

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2014**

# EDUCATE!

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Educate!  
Denver, Colorado

We have audited the accompanying financial statements of Educate!, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educate! as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



November 17, 2015

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## EDUCATE!

STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 577,902
Accounts receivable	47,656
Pledges receivable	30,000
Grants receivable	418,972
Prepaid expenses	27,583
Inventory	<u>1,162</u>
Total current assets	<u>1,103,275</u>

## FIXED ASSETS

Fixed assets	10,770
Less: Accumulated depreciation	<u>(4,882)</u>
Net fixed assets	<u>5,888</u>

## OTHER ASSETS

Grants receivable, net of current portion	<u>33,333</u>
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**TOTAL ASSETS** **\$ 1,142,496**

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>28,364</u>
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## NET ASSETS

Unrestricted	730,011
Temporarily restricted	<u>384,121</u>
Total net assets	<u>1,114,132</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 1,142,496**

## EDUCATE!

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Grants	\$ 581,693	\$ 908,302	\$ 1,489,995
Individual contributions	266,997	-	266,997
Corporate contributions	1,893	-	1,893
Program fees and other revenues	25,813	-	25,813
Other income	1,370	-	1,370
Interest income	539	-	539
Net assets released from donor restrictions	<u>686,780</u>	<u>(686,780)</u>	<u>-</u>
Total revenue	<u>1,565,085</u>	<u>221,522</u>	<u>1,786,607</u>
<b>EXPENSES</b>			
Program Services	<u>1,119,757</u>	<u>-</u>	<u>1,119,757</u>
Supporting Services:			
General and Administrative	45,203	-	45,203
Fundraising	<u>152,462</u>	<u>-</u>	<u>152,462</u>
Total supporting services	<u>197,665</u>	<u>-</u>	<u>197,665</u>
Total expenses	<u>1,317,422</u>	<u>-</u>	<u>1,317,422</u>
Change in net assets before other item	247,663	221,522	469,185
<b>OTHER ITEM</b>			
Currency conversion loss	<u>(25,049)</u>	<u>-</u>	<u>(25,049)</u>
Change in net assets	222,614	221,522	444,136
Net assets at beginning of year, as restated	<u>507,397</u>	<u>162,599</u>	<u>669,996</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 730,011</u></b>	<b><u>\$ 384,121</u></b>	<b><u>\$ 1,114,132</u></b>

**EDUCATE!**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Program Services</b>				
	<b>Teacher as Mentor Program</b>	<b>Scholarships</b>	<b>M&amp;E and Scale</b>	<b>Innovation</b>	<b>Graduate</b>
Grants	\$ -	\$ 5,475	\$ 744	\$ -	\$ 33,944
Materials, equipment and supplies	2,112	14	4,392	399	2,966
Conferences, meetings and travel	9,481	171	11,164	1,912	18,729
Printing and stationary	728	24	2,077	138	427
Salaries and benefits	154,653	646	77,371	32,547	75,187
Payroll taxes	16,614	108	10,645	3,143	9,262
Contract services	4,740	31	6,480	897	3,951
Telephone and telecomm	3,247	25	3,764	680	2,326
Occupancy expenses	7,037	46	4,509	1,331	4,623
Other expenses	3,416	22	2,722	646	2,694
<b>TOTAL</b>	<b>\$ 202,028</b>	<b>\$ 6,562</b>	<b>\$ 123,868</b>	<b>\$ 41,693</b>	<b>\$ 154,109</b>

<b>Supporting Services</b>						
<b>EI Experience</b>	<b>National Program</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 696	\$ -	\$ 40,859	\$ -	\$ -	\$ -	\$ 40,859
8,998	542	19,423	663	855	1,518	20,941
125,265	3,560	170,282	368	17,093	17,461	187,743
25,312	662	29,368	37	6,507	6,544	35,912
304,859	35,370	680,633	17,968	97,745	115,713	796,346
30,445	4,220	74,437	1,371	3,959	5,330	79,767
10,075	1,317	27,491	20,422	22,585	43,007	70,498
12,779	938	23,759	654	1,802	2,456	26,215
12,897	1,787	32,230	-	52	52	32,282
10,685	1,090	21,275	3,720	1,864	5,584	26,859
<b>\$ 542,011</b>	<b>\$ 49,486</b>	<b>\$ 1,119,757</b>	<b>\$ 45,203</b>	<b>\$ 152,462</b>	<b>\$ 197,665</b>	<b>\$ 1,317,422</b>

