



EDIFY AND SUBSIDIARIES

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2019 and 2018

# EDIFY AND SUBSIDIARIES

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## 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, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, 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, 2019 and 2018, 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.

***Emphasis of Matter***

Edify and Subsidiaries has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and 2016-18, *Statement of Cash Flows - Restricted Cash*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

San Diego, California  
November 27, 2019

**EDIFY  
AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

	September 30,	
	2019	2018
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,304,986	\$ 1,060,101
Restricted cash from donations	1,275,019	1,254,925
Board designated cash reserve	850,541	589,540
Notes receivable, current portion	-	4,002
Prepays and other assets	265,936	273,677
	3,696,482	3,182,245
Prepays and other assets, net of current portion	3,451	-
Equipment—at cost, net	21,875	26,812
	3,721,808	3,209,057
<b>Total Assets</b>	<b>\$ 3,721,808</b>	<b>\$ 3,209,057</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 57,664	\$ 88,321
Net assets:		
Without donor restrictions:		
Undesignated	1,538,584	1,276,271
Board designated cash reserve	850,541	589,540
	2,389,125	1,865,811
With donor restrictions	1,275,019	1,254,925
	3,664,144	3,120,736
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,721,808</b>	<b>\$ 3,209,057</b>

See notes to consolidated financial statements

**EDIFY  
AND SUBSIDIARIES**

**Consolidated Statements of Activities**

	Year Ended September 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,850,770	\$ 1,966,728	\$ 6,817,498	\$ 4,365,379	\$ 1,782,517	\$ 6,147,896
Interest income	4,186	-	4,186	1,736	-	1,736
Other income	281,063	-	281,063	334,687	-	334,687
	<u>5,136,019</u>	<u>1,966,728</u>	<u>7,102,747</u>	<u>4,701,802</u>	<u>1,782,517</u>	<u>6,484,319</u>
Release of temporarily restricted net assets from donor restrictions	1,946,634	(1,946,634)	-	1,684,567	(1,684,567)	-
Total Support and Revenue	<u>7,082,653</u>	<u>20,094</u>	<u>7,102,747</u>	<u>6,386,369</u>	<u>97,950</u>	<u>6,484,319</u>
<b>EXPENSES:</b>						
Program services	5,055,572	-	5,055,572	5,027,456	-	5,027,456
Supporting activities:						
General and administrative	427,391	-	427,391	325,802	-	325,802
Fundraising	1,076,376	-	1,076,376	1,074,953	-	1,074,953
Total Expenses	<u>6,559,339</u>	<u>-</u>	<u>6,559,339</u>	<u>6,428,211</u>	<u>-</u>	<u>6,428,211</u>
Change in Net Assets	523,314	20,094	543,408	(41,842)	97,950	56,108
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,389,125</u>	<u>\$ 1,275,019</u>	<u>\$ 3,664,144</u>	<u>\$ 1,865,811</u>	<u>\$ 1,254,925</u>	<u>\$ 3,120,736</u>

See notes to consolidated financial statements

**EDIFY  
AND SUBSIDIARIES**

**Statements of Functional Expenses**

	Year Ended September 30,							
	2019				2018			
	Supporting Activities:				Supporting Activities:			
Program Activities	Management and General	Fundraising	Total	Program Activities	Management and General	Fundraising	Total	
U.S salaries and benefits	\$ 719,975	\$ 309,341	\$ 769,769	\$ 1,799,085	\$ 660,529	\$ 224,841	\$ 769,229	\$ 1,654,599
International staff	1,451,462	-	-	1,451,462	1,219,262	-	-	1,219,262
School leader and teacher training	1,173,702	-	-	1,173,702	\$ 1,215,343	-	-	1,215,343
Travel	606,902	10,665	189,315	806,882	553,224	7,722	173,271	734,217
Grants for revolving loans	707,979	-	-	707,979	899,980	-	-	899,980
Services and professional fees	159,645	79,034	69,777	308,456	281,529	66,277	83,860	431,666
Office, occupancy, and supplies	224,196	27,270	39,429	290,895	183,101	25,494	42,036	250,631
Depreciation	11,711	1,081	8,086	20,878	14,488	1,468	6,557	22,513
Total Expenses	<u>\$ 5,055,572</u>	<u>\$ 427,391</u>	<u>\$ 1,076,376</u>	<u>\$ 6,559,339</u>	<u>\$ 5,027,456</u>	<u>\$ 325,802</u>	<u>\$ 1,074,953</u>	<u>\$ 6,428,211</u>

