b>

4i. This adjustment reflects changes to Accumulated Deficit resulting from the acquisition of Danya:

Amounts in Thousands	Unaudited Pro Forma Balance Sheet 3/31/2016
<b>Adjustments to accumulated deficit resulting from acquisition</b>	
Eliminate Danya International Inc. historical retained earnings; equity was extinguished on the date of acquisition	\$ (6,203)
Eliminate Danya Africa subsidiaries historical retained earnings; equity was extinguished on the date of acquisition	248
Transaction costs incurred by the Company, which were incurred but not paid prior to the date of acquisition	(188)
<b>Total adjustments to accumulated deficit</b>	<b>\$ (6,143)</b>

4j. The preliminary base purchase price of \$38.75 million for Danya on May 3, 2016 included a target net working capital of \$3.5 million. Our estimated pro forma balance sheet included herein is stated as if the transaction occurred on March 31, 2016. As such, the estimated net working capital at March 31, 2016 is \$5.923 million, reflecting an excess of \$2.423 million over the \$3.5 million target. This also increased the estimated purchase price as of March 31, 2016, from \$38.75 million to \$41.173 million. Working capital balances on the actual date of the acquisition, May 3, 2016, will be different from those estimated at March 31, 2016. Future adjustments for working capital excess (deficit) compared to the \$3.5 million target will change as we finalize valuations and financial results as of the actual date of the acquisition on May 3, 2016.

**DLH HOLDINGS CORP. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA ADJUSTED EBITDA**  
**YEAR ENDED SEPTEMBER 30, 2015**  
(Amounts in thousands, except per share data)

We use Earnings Before Interest Tax Depreciation and Amortization (“EBITDA”) adjusted for other items (“Adjusted EBITDA”) as supplemental non-GAAP measures of our performance. We define Adjusted EBITDA as net income/(loss) adjusted to exclude (i) interest and other expenses, including acquisition expenses, net, (ii) provision for or benefit from income taxes, if any, (iii) depreciation and amortization, and (iv) G&A expenses - equity grants.

This non-GAAP measure of our performance is used by DLH management to conduct and evaluate its business during its regular review of operating results for the periods presented. Management and the Company’s Board utilize this non-GAAP measure to make decisions about the use of the Company’s resources, analyze performance between periods, develop internal projections and measure management performance. We believe that this non-GAAP measure is useful to investors in evaluating the Company’s ongoing operating and financial results and understanding how such results compare with the Company’s historical performance. By providing this non-GAAP measure as a supplement to GAAP information, we believe we are enhancing investors’ understanding of our business and our results of operations.

Unaudited pro forma non-GAAP reconciliation for pro forma year ended September 30, 2015 (Amounts in thousands)	The Company	Danya International, Inc. and Subsidiaries [3a]	Danya Africa	Pro Forma Adjustments	Pro Forma Combined
Pro forma GAAP net income/(loss)	\$ 8,728	\$ 4,954	\$ 871	\$ (2,609)	\$ 11,944
(i) Interest and other (income) expense (net):					
(i) (a) Interest and other expense	(744)	—	—	842	98
(i) (b) Acquisition expenses	—	375	—	(375)	—
(ii) Provision (benefit) for taxes	(5,488)	—	—	2,144	(3,344)
(iii) Depreciation and amortization	55	301	—	—	356
(iv) G&A expenses - equity grants	479	2	—	(2)	479
<b>Adjusted EBITDA</b>	<b>\$ 3,030</b>	<b>\$ 5,632</b>	<b>\$ 871</b>	<b>\$ —</b>	<b>\$ 9,533</b>

Weighted average shares outstanding				
Basic	9,573		1,381	10,954
Diluted	10,039		1,381	11,420

Please refer to the GAAP pro forma financial statements and notes included in Exhibit 99.3 herein. Weighted average shares outstanding shown in this table are consistent with the shares used for DLH pro forma earnings per share, calculated as required under GAAP.

**DLH HOLDINGS CORP. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA ADJUSTED EBITDA**  
**SIX MONTHS ENDED March 31, 2016**  
(Amounts in thousands, except per share data)

We use Earnings Before Interest Tax Depreciation and Amortization (“EBITDA”) adjusted for other items (“Adjusted EBITDA”) as supplemental non-GAAP measures of our performance. We define Adjusted EBITDA as net income/(loss) adjusted to exclude (i) interest and other expenses, including acquisition expenses, net, (ii) provision for or benefit from income taxes, if any, (iii) depreciation and amortization, and (iv) G&A expenses - equity grants.

This non-GAAP measure of our performance is used by DLH management to conduct and evaluate its business during its regular review of operating results for the periods presented. Management and the Company’s Board utilize this non-GAAP measure to make decisions about the use of the Company’s resources, analyze performance between periods, develop internal projections and measure management performance. We believe that this non-GAAP measure is useful to investors in evaluating the Company’s ongoing operating and financial results and understanding how such results compare with the Company’s historical performance. By providing this non-GAAP measure as a supplement to GAAP information, we believe we are enhancing investors’ understanding of our business and our results of operations.

Unaudited pro forma non-GAAP reconciliation for pro forma six months ended March 31, 2016 (Amounts in thousands)	The Company	Danya International, Inc. and Subsidiaries [3a]	Danya Africa	Pro Forma Adjustments	Pro Forma Combined
Pro forma GAAP net income/(loss)	\$ 221	\$ 3,329	\$ 417	\$ (1,084)	\$ 2,883
(i) Interest and other (income) expense (net):					
(i) (a) Interest and other expense	—	—	—	393	393
(i) (b) Acquisition expenses	702	380	—	(1,082)	—
(ii) Provision (benefit) for taxes	148	—	—	1,775	1,923
(iii) Depreciation and amortization	42	131	—	—	173
(iv) G&A expenses - equity grants	342	2	—	(2)	342
<b>Pro forma adjusted EBITDA</b>	<b>\$ 1,455</b>	<b>\$ 3,842</b>	<b>\$ 417</b>	<b>\$ —</b>	<b>\$ 5,714</b>

Weighted average shares outstanding			
Basic	9,642		1,381
Diluted	10,540		1,381

Please refer to the GAAP pro forma financial statements and notes included in Exhibit 99.3 herein. Weighted average shares outstanding shown in this table are consistent with the shares used for DLH pro forma earnings per share, calculated as required under GAAP.