

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

EDUCATE!

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	8
NOTES TO FINANCIAL STATEMENTS	9 - 14



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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

November 30, 2018

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**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,301,465	\$ 1,628,393
Grants receivable	1,779,543	1,663,788
Accounts receivable	8,436	32,659
Advances	-	34,676
Prepaid expenses and other current assets	<u>32,343</u>	<u>47,275</u>
Total current assets	<u>4,121,787</u>	<u>3,406,791</u>
FIXED ASSETS		
Furniture and equipment	2,657	2,657
Less: Accumulated depreciation	<u>(2,657)</u>	<u>(2,657)</u>
Net fixed assets	<u>-</u>	<u>-</u>
OTHER ASSETS		
Grants receivable, net of current portion	<u>404,399</u>	<u>100,000</u>
TOTAL ASSETS	<u>\$ 4,526,186</u>	<u>\$ 3,506,791</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>135,969</u>	\$ <u>127,795</u>
NET ASSETS		
Unrestricted	1,985,947	1,761,549
Temporarily restricted	<u>2,404,270</u>	<u>1,617,447</u>
Total net assets	<u>4,390,217</u>	<u>3,378,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,526,186</u>	<u>\$ 3,506,791</u>

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**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants	\$ 1,061,331	\$ 3,640,465	\$ 4,701,796	\$ 3,412,478
Contributions	249,451	-	249,451	187,963
Program fees and other income	33,138	-	33,138	26,596
Contracts	11,887	-	11,887	8,632
Interest income	1,807	-	1,807	1,246
Net assets released from donor restrictions	<u>2,853,642</u>	<u>(2,853,642)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,211,256</u>	<u>786,823</u>	<u>4,998,079</u>	<u>3,636,915</u>
EXPENSES				
Program Services	<u>3,447,233</u>	<u>-</u>	<u>3,447,233</u>	<u>2,397,515</u>
Supporting Services:				
General and Administrative	168,987	-	168,987	109,283
Fundraising	<u>317,108</u>	<u>-</u>	<u>317,108</u>	<u>199,549</u>
Total supporting services	<u>486,095</u>	<u>-</u>	<u>486,095</u>	<u>308,832</u>
Total expenses	<u>3,933,328</u>	<u>-</u>	<u>3,933,328</u>	<u>2,706,347</u>
Change in net assets before other items	277,928	786,823	1,064,751	930,568
OTHER ITEMS				
Currency conversion (loss) gain	(35,236)	-	(35,236)	38,184
Loss from use of mobile money platform	<u>(18,294)</u>	<u>-</u>	<u>(18,294)</u>	<u>-</u>
Change in net assets	224,398	786,823	1,011,221	968,752
Net assets at beginning of year	<u>1,761,549</u>	<u>1,617,447</u>	<u>3,378,996</u>	<u>2,410,244</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,985,947</u>	<u>\$ 2,404,270</u>	<u>\$ 4,390,217</u>	<u>\$ 3,378,996</u>

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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017					
	Program Services					
	Scholarships	M&E and Scale	Innovation	Youth Business Experience	E! Experience	National Program
Salaries, benefits and payroll taxes	\$ 4,916	\$ 177,783	\$ 28,969	\$ 35,990	\$ 725,111	\$ 137,666
Conferences, meetings and travel	1,061	32,907	18,406	30,543	248,219	35,125
Contract services	288	162,093	2,666	3,320	61,946	15,527
Grants	10,642	876	61,757	19,934	37,239	1,137
Materials, equipment and supplies	196	7,600	1,315	5,631	45,953	4,834
Occupancy expenses	211	4,759	945	998	23,457	4,028
Printing and stationery	206	5,426	998	376	35,841	4,426
Telephone and telecomm	178	5,238	891	571	22,784	3,785
Other expenses	78	2,526	519	206	9,064	15,045
TOTAL	\$ 17,776	\$ 399,208	\$ 116,466	\$ 97,569	\$ 1,209,614	\$ 221,573

									2016
									Supporting Services
External Relations	Educate! Rwanda	Educate! Kenya	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 14,255	\$ 466,855	\$ 343,222	\$ 1,934,767	\$ 61,318	\$ 221,517	\$ 282,835	\$ 2,217,602	\$ 1,643,737	
4,075	87,246	81,576	539,158	22,398	34,300	56,698	595,856	389,371	
1,302	45,500	34,881	327,523	45,792	44,722	90,514	418,037	168,186	
69	231,338	2,388	365,380	-	-	-	365,380	251,107	
540	6,344	1,662	74,075	6,889	4,038	10,927	85,002	73,176	
698	15,734	21,782	72,612	24,415	3,476	27,891	100,503	63,593	
658	2,305	3,460	53,696	61	4,388	4,449	58,145	44,423	
718	8,973	2,695	45,833	1,656	3,562	5,218	51,051	37,885	
317	4,134	2,300	34,189	6,458	1,105	7,563	41,752	34,869	
\$ 22,632	\$ 868,429	\$ 493,966	\$ 3,447,233	\$ 168,987	\$ 317,108	\$ 486,095	\$ 3,933,328	\$ 2,706,347	