## EDUCATE!

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 444,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,758
(Increase) decrease in:	
Accounts receivable	(45,889)
Pledges receivable	59,733
Grants receivable	(452,305)
Prepaid expenses	10,672
Inventory	115
Decrease in:	
Accounts payable and accrued expenses	<u>(16,771)</u>
Net cash provided by operating activities	<u>1,449</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(2,959)</u>
Net cash used by investing activities	<u>(2,959)</u>
Net decrease in cash and cash equivalents	(1,510)
Cash and cash equivalents at beginning of year	<u>579,412</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 577,902</u></b>



## EDUCATE!

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Educate! is a non-profit organization, incorporated in the State of Colorado and maintains its U.S. headquarters in Denver, Colorado. Educate!'s mission is to develop young leaders and entrepreneurs in Africa. Educate! delivers to 16-20 year old youth within Ugandan schools a practical and relevant model of education, comprised of a leadership and entrepreneurship course, interactive teaching, intensive mentorship, experience starting an enterprise, and access to out of school networks and resources. Through advocacy and direct service in schools, Educate! is working to get this model to be part of the education system.

Educate! is funded from a mix of public donations and foundation grants.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

##### Cash and cash equivalents -

Educate! considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Educate! maintains cash balances in interest bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation limits. Management believes the risk in these situations to be minimal.

As of December 31, 2014, Educate! had \$118,289 of cash and cash equivalents held at financial institutions in foreign countries. The majority of funds held in foreign countries are uninsured.

##### Foreign currency translation -

The United States dollar ("Dollars") is the functional currency for Educate! operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the historical rate of exchange during the month of the transaction. All assets and liabilities denominated in non-U.S. currency are translated into Dollars based on the historical rate of exchange.

##### Pledges and grants receivable -

Pledges and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$5,000 for purchases in the US and \$500 for purchases in Uganda are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Depreciation expense for the year ended December 31, 2014 totaled \$1,758.

##### Income taxes -

Educate! is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Educate! is not a private foundation.

## EDUCATE!

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions -

For the year ended December 31, 2014, Educate! has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Inventory -

Inventory consists of publications, which are recorded at the lower of cost or market value using the first-in, first-out method of inventory.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Educate!.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Educate! and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**EDUCATE!**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**2. PLEDGES AND GRANTS RECEIVABLE**

As of December 31, 2014, contributors to Educate! have made written promises to give totaling \$482,305.

Pledges and grants receivable are due as follows at December 31, 2014:

Less than one year	\$ 448,972
One to five years	<u>33,333</u>
<b>PLEDGES AND GRANTS RECEIVABLE</b>	<b><u>\$ 482,305</u></b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

Teacher as Mentor Program	\$ 57,617
Scholarships	8,637
M&E Scale	35,919
Graduate	108,327
E! Experience	143,621
Time Restriction	<u>30,000</u>
	<b><u>\$ 384,121</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Teacher as Mentor Program	\$ 192,517
Scholarships	6,562
M&E Scale	35,919
Innovation	10,000
Graduate	74,015
E! Experience	337,767
Passage of Time	<u>30,000</u>
	<b><u>\$ 686,780</u></b>

A \$60,000 receivable was recorded as unrestricted revenue during the year ended December 31, 2013. Upon further clarification, it was determined the receivable was restricted for time with payments in 2014 and 2015. Net assets as of December 31, 2013 have been restated to correct the net asset balances. As a result, \$60,000 was reclassified from unrestricted net assets to temporarily restricted net assets.

**4. LEASE COMMITMENTS**

Educate! leases office space under a three-year agreement, which originated in October 2013. Base rent is \$1,200 per month, plus a proportionate share of expenses. In 2014, the lease was amended to increase the base rent by 10%. Additionally, Educate! leased another office space for a year, with a base rent of \$600 per month.

**EDUCATE!**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**4. LEASE COMMITMENTS (Continued)**

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2015	\$ 15,840
2016	<u>12,902</u>
	<b><u>\$ 28,742</u></b>

Rent expense, including utilities for the year ended December 31, 2014, was \$32,282.

**5. SUBSEQUENT EVENTS**

In preparing these financial statements, Educate! has evaluated events and transactions for potential recognition or disclosure through November 17, 2015, the date the financial statements were issued.