EDIFY AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2022 and 2021

CAPINCROUSE LLP

EDIFY
AND SUBSIDIARIES

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CAPINCROUSE LLP

Celebrating 50 YEARS OF EMPOWERING NONPROFITS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Edify and Subsidiaries
San Diego, California

Opinion

We have audited the accompanying consolidated financial statements of Edify and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Edify and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Edify and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Board of Directors
Edify and Subsidiaries
San Diego, California

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Edify and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Edify and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

San Diego, California
December 8, 2022

EDIFY
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Consolidated Statements of Financial Position

	September 30,			
	2022		2021	
ASSETS:				
Current assets:				
Cash and cash equivalents	$	3,742,955	$	2,449,997
Restricted cash from donations		674,850		1,687,519
Prepaids and other assets		324,852		278,444
		4,742,657		4,415,960
Board designated cash reserve		2,508,527		2,030,822
Prepaids and other assets, net of current portion		1,710		491
Equipment and software–at cost, net		131,089		176,190
Total Assets	$	7,383,983	$	6,623,463
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable and other liabilities	$	392,485	$	104,912
Net assets:				
Without donor restrictions:				
Undesignated		3,808,121		2,800,210
Board designated cash reserve		2,508,527		2,030,822
		6,316,648		4,831,032
With donor restrictions		674,850		1,687,519
Total net assets		6,991,498		6,518,551
Total Liabilities and Net Assets	$	7,383,983	$	6,623,463

See notes to consolidated financial statements

EDIFY
AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended September 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	$ 8,792,710	$ 2,161,939	$ 10,954,649	$ 6,973,312	$ 1,865,949	$ 8,839,261
Interest income	6,075	-	6,075	351	-	351
Contribution of nonfinancial assets	155,431	-	155,431	246,682	-	246,682
Other income	19,221	-	19,221	1,402	-	1,402
	8,973,437	2,161,939	11,135,376	7,221,747	1,865,949	9,087,696
Release of net assets from donor restrictions	3,174,608	(3,174,608)	-	1,399,462	(1,399,462)	-
Total Support and Revenue	12,148,045	(1,012,669)	11,135,376	8,621,209	466,487	9,087,696
EXPENSES:						
Program services	8,406,836	-	8,406,836	6,734,042	-	6,734,042
Supporting activities:						
General and administrative	626,404	-	626,404	473,970	-	473,970
Fundraising	1,629,189	-	1,629,189	1,182,193	-	1,182,193
Total Expenses	10,662,429	-	10,662,429	8,390,205	-	8,390,205
Change in Net Assets	1,485,616	(1,012,669)	472,947	231,004	466,487	697,491
Net Assets, Beginning of Year	4,831,032	1,687,519	6,518,551	4,600,028	1,221,032	5,821,060
Net Assets, End of Year	$ 6,316,648	$ 674,850	$ 6,991,498	$ 4,831,032	$ 1,687,519	$ 6,518,551

See notes to consolidated financial statