



EDIFY AND SUBSIDIARIES

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2018 and 2017

# EDIFY AND SUBSIDIARIES

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Edify and Subsidiaries  
San Diego, California

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Edify and Subsidiaries (Edify), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Edify and Subsidiaries  
San Diego, California

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edify and Subsidiaries as of September 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

San Diego, California  
November 19, 2018

# EDIFY AND SUBSIDIARIES

## Consolidated Statements of Financial Position

	September 30,	
	2018	2017
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,060,101	\$ 899,651
Restricted cash from donations	1,254,925	1,156,975
Board designated cash reserve	589,540	589,403
Notes receivable, current portion	4,002	14,853
Prepays and other assets	273,677	370,786
	3,182,245	3,031,668
Notes receivable, net of current portion	-	4,152
Restricted cash held on deposit with partner organizations	-	45,736
Equipment—at cost, net	26,812	45,374
	3,209,057	3,126,930
<b>Total Assets</b>	<b>\$ 3,209,057</b>	<b>\$ 3,126,930</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 88,321	\$ 61,219
Other long-term liabilities	-	1,083
	88,321	62,302
Net assets:		
Unrestricted:		
Undesignated	1,249,459	1,272,876
Board designated cash reserve	589,540	589,403
Net investment in equipment	26,812	45,374
	1,865,811	1,907,653
Temporarily restricted	1,254,925	1,156,975
	3,120,736	3,064,628
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,209,057</b>	<b>\$ 3,126,930</b>

See notes to consolidated financial statements

**EDIFY  
AND SUBSIDIARIES**

**Consolidated Statements of Activities**

	Year Ended September 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,365,379	\$ 1,782,517	\$ 6,147,896	\$ 4,244,883	\$ 1,755,736	\$ 6,000,619
Interest income	1,736	-	1,736	1,729	-	1,729
Other income	334,687	-	334,687	301,188	-	301,188
	<u>4,701,802</u>	<u>1,782,517</u>	<u>6,484,319</u>	<u>4,547,800</u>	<u>1,755,736</u>	<u>6,303,536</u>
Release of temporarily restricted net assets from donor restrictions	1,684,567	(1,684,567)	-	1,913,180	(1,913,180)	-
Total Support and Revenue	<u>6,386,369</u>	<u>97,950</u>	<u>6,484,319</u>	<u>6,460,980</u>	<u>(157,444)</u>	<u>6,303,536</u>
<b>EXPENSES:</b>						
Program services:						
Grants for revolving loans	899,980	-	899,980	972,412	-	972,412
Other program services	4,127,476	-	4,127,476	3,319,074	-	3,319,074
Supporting activities:						
General and administrative	325,802	-	325,802	343,958	-	343,958
Fundraising	1,074,953	-	1,074,953	990,656	-	990,656
Total Expenses	<u>6,428,211</u>	<u>-</u>	<u>6,428,211</u>	<u>5,626,100</u>	<u>-</u>	<u>5,626,100</u>
Change in Net Assets	(41,842)	97,950	56,108	834,880	(157,444)	677,436
Net Assets, Beginning of Year	<u>1,907,653</u>	<u>1,156,975</u>	<u>3,064,628</u>	<u>1,072,773</u>	<u>1,314,419</u>	<u>2,387,192</u>
Net Assets, End of Year	<u>\$ 1,865,811</u>	<u>\$ 1,254,925</u>	<u>\$ 3,120,736</u>	<u>\$ 1,907,653</u>	<u>\$ 1,156,975</u>	<u>\$ 3,064,628</u>

See notes to consolidated financial statements

**EDIFY  
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

	Year Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 56,108	\$ 677,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,513	20,560
Donation of computer software	-	(4,116)
Net change in:		
Prepays and other assets	137,489	(224,353)
Accounts payable	26,019	(83,804)
Net Cash Provided by Operating Activities	242,129	385,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Equipment and software additions	(1,499)	(17,442)
Collections on notes receivable	14,317	14,973
Net Cash Provided by (Used in) Investing Activities	12,818	(2,469)
Effect of Exchange Rate Changes on Cash	3,590	960
Change in Cash and Cash Equivalents	258,537	384,214
Cash and Cash Equivalents, Beginning of Year	2,646,029	2,261,815
Cash and Cash Equivalents, End of Year	\$ 2,904,566	\$ 2,646,029
<b>SUMMARY OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents	\$ 1,060,101	\$ 899,651
Restricted cash	1,254,925	1,156,975
Board designated cash reserve	589,540	589,403
	\$ 2,904,566	\$ 2,646,029

See notes to consolidated financial statements

# **EDIFY AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

September 30, 2018 and 2017

1. **NATURE OF ORGANIZATION:**

Edify was incorporated in 2009 in California as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Edify is subject to federal income tax on any unrelated business taxable income. In addition, Edify is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The primary source of revenue for Edify is contributions which are tax-deductible for income tax purposes.

