



EDIFY AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2021 and 2020

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 Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

INDEPENDENT AUDITORS' REPORT

Board of Directors
Edify and Subsidiaries
San Diego, California

We have audited the accompanying consolidated financial statements of Edify and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, 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, 2021 and 2020, 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
December 3, 2021

**EDIFY
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

	September 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,449,997	\$ 3,413,816
Restricted cash from donations	1,687,519	1,221,032
Prepays and other assets	278,444	181,367
	4,415,960	4,816,215
Board designated cash reserve	2,030,822	1,000,365
Prepays and other assets, net of current portion	491	6,931
Equipment and software—at cost, net	176,190	99,193
	\$ 6,623,463	\$ 5,922,704
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and other liabilities	\$ 104,912	\$ 101,644
Net assets:		
Without donor restrictions:		
Undesignated	2,800,210	3,599,663
Board designated cash reserve	2,030,822	1,000,365
	4,831,032	4,600,028
With donor restrictions	1,687,519	1,221,032
Total net assets	6,518,551	5,821,060
Total Liabilities and Net Assets	\$ 6,623,463	\$ 5,922,704

See notes to consolidated financial statements

**EDIFY
AND SUBSIDIARIES**

Consolidated Statements of Activities

	Year Ended September 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 6,973,312	\$ 1,865,949	\$ 8,839,261	\$ 5,797,270	\$ 1,612,770	\$ 7,410,040
Interest income	351	-	351	2,635	-	2,635
Other income	248,084	-	248,084	265,750	-	265,750
	7,221,747	1,865,949	9,087,696	6,065,655	1,612,770	7,678,425
Release of net assets from donor restrictions	1,399,462	(1,399,462)	-	1,666,757	(1,666,757)	-
Total Support and Revenue	8,621,209	466,487	9,087,696	7,732,412	(53,987)	7,678,425
EXPENSES:						
Program services	6,734,042	-	6,734,042	4,007,735	-	4,007,735
Supporting activities:						
General and administrative	473,970	-	473,970	410,278	-	410,278
Fundraising	1,182,193	-	1,182,193	1,103,496	-	1,103,496
Total Expenses	8,390,205	-	8,390,205	5,521,509	-	5,521,509
Change in Net Assets	231,004	466,487	697,491	2,210,903	(53,987)	2,156,916
Net Assets, Beginning of Year	4,600,028	1,221,032	5,821,060	2,389,125	1,275,019	3,664,144
Net Assets, End of Year	\$ 4,831,032	\$ 1,687,519	\$ 6,518,551	\$ 4,600,028	\$ 1,221,032	\$ 5,821,060

See notes to consolidated financial statements

**EDIFY
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses

	Year Ended September 30,							
	2021				2020			
	Program Activities	Supporting Activities:			Program Activities	Supporting Activities:		
	Management and General	Fundraising	Total	Management and General	Fundraising	Total		
U.S salaries and benefits	\$ 787,895	\$ 268,362	\$ 935,990	\$ 1,992,247	\$ 784,436	\$ 293,515	\$ 871,084	\$ 1,949,035
Grants for revolving loans	1,780,432	-	-	1,780,432	61,723	-	-	61,723
International staff	1,665,612	1,863	931	1,668,406	1,485,343	-	-	1,485,343
School leader and teacher training	1,596,922	27,000	-	1,623,922	876,087	-	-	876,087
Services and professional fees	260,127	121,599	63,311	445,037	177,602	70,836	58,579	307,017
Travel	305,916	17,700	117,363	440,979	425,964	14,884	130,088	570,936
Office, occupancy, and supplies	316,132	36,893	45,746	398,771	189,101	30,177	35,293	254,571
Depreciation	21,006	553	18,852	40,411	7,479	866	8,452	16,797
Total Expenses	\$ 6,734,042	\$ 473,970	\$ 1,182,193	\$ 8,390,205	\$ 4,007,735	\$ 410,278	\$ 1,103,496	\$ 5,521,509

See notes to consolidated financial statements

EDIFY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 697,491	\$ 2,156,916
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,411	16,797
Net change in:		
Prepays and other assets	(93,647)	76,223
Accounts payable	3,268	43,980
Net Cash Provided by Operating Activities	647,523	2,293,916
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and software	(114,398)	(89,249)
Net Cash Used in Investing Activities	(114,398)	(89,249)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Paycheck Protection Program loan	-	325,551
Payments on the Paycheck Protection Program loan	-	(325,551)
Net Cash Provided (Used) by Financing Activities	-	-
Change in Cash and Cash Equivalents	533,125	2,204,667
Cash and Cash Equivalents, Beginning of Year	5,635,213	3,430,546
Cash and Cash Equivalents, End of Year	\$ 6,168,338	\$ 5,635,213
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 2,449,997	\$ 3,413,816
Restricted cash from donations	1,687,519	1,221,032
Board designated cash reserve	2,030,822	1,000,365
	\$ 6,168,338	\$ 5,635,213

