

FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2013

EDUCATE!

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Educate!
Denver, Colorado

We have reviewed the accompanying statement of financial position of Educate! as of December 31, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for my our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Gelman, Rosenberg & Freedman'.

March 18, 2014

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 579,412
Pledges receivable	89,733
Prepaid expenses	38,255
Other current assets	1,767
Inventory	<u>1,277</u>
Total current assets	<u>710,444</u>

FIXED ASSETS

Fixed assets	7,811
Less: Accumulated depreciation	<u>(3,124)</u>
Net fixed assets	<u>4,687</u>

TOTAL ASSETS **\$ 715,131**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>45,135</u>
Total current liabilities	<u>45,135</u>

NET ASSETS

Unrestricted	567,397
Temporarily restricted (Note 2)	<u>102,599</u>
Total net assets	<u>669,996</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 715,131**

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**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Individual contributions	\$ 204,604	\$ -	\$ 204,604
Corporate contributions	525	-	525
Grants	503,973	236,948	740,921
Special events (net of expenses)	14,215	-	14,215
Program fees	30,315	-	30,315
Currency conversion gain	3,478	-	3,478
Interest income	1,380	-	1,380
Net assets released from donor restrictions (Note 3)	<u>233,627</u>	<u>(233,627)</u>	<u>-</u>
Total revenue	<u>992,117</u>	<u>3,321</u>	<u>995,438</u>
EXPENSES			
Program Services	<u>825,056</u>	<u>-</u>	<u>825,056</u>
Supporting Services:			
General and Administrative	44,463	-	44,463
Fundraising	<u>131,169</u>	<u>-</u>	<u>131,169</u>
Total supporting services	<u>175,632</u>	<u>-</u>	<u>175,632</u>
Total expenses	<u>1,000,688</u>	<u>-</u>	<u>1,000,688</u>
Change in net assets before other adjustments	(8,571)	3,321	(5,250)
OTHER ADJUSTMENTS			
Adjustment for valuation of net assets	<u>3,306</u>	<u>-</u>	<u>3,306</u>
Change in net assets	(5,265)	3,321	(1,944)
Net assets at beginning of year	<u>572,662</u>	<u>99,278</u>	<u>671,940</u>
NET ASSETS AT END OF YEAR	<u>\$ 567,397</u>	<u>\$ 102,599</u>	<u>\$ 669,996</u>

See accompanying notes and independent accountant's review report.

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services			
	Teacher as Mentor Program	Scholarships	M&E and Scale	Innovation
Grants	\$ 423	\$ 10,539	\$ 412	\$ 908
Materials, equipment and supplies	3,926	-	2,274	4,968
Conferences, meetings and travel	17,340	1,107	15,113	22,122
Printing and stationary	2,512	-	1,700	3,338
Salaries and benefits	99,274	-	85,944	158,350
Payroll taxes	13,389	-	9,220	15,142
Contract services	9,082	-	13,572	10,760
Telephone and telecomm	2,439	-	2,062	2,881
Occupancy expenses	3,342	-	2,640	3,671
Other expenses	3,157	-	3,899	5,207
TOTAL	\$ 154,884	\$ 11,646	\$ 136,836	\$ 227,347

Supporting Services						
Graduate	EI Experience	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 833	\$ 1,155	\$ 14,270	\$ -	\$ 12	\$ 12	\$ 14,282
1,416	3,807	16,391	1,397	912	2,309	18,700
11,804	37,406	104,892	1,394	7,438	8,832	113,724
1,211	8,903	17,664	50	5,036	5,086	22,750
46,508	121,145	511,221	14,222	98,235	112,457	623,678
6,625	15,599	59,975	488	5,639	6,127	66,102
5,637	11,117	50,168	19,944	9,715	29,659	79,827
3,673	5,697	16,752	1,855	411	2,266	19,018
1,644	4,227	15,524	-	97	97	15,621
1,786	4,150	18,199	5,113	3,674	8,787	26,986
\$ 81,137	\$ 213,206	\$ 825,056	\$ 44,463	\$ 131,169	\$ 175,632	\$ 1,000,688

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (5,250)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Adjustment for valuation of net assets	3,306
Depreciation	1,569
(Increase) decrease in:	
Pledges receivable	52,261
Prepaid expenses	(30,307)
Other current assets	399
Inventory	(72)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>21,703</u>
Net cash provided by operating activities	<u>43,609</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(388)</u>
Net cash used by investing activities	<u>(388)</u>
Net increase in cash and cash equivalents	43,221
Cash and cash equivalents at beginning of year	<u>536,191</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 579,412</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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 donation 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.

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

As the year-end assets and liabilities have been revalued at the current spot rates, exchange rate variances have been reflected as a currency gain or loss in the accompanying Statements of Activities and Changes in Net Assets.

Pledges receivable -

Pledges 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 3 to 5 years. Depreciation expense for the year ended December 31, 2013 totaled \$1,569.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Uncertain tax positions -

For the year ended December 31, 2013, 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 three 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! and include both internally designated and undesignated resources.
- **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.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by Educate!. Educate! currently has no permanently restricted net assets.

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.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Scholarships	\$ 15,200
Teacher as Mentor (TAM)	<u>87,399</u>
	<u>\$ 102,599</u>

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:

Graduate	\$ 79,278
Scholarships	4,800
Teacher as Mentor (TAM)	<u>149,549</u>
	<u>\$ 233,627</u>

3. SUBSEQUENT EVENTS

In preparing these financial statements, Educate! has evaluated events and transactions for potential recognition or disclosure through March 18, 2014, the date the financial statements were issued.