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,011,221	\$ 968,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of fixed assets	-	4,222
Discount on non-current grants receivable	18,198	(16,904)
(Increase) decrease in:		
Grants receivable	(438,352)	(540,554)
Accounts receivable	24,223	30,227
Advances	34,676	(34,676)
Prepaid expenses and other current assets	14,932	(3,453)
Inventory	-	954
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>8,174</u>	<u>83,289</u>
Net cash provided by operating activities	<u>673,072</u>	<u>491,857</u>
Net increase in cash and cash equivalents	673,072	491,857
Cash and cash equivalents at beginning of year	<u>1,628,393</u>	<u>1,136,536</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,301,465</u>	<u>\$ 1,628,393</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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 and Rwandan 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2016, 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, 2017, Educate! had \$158,567 of cash and cash equivalents held at financial institutions in foreign countries. The majority of funds held in foreign countries are uninsured.

Receivables -

Grants and 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. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Fixed assets -

Fixed assets in excess of \$5,000 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. There was no depreciation expense for the year ended December 31, 2017.

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, 2017, 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.

Net asset classification -

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

- **Unrestricted net assets** include unrestricted revenue, contributions and grants received without donor-imposed restrictions. These net assets are available for the operation of Educate!.
- **Temporarily restricted net assets** include revenue, contributions and grants 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.

Contracts -

Educate! receives funding under contracts from organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Contracts (continued) -

Accordingly, such contracts are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

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 currencies other than U.S. Dollars currency are translated into Dollars at the exchange rate in effect at the date of the Statement of Financial Position.

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Educate!'s financial statements, it is not expected to alter Educate!'s reported financial position.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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

New accounting pronouncements (not yet adopted) (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Educate! has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Educate! plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS RECEIVABLE

As of December 31, 2017, contributors to Educate! have made written promises to give totaling \$2,202,140.

Grants are due as follows as of December 31, 2017:

Less than one year	\$ 1,779,543
One to five years	<u>422,597</u>
Total	2,202,140
Less: Allowance to discount balance to present value	<u>(18,198)</u>
GRANTS RECEIVABLE	<u>\$ 2,183,942</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2017:

Youth Business Experience	\$ 136,503
E! Experience	45,000
Educate! Rwanda	599,247
Time Restricted	<u>1,623,520</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 2,404,270</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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:

M&E and Scale	\$ 144,524
Youth Business Experience	97,569
E! Experience	795,968
Educate! Rwanda	868,429
Educate! Kenya	58,888
Passage of Time	<u>888,264</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>2,853,642</u>

4. LEASE COMMITMENTS

Educate! leases three office spaces in Uganda. The first lease was under a three-year agreement which originated in October 2013. Base rent is \$1,200 per month, increasing by a factor of 10% annually, plus a proportionate share of expenses. In 2016, the lease was extended for another three years, expiring in October 2019. Under the extended lease, base rent is \$1,620 per month, increasing by a factor of 10% annually. The second lease was under a one year agreement which originated in January 2016 subject to annual extension. The lease was extended until 2018. Base rent is 1,300,000 Ugandan Shilling per month. The third lease was under a one-year agreement which originated in January 2016 and expired in March 2017. Base rent was \$700 per month.

Educate! also leases an office space in Rwanda under a two-year agreement which originated in January 2016 subject to annual extension. The lease was extended until 2018. Base rent is \$1,000 per month, increasing by a factor of 10% annually.

Educate! also leases an office space in Kenya under a two-year agreement which originated in January 2017. Base rent was \$1,200 in 2017 and \$1,800 in 2018.

Lastly, Educate! maintains offices in New York, Colorado and Massachusetts with rent on a year-to-year basis.

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

Year Ending December 31,

2018	\$ 21,951
2019	<u>18,000</u>
	\$ <u>39,951</u>

Occupancy expenses, including utilities, for the year ended December 31, 2017 were \$100,503.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. SUBSEQUENT EVENTS

In preparing these financial statements, Educate! has evaluated events and transactions for potential recognition or disclosure through November 30, 2018, the date the financial statements were issued.