Edify is a religious organization dedicated to bringing Jesus Christ to children through Christian character development and provision of an excellent academic education, and to bringing children, parents, teachers, and donors to Christ. Edify's activities are undertaken through a central office in California and three international entities in Ghana, Rwanda, and Liberia. Edify also operates under partnership agreements in other countries. Edify Ghana, Edify Liberia, and Edify Rwanda are controlled foreign subsidiaries formed in their respective regions. All of the international entities act as branches of Edify. Edify, Edify Ghana, Edify Liberia, and Edify Rwanda are collectively referred to as Edify in these consolidated financial statements.

Edify is focusing on delivering four key resources to help Christian education entrepreneurs in developing countries lift their communities out of poverty.

1. Training of school leaders and teachers to develop Christ-like character in students and provide high-quality education
2. Loan Capital to expand and improve school facilities
3. Training of school leaders to manage and grow their schools effectively
4. Education Technology to enhance learning outcomes and employability

### **PRINCIPLES OF CONSOLIDATION**

Due to board and economic control, Edify Ghana, Edify Liberia, and Edify Rwanda are controlled subsidiaries of Edify. The consolidated financial statements of Edify include the financial resources and activities of Edify Ghana, Edify Liberia, and Edify Rwanda. All significant intercompany balances and transactions have been eliminated.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The consolidated financial statements for Edify have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.



# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

For consolidated statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, money market accounts, and certificates of deposit with a maturity of less than 90 days. These accounts may, at times, exceed federally insured limits. Edify has not experienced any losses in such accounts. At September 30, 2018 and 2017, Edify's cash balances exceeded federally insured limits by \$2,340,694 and \$2,127,669, respectively. Edify does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

#### RESTRICTED CASH FROM DONATIONS

Edify keeps a separate bank account for all contributions with donor restrictions. See note 6 for more information.

#### EQUIPMENT

Expenditures over \$1,000 for equipment are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which ranges from three to ten years.

#### NET ASSETS

The consolidated financial statements report amounts by class of net assets:

*Unrestricted net assets* are those currently available at the discretion of the board for use in Edify's operations and those resources invested in equipment.

*Temporarily restricted net assets* are those which are stipulated by donors for specific operating purposes or for specific projects.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or when ownership of donated assets are transferred to the ministry. Edify records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as release of donor restrictions.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Currently, there are no joint costs that have been allocated among the program, general and administrative, and fundraising.

**USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. NOTES RECEIVABLE:

Notes receivable consist of:

	September 30,	
	2018	2017
Conditional use loan receivable from Kenya Commercial Bank in Rwanda with a 0% interest rate unless the bank defaults on the loan. Payments of \$3,713 are due quarterly through October 2018, with a final payment amount of \$4,002. No present value discount was recorded due to immateriality.	\$ 4,002	\$ 19,005
	4,002	19,005
Less current portion	(4,002)	(14,853)
Notes receivable, net of current portion	\$ -	\$ 4,152

Annual maturities are:

Year Ending September 30,	
2019	\$ 4,002

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2018 and 2017

3. NOTES RECEIVABLE, continued:

During the years ended September 30, 2018 and 2017, Edify granted a total of \$899,135 and \$971,324 to ministry partners in developing countries who provide small and medium enterprise Christian education loans. In conjunction with these grants, Edify entered into repayment agreements with the intent to hold the partners accountable for using the funds in accordance with the agreed upon terms. Since the primary purpose of these funds is to provide capital for small and medium enterprise lending with more favorable terms than standard lending conditions, the amounts are reported as grants for revolving loans on the consolidated statements of activities and are not reflected as notes receivable on the consolidated statements of financial position.

