

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

August 23, 2017

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**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,628,393	\$ 1,136,536
Grants receivable	1,663,788	838,234
Accounts receivable	32,659	62,886
Advances	34,676	-
Prepaid expenses	47,275	43,822
Inventory	<u>-</u>	<u>954</u>
Total current assets	<u>3,406,791</u>	<u>2,082,432</u>
FIXED ASSETS		
Furniture and equipment	2,657	10,770
Less: Accumulated depreciation	<u>(2,657)</u>	<u>(6,548)</u>
Net fixed assets	<u>-</u>	<u>4,222</u>
OTHER ASSETS		
Grants receivable, net of current portion	<u>100,000</u>	<u>368,096</u>
TOTAL ASSETS	<u>\$ 3,506,791</u>	<u>\$ 2,454,750</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>127,795</u>	\$ <u>44,506</u>
NET ASSETS		
Unrestricted	1,761,549	1,208,747
Temporarily restricted	<u>1,617,447</u>	<u>1,201,497</u>
Total net assets	<u>3,378,996</u>	<u>2,410,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,506,791</u>	<u>\$ 2,454,750</u>

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**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants	\$ 913,315	\$ 2,499,163	\$ 3,412,478	\$ 2,436,531
Individual contributions	182,075	200	182,275	263,808
Program fees and other income	26,596	-	26,596	24,474
Contracts	8,632	-	8,632	-
Corporate contributions	688	5,000	5,688	164,224
Interest income	1,246	-	1,246	730
Net assets released from donor restrictions	<u>2,088,413</u>	<u>(2,088,413)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,220,965</u>	<u>415,950</u>	<u>3,636,915</u>	<u>2,889,767</u>
EXPENSES				
Program Services	<u>2,397,515</u>	<u>-</u>	<u>2,397,515</u>	<u>1,299,117</u>
Supporting Services:				
General and Administrative	109,283	-	109,283	81,119
Fundraising	<u>199,549</u>	<u>-</u>	<u>199,549</u>	<u>185,355</u>
Total supporting services	<u>308,832</u>	<u>-</u>	<u>308,832</u>	<u>266,474</u>
Total expenses	<u>2,706,347</u>	<u>-</u>	<u>2,706,347</u>	<u>1,565,591</u>
Change in net assets before other item	514,618	415,950	930,568	1,324,176
OTHER ITEM				
Currency conversion gain (loss)	<u>38,184</u>	<u>-</u>	<u>38,184</u>	<u>(28,064)</u>
Change in net assets	552,802	415,950	968,752	1,296,112
Net assets at beginning of year	<u>1,208,747</u>	<u>1,201,497</u>	<u>2,410,244</u>	<u>1,114,132</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,761,549</u>	<u>\$ 1,617,447</u>	<u>\$ 3,378,996</u>	<u>\$ 2,410,244</u>

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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016						
	Program Services						
	Experience Associate	Scholarships	M&E and Scale	Innovation	Graduate	E! Experience	National Program
Grants	\$ -	\$ 11,120	\$ -	\$ 736	\$ 47,638	\$ 18,002	\$ -
Materials, equipment and supplies	3,471	266	10,359	536	6,129	28,756	3,283
Conferences, meetings and travel	8,265	698	21,424	44,335	35,709	189,031	26,246
Printing and stationery	398	31	3,196	832	536	32,276	855
Salaries and benefits	119,711	5,226	183,822	20,850	138,095	424,076	79,775
Payroll taxes	27,709	1,969	62,607	688	29,626	89,682	21,162
Contract services	10,793	827	26,574	482	11,969	37,437	10,999
Telephone and telecomm	2,693	206	7,407	1,515	3,456	13,909	2,412
Occupancy expenses	4,966	380	11,891	41	5,376	15,781	3,881
Other expenses	1,819	140	4,356	691	1,916	6,046	2,165
TOTAL	\$ 179,825	\$ 20,863	\$ 331,636	\$ 70,706	\$ 280,450	\$ 854,996	\$ 150,778

								2015
Supporting Services								
External Relations	Educate! Rwanda	Educate! Kenya	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ -	\$ 173,611	\$ -	\$ 251,107	\$ -	\$ -	\$ -	\$ 251,107	\$ 92,196
939	8,456	1,364	63,559	9,352	1,574	10,926	74,485	40,062
6,028	27,240	2,534	361,510	4,152	23,709	27,861	389,371	248,442
240	593	33	38,990	447	4,986	5,433	44,423	36,222
9,944	226,489	-	1,207,988	24,075	149,572	173,647	1,381,635	868,974
3,751	18,973	-	256,167	899	5,036	5,935	262,102	80,289
2,248	3,626	-	104,955	50,452	12,779	63,231	168,186	121,042
988	3,607	75	36,268	963	654	1,617	37,885	30,436
1,143	14,313	-	57,772	5,821	-	5,821	63,593	33,140
432	1,571	63	19,199	13,122	1,239	14,361	33,560	14,788
\$ 25,713	\$ 478,479	\$ 4,069	\$ 2,397,515	\$ 109,283	\$ 199,549	\$ 308,832	\$ 2,706,347	\$ 1,565,591

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 968,752	\$ 1,296,112
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	1,666
Loss on disposal of fixed assets	4,222	-
Discount on non-current grants receivable	(16,904)	16,904
(Increase) decrease in:		
Grants receivable	(540,554)	(770,929)
Accounts receivable	30,227	(15,230)
Pledges receivable	-	30,000
Prepaid expenses	(3,453)	(16,239)
Inventory	954	208
Advances	(34,676)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	83,289	16,142
Net cash provided by operating activities	491,857	558,634
Net increase in cash and cash equivalents	491,857	558,634
Cash and cash equivalents at beginning of year	1,136,536	577,902
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,628,393	\$ 1,136,536

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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 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, 2015, 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, 2016, Educate! had \$104,185 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, 2016

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 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, 2016.

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, 2016, 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 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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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

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.

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.

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.

New accounting pronouncement -

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.

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, 2016, contributors to Educate! have made written promises to give totaling \$1,763,788.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows as of December 31, 2016:

Less than one year	\$ 1,663,788
One to five years	<u>100,000</u>
GRANTS RECEIVABLE	\$ <u>1,763,788</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2016:

Educate! Rwanda	\$ 375,182
E! Experience	204,486
Experience Associate	49,032
Graduate	46,604
M&E and Scale	44,993
Educate! Kenya	8,888
Time Restricted	<u>888,262</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,617,447</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:

Educate! Rwanda	\$ 174,760
E! Experience	812,298
Experience Associate	171,295
Graduate	280,450
M&E and Scale	185,842
National Program	17,537
Educate! Kenya	3,612
Passage of Time	<u>442,619</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>2,088,413</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%, 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%. The second and third leases are under a one-year agreement which originated in January 2016. Base rent is \$700 and 1,300,000 Ugandan Shilling per month, respectively.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. LEASE COMMITMENTS (Continued)

Educate! also leases an office space in Rwanda under a two-year agreement which originated in January 2016 with base rent of \$1,000 per month, and leases office space in New York and Colorado on a month-to-month basis.

In 2016, Educate! entered into a one-year agreement for office space in Massachusetts effective January 2017. Base rent is \$350 per month.

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

Year Ending December 31,

2017	\$	44,066
2018		22,086
2019		<u>18,000</u>
	\$	<u>84,152</u>

Rent expense, including utilities, for the year ended December 31, 2016 was \$63,593.

5. SUBSEQUENT EVENTS

In preparing these financial statements, Educate! has evaluated events and transactions for potential recognition or disclosure through August 23, 2017, the date the financial statements were issued.