

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

EDUCATE!

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2015, 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, 2015, 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.

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Report on Summarized Comparative Information

We have previously audited Educate!'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

December 9, 2016

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**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,136,536	\$ 577,902
Accounts receivable	62,886	47,656
Pledges receivable	-	30,000
Grants receivable	838,234	418,972
Prepaid expenses	43,822	27,583
Inventory	<u>954</u>	<u>1,162</u>
Total current assets	<u>2,082,432</u>	<u>1,103,275</u>
FIXED ASSETS		
Furniture and equipment	10,770	10,770
Less: Accumulated depreciation	<u>(6,548)</u>	<u>(4,882)</u>
Net fixed assets	<u>4,222</u>	<u>5,888</u>
OTHER ASSETS		
Grants receivable, net of current portion	<u>368,096</u>	<u>33,333</u>
TOTAL ASSETS	<u>\$ 2,454,750</u>	<u>\$ 1,142,496</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>44,506</u>	\$ <u>28,364</u>
NET ASSETS		
Unrestricted	1,208,747	730,011
Temporarily restricted	<u>1,201,497</u>	<u>384,121</u>
Total net assets	<u>2,410,244</u>	<u>1,114,132</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,454,750</u>	<u>\$ 1,142,496</u>

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**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants	\$ 678,701	\$ 1,757,830	\$ 2,436,531	\$ 1,489,995
Individual contributions	243,567	20,241	263,808	266,997
Corporate contributions	107,875	56,349	164,224	1,893
Program fees and other income	24,454	-	24,454	25,813
Interest income	730	-	730	539
Other income	20	-	20	1,370
Net assets released from donor restrictions	<u>1,017,044</u>	<u>(1,017,044)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,072,391</u>	<u>817,376</u>	<u>2,889,767</u>	<u>1,786,607</u>
EXPENSES				
Program Services	<u>1,299,117</u>	<u>-</u>	<u>1,299,117</u>	<u>1,119,757</u>
Supporting Services:				
General and Administrative	81,119	-	81,119	45,203
Fundraising	<u>185,355</u>	<u>-</u>	<u>185,355</u>	<u>152,462</u>
Total supporting services	<u>266,474</u>	<u>-</u>	<u>266,474</u>	<u>197,665</u>
Total expenses	<u>1,565,591</u>	<u>-</u>	<u>1,565,591</u>	<u>1,317,422</u>
Changes in net assets before other item	506,800	817,376	1,324,176	469,185
OTHER ITEM				
Currency conversion loss	<u>(28,064)</u>	<u>-</u>	<u>(28,064)</u>	<u>(25,049)</u>
Changes in net assets	478,736	817,376	1,296,112	444,136
Net assets at beginning of year	<u>730,011</u>	<u>384,121</u>	<u>1,114,132</u>	<u>669,996</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,208,747</u>	<u>\$ 1,201,497</u>	<u>\$ 2,410,244</u>	<u>\$ 1,114,132</u>

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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015					
	Program Services					
	Experience Associate (formerly Teacher as Mentor Program)	Scholarships	M&E and Scale	Innovation	Graduate	E! Experience
Grants	\$ -	\$ 10,320	\$ -	\$ -	\$ 26,138	\$ 3,022
Materials, equipment and supplies	1,434	84	6,364	2,240	4,164	19,075
Conferences, meetings and travel	6,660	449	20,547	17,013	27,719	135,975
Printing and stationary	184	11	2,388	170	283	26,637
Salaries and benefits	107,546	2,766	94,502	94,690	83,356	270,050
Payroll taxes	9,565	409	12,832	5,108	11,183	28,431
Contract services	6,218	577	15,208	2,500	10,956	26,897
Telephone and telecomm	2,228	130	6,080	1,671	3,487	12,004
Occupancy expenses	3,335	194	5,902	828	5,559	11,337
Other expenses, net of refunds	1,327	77	2,949	566	2,034	4,690
TOTAL	\$ 138,497	\$ 15,017	\$ 166,772	\$ 124,786	\$ 174,879	\$ 538,118