4. RESTRICTED CASH HELD ON DEPOSIT WITH PARTNER ORGANIZATIONS:

Restricted cash held on deposit with partner organizations consists of a deposit held at a lending institution in Rwanda. Edify agreed to deposit the money as collateral against loans disbursed to schools on a two-to-one ratio and can only be used if an Edify approved loan was in default. Edify recognized a loss on currency exchange rate related to this deposit totaling \$2,904 and \$1,498 as of September 30, 2018 and 2017, respectively. The loan program ended as of August 30, 2018 and the deposit was returned to Edify, the account was closed as a result.

5. EQUIPMENT:

Equipment consists of:

	September 30,	
	2018	2017
Computer equipment and software	\$ 83,423	\$ 81,924
Furniture	40,885	40,885
Camera equipment	2,055	2,055
Less accumulated depreciation	(99,551)	(79,490)
Equipment, net of depreciation	\$ 26,812	\$ 45,374

**EDIFY  
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

September 30, 2018 and 2017

6. TEMPORARILY RESTRICTED NET ASSETS:

Donor-restricted funds consist of:

	September 30,	
	2018	2017
Africa designated projects	\$ 410,000	\$ 334,032
Christian transformation	230,067	239,104
Rwanda designated projects	189,492	48,952
Ghana designated projects	175,218	58,820
Latin America designated projects	60,000	15,000
India designated projects	52,580	97,078
Burkina Faso designated projects	39,967	100,000
Dominican Republic designated projects	39,161	23,572
Sierra Leone designated projects	31,330	89,273
Liberia designated projects	17,110	10,000
Guatemala designated projects	10,000	-
Peru designated projects	-	80,339
Ethiopia designated projects	-	40,805
Uganda feasibility study	-	20,000
	\$ 1,254,925	\$ 1,156,975

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2018 and 2017

7. COMMITMENTS:

Edify signed a lease in November 2015 for office space in San Diego, California. During fiscal year 2018 monthly payments averaged \$3,351. Edify received 3 months of free rent in the first year. This free rent is being spread out and recognized each month over the life of the lease. Total lease expense for the year ended September 30, 2018 was \$35,645. The lease was amended November 1, 2018 for a three year term and a new monthly rate of \$2,628 in year one, \$2,707 in year two, and \$2,788 in year three.

Edify has entered into staffing contracts with independent contractors for future services in various countries that it serves with a total contract commitments of \$143,943 as of September 30, 2018.

Edify has agreed to provide grants in the amount of \$22,880 to the training partner SPTWD to subsidize the cost of administrative efforts and the purchase of a vehicle for field use for the year ending September 30, 2019. Additionally, Edify has agreed to pay the lending partner Sinapi Aba Trust \$7,000 for the completion of a school loan program manual in the year ending September 30, 2019. Grant payments are contingent upon the lending partner meeting their obligations under the respective agreements.

Edify has agreed to pay \$9,108 for fundraising insight services and \$35,706 for development retreats with donors in the year ending September 30, 2019.

In October and November 2018, Edify signed office space leases of 24, 13, and 12 months for office space in Rwanda, India, and Ghana, respectively. Future monthly payments will consist of \$1,069 in Rwanda, \$136 in India, and \$522 in Ghana.

Future minimum commitments are as follows:

Year Ending September 30,

2019	\$	127,159
2020		45,890
2021		33,376
2022		2,788
		<hr/>
	\$	<u>209,214</u>

# **EDIFY AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

September 30, 2018 and 2017

8. RELATED PARTY:

One of Edify's board members was formerly a board member at the lending institution in which Edify had restricted cash on deposit, as described in note 4. An Edify board member is the CEO of a nonprofit organization that has a 99% ownership stake in this lending institution. Edify maintains operating bank accounts at this lending institution to fund training and other program activities.

Edify made grants to other nonprofit organizations that have current or former Edify board members that currently or formerly served on these organization's boards or worked for them. Edify made grants of \$39,319 and received donated professional services of \$273,590 related to these organizations during the year ended September 30, 2018. Edify made grants of \$232,324 and received donated professional services of \$223,113 related to these organizations during the year ended September 30, 2017.

The spouse of Edify's President volunteered to lead spiritual retreats and other ministry activities for Edify staff and donors as part of the organizations 360 degrees of transformation initiative. Edify paid travel expenses for this volunteer of \$7,700 directly related to these activities during fiscal year 2018.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 19, 2018 which is the date the consolidated financial statements were available to be issued.