See notes to consolidated financial statements

EDIFY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, Edify's cash balances exceeded federally insured limits by approximately \$5,664,000 and \$4,998,000, 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, 2021 and 2020. 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 5 for more information.

EQUIPMENT AND SOFTWARE

Expenditures over \$3,000 and \$1,000 for equipment are capitalized at cost for years ended September 30, 2021 and 2020, respectively. 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.

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 consolidated statements of activities as release of donor restrictions.

EDIFY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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 \$235,954 and \$235,431, during the years ended September 30, 2021 and 2020 respectively, are received from professional educators for training services and accounting 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 consolidated statements of activities and consolidated 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.

EDIFY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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 the balance sheet date.

	September 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,449,997	\$ 3,413,816
Restricted cash from donations	1,687,519	1,221,032
Board designated cash reserve	2,030,822	1,000,365
Accounts receivable (included within prepaids and other assets on the consolidated statements of financial position)	3,998	1,507
Financial assets, at year end	6,172,336	5,636,720
Less those unavailable for general expenditure within one year due to contraction or donor-imposed restrictions		
Restricted by donor with purpose restrictions	(265,576)	(116,293)
Board designated cash reserve	(2,030,822)	(1,000,365)
	(2,296,398)	(1,116,658)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,875,938	\$ 4,520,062

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

4. EQUIPMENT AND SOFTWARE:

Equipment and software consists of:

	September 30,	
	2021	2020
Computer equipment and software	\$ 259,369	\$ 146,074
Furniture	48,507	47,402
Less accumulated depreciation	(131,686)	(94,283)
Equipment, net of depreciation	\$ 176,190	\$ 99,193

EDIFY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

5. NET ASSETS WITH DONOR RESTRICTIONS:

Donor-restricted funds consist of:

	September 30,	
	2021	2020
Edify information systems integration	\$ 546,049	\$ 514,385
Uganda designated projects	256,532	31,847
Edify staff leadership development	202,552	234,798
Ethiopia designated projects	103,145	-
Executive recruiting and compensation	91,485	151,600
Rwanda designated projects	86,677	59,685
Guatemala designated projects	84,530	-
Liberia designated projects	83,604	15,248
Burkina Faso designated projects	76,347	39,647
Sierra Leone designated projects	62,682	8,333
Christian Transformation	50,000	25,000
Africa designated projects	22,887	92,088
Ghana designated projects	18,500	10,000
Covid recovery designated projects	1,929	3,396
Dominican Republic designated projects	600	35,005
	\$ 1,687,519	\$ 1,221,032

6. GRANTS FOR REVOLVING LOANS:

During the years ended September 30, 2021 and 2020, Edify granted a net total of \$1,780,432 and \$61,723 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 of holding 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, 2021 and 2020

7. COMMITMENTS:

In August 2021, Edify signed a lease amendment extending the term through February 2022 for office space in San Diego, California. During the year ended September 30, 2021, monthly payments were \$2,788. The monthly rates will be \$2,788 for the remainder of the lease.

In August 2020 Edify signed office space leases of 36 months for office space in Uganda. Future monthly payments will consist of \$804 in Uganda.

Future minimum payments are as follows:

Year Ending September 30,

2022	\$	23,589
2023		<u>8,040</u>
	\$	<u><u>31,629</u></u>

Edify has entered into staffing contracts with independent contractors for future services in various countries that it serves with total contract commitments of \$63,366 as of September 30, 2021.

8. RELATED PARTY:

A former 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 has made grants over the years 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. No grants were given in the years ended September 30, 2021 and 2020. Edify received donated professional services of \$181,954 and \$235,431 related to these organizations during the year ended September 30, 2021 and 2020, respectively.

The spouse of Edify's CEO 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 of \$2,175 and \$4,265 directly related to these activities during fiscal year 2021 and 2020, respectively.

EDIFY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy through significant declines and volatility in financial markets and increases in unemployment.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Edify for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances change.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 3, 2021, which is the date the consolidated financial statements were available to be issued.