2014

Supporting Services							
National Program	Educate! Rwanda	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 205	\$ 50,694	\$ 90,379	\$ 1,817	\$ -	\$ 1,817	\$ 92,196	\$ 40,859
1,758	-	35,119	4,006	937	4,943	40,062	22,698
12,022	-	220,385	7,142	20,915	28,057	248,442	187,743
790	-	30,463	3,525	2,234	5,759	36,222	35,912
58,405	-	711,315	22,142	135,517	157,659	868,974	796,346
6,255	-	73,783	803	5,703	6,506	80,289	79,767
5,429	-	67,785	37,627	15,630	53,257	121,042	70,498
1,881	-	27,481	1,796	1,159	2,955	30,436	26,215
2,523	-	29,678	3,280	182	3,462	33,140	30,525
1,035	51	12,729	(1,019)	3,078	2,059	14,788	26,859
\$ 90,303	\$ 50,745	\$ 1,299,117	\$ 81,119	\$ 185,355	\$ 266,474	\$ 1,565,591	\$ 1,317,422

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,296,112	\$ 444,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,666	1,758
Discount on non-current grants receivable	16,904	-
(Increase) decrease in:		
Accounts receivable	(15,230)	(45,889)
Pledges receivable	30,000	59,733
Grants receivable	(770,929)	(452,305)
Prepaid expenses	(16,239)	10,672
Inventory	208	114
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>16,142</u>	<u>(16,770)</u>
Net cash provided by operating activities	<u>558,634</u>	<u>1,449</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(2,959)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,959)</u>
Net increase (decrease) in cash and cash equivalents	558,634	(1,510)
Cash and cash equivalents at beginning of year	<u>577,902</u>	<u>579,412</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,136,536</u>	<u>\$ 577,902</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Educate!'s financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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 excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

As of December 31, 2015, Educate! had \$101,046 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.

Receivables -

Pledges and grants receivable approximate fair value. Accounts receivable are recorded at their net realizable value, which approximates fair value.

Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

Receivables (continued) -

All receivables are considered by management 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 U.S. 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, 2015 totaled \$1,666.

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.

Uncertain tax positions -

For the year ended December 31, 2015, 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.

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. Included in temporarily restricted contributions and grants is a grant from Barclay's Bank of Uganda Limited in the amount of \$56,349.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. GRANTS RECEIVABLE

As of December 31, 2015, contributors to Educate! have made written promises to give totaling \$1,223,234. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.97%.

Grants are due as follows as of December 31, 2015:

Less than one year	\$ 838,234
One to five years	<u>385,000</u>
Total	1,223,234
Less: Allowance to discount balance to present value	<u>(16,904)</u>
NET GRANTS RECEIVABLE	<u>\$ 1,206,330</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2015:

Experience Associate (formerly Teacher as Mentor Program)	\$ 114,871
M&E and Scale	95,245
Graduate	133,506
E! Experience	398,387
National Program	17,537
Time	<u>441,951</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,201,497</u>

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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:

Experience Associate (formerly Teacher as Mentor Program)	\$ 138,497
Scholarships	8,638
M&E and Scale	136,478
Innovation	12,800
Graduate	174,879
E! Experience	463,592
National Program	52,160
Passage of Time	<u>30,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,017,044</u>

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%.

Educate! leases two other office spaces. The first lease originated in 2014 and renews annually for \$600 per month. The second lease originated in 2016 and expires in 2018 for 1,300,000 Ugandan Shilling per month.

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

<u>Year Ending December 31,</u>	
2016	\$ 59,093
2017	38,991
2018	<u>38,991</u>
	<u>\$ 137,075</u>

Rent expense, including utilities, for the year ended December 31, 2015 was \$33,140.

5. SUBSEQUENT EVENTS

In preparing these financial statements, Educate! has evaluated events and transactions for potential recognition or disclosure through December 9, 2016, the date the financial statements were issued.