See notes to consolidated financial statements

# EDIFY AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 543,408	\$ 56,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,878	22,513
Loss on disposal of equipment	2,039	-
Net change in:		
Prepays and other assets	(506)	137,489
Accounts payable	(30,657)	26,019
Net Cash Provided by Operating Activities	535,162	242,129
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	(13,184)	(1,499)
Collections on notes receivable	4,002	14,317
Net Cash Provided by (Used in) Investing Activities	(9,182)	12,818
Effect of Exchange Rate Changes on Cash	-	3,590
Change in Cash and Cash Equivalents	525,980	258,537
Cash and Cash Equivalents, Beginning of Year	2,904,566	2,646,029
Cash and Cash Equivalents, End of Year	\$ 3,430,546	\$ 2,904,566
<b>SUMMARY OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents	\$ 1,304,986	\$ 1,060,101
Restricted cash	1,275,019	1,254,925
Board designated cash reserve	850,541	589,540
	\$ 3,430,546	\$ 2,904,566

See notes to consolidated financial statements



# **EDIFY AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

September 30, 2019 and 2018

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 four international entities in Ghana, Rwanda, Liberia, and Uganda. Edify also operates under partnership agreements in other countries. Edify Ghana, Edify Liberia, Edify Rwanda, and Edify Uganda are controlled foreign subsidiaries formed in their respective regions. All of the international entities act as branches of Edify. Edify, Edify Ghana, Edify Liberia, Edify Rwanda, and Edify Uganda are collectively referred to as Edify in these consolidated financial statements.

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

1. Training to equip school leaders to develop sustainable Christ-centered schools
2. Loan Capital to expand and improve school facilities
3. Education Technology to enhance learning outcomes and employability

### **PRINCIPLES OF CONSOLIDATION**

Accounting principles generally accepted in the United States of America (US GAAP) requires that if an entity has a controlling financial interest or an economic interest in an organization and control through a majority voting interest in its board, the organization must be consolidated. Due to meeting the consolidation requirements under US GAAP, the following organizations have been consolidated: Edify Ghana, Edify Liberia, Edify Rwanda, and Edify Uganda. The consolidated financial statements of Edify include the financial resources and activities of all the aforementioned organizations. All significant intercompany balances and transaction 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, 2019 and 2018

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

#### CASH AND CASH EQUIVALENTS, RESTRICTED CASH FROM DONATIONS, AND BOARD DESIGNATED RESERVE

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 an original 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, 2019 and 2018, Edify's cash balances exceeded federally insured limits by approximately \$2,850,000 and \$2,256,000, respectively. In addition, Edify maintains its cash in bank deposit and money market accounts that are insured by Securities Investor Protection Corporation (SIPC) which insures an additional \$500,000 of deposits as of September 30, 2019. Edify does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

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:

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in Edify's operations and those resources invested in equipment.

*Net assets with donor restriction* 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 net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as release of donor restrictions.

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

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

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued:

Other income includes contributed services and other miscellaneous income. The contributed services, totaling \$228,297 and \$273,590, during the years ended September 30, 2019 and 2018 respectively, are received from professional educators for leadership training services and recorded when performed.

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

#### 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 and statements of functional expenses. International staff, school leader and teacher training, and grants for revolving loans are direct program expenses and not allocated. U.S. salaries and benefits, and depreciation are allocated on the basis of direct expenses and estimated time by department. Travel, services and professional fees, are allocated by direct expenses and functional usage. Office, occupancy and supplies are allocated by direct expenses, functional usage, and square footage. Currently, there are no joint costs that have been allocated among 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.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Edify adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and statements of functional expenses were added to the face statements with additional disclosures about the allocation methods used in Note 2 above.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows - Restricted Cash*. Edify adopted the provisions of this new standard during the year ended September 30, 2019. New disclosures were added to the statement of cash flows reconciling restricted cash and cash equivalents to the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects Edify's financial assets as of the consolidated statement of financial position, reduced by amounts not available for general use because of board designation or due to restrictions by donors not expected to be used within one year of September 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 1,304,986
Restricted cash from donations	1,275,019
Board designated cash reserve	850,541
Accounts receivable (included within prepaid and other assets on the consolidated statements of financial position)	12,585
Financial assets, at year end	3,443,131
Less those unavailable for general expenditure within one year due to contractual or donor-imposed restrictions	
Restricted by donor with purpose restrictions	(89,418)
Board designated cash reserve	(850,541)
	(939,959)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,503,172

Edify has established a board designated cash reserve account in order to help with unanticipated cash flow needs.

4. NOTES RECEIVABLE:

Edify previously had a conditional use loan receivable with Kenya Commercial Bank in Rwanda with a 0% interest rate. As of the year ended September 30, 2019 and 2018, the balance was \$0 and \$4,002 respectively. The final payment was made in October 2018.

During the years ended September 30, 2019 and 2018, Edify granted a total of \$707,979 and \$899,135 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.

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

5. EQUIPMENT:

Equipment consists of:

	September 30,	
	2019	2018
Computer equipment and software	\$ 59,871	\$ 83,423
Furniture	45,872	40,885
Camera equipment	-	2,055
Less accumulated depreciation	(83,868)	(99,551)
Equipment, net of depreciation	\$ 21,875	\$ 26,812

6. NET ASSETS WITH DONOR RESTRICTIONS:

Donor-restricted funds consist of:

	September 30,	
	2019	2018
Edify staff leadership development	\$ 325,000	\$ -
Ghana designated projects	232,444	175,218
Edify information systems integration	175,000	-
Peru designated projects	95,167	-
Rwanda designated projects	87,736	189,492
Ethiopia designated projects	69,173	-
Uganda designated projects	63,000	-
Funds for school loans	60,526	-
Liberia designated projects	52,183	17,110
Dominican Republic designated projects	35,000	39,161
Christian transformation	24,863	230,067
Burkina Faso designated projects	21,885	39,967
Africa designated projects	15,542	410,000
Latin America designated projects	10,000	60,000
Guatemala designated projects	6,000	10,000
Northeast India designated projects	1,500	52,580
Sierra Leone designated projects	-	31,330
	\$ 1,275,019	\$ 1,254,925

# EDIFY AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 2019 and 2018

7. COMMITMENTS:

Edify signed a three year lease in November 2018 for office space in San Diego, California. During the year ended September 30, 2019, monthly payments were \$2,628. The monthly rates will be \$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 total contract commitments of \$99,500 as of September 30, 2019.

Edify has agreed to provide grants in the amount of \$15,000 to the lending partner Sinapi Aba Trust for consulting services related to the school loan program in the year ending September 30, 2020.

In July 2019 Edify renewed an office space lease of 36 months for office space in Ghana starting November 2019. Future monthly payments will consist of \$495 in Ghana for a total of \$17,820, of which the first 18 months was prepaid in the year ending September 30, 2019. The future minimum payments below do not include the amounts prepaid.

Future minimum payments are as follows:

Year Ending September 30,

2020	\$ 60,232
2021	35,851
2022	8,728
2023	<u>495</u>
	<u>\$ 105,306</u>

# **EDIFY AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

September 30, 2019 and 2018

8. RELATED PARTY:

An Edify board member is the Chief Executive Officer 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 \$30,420, and received donated professional services of \$228,297, related to these organizations during the year ended September 30, 2019. 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.

The spouse of Edify's CEO volunteered to lead spiritual retreats and other ministry activities for Edify staff and donors as part of the organization's 360 degrees of transformation initiative. Edify paid travel expenses of \$10,981, directly related to these activities during fiscal year 2019. Children of the CEO participated in a donor vision trip during fiscal year 2019. Over the course of the year Edify paid travel expenses related to this activity totaling \$3,541.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 27, 2019, which is the date the consolidated financial statements were available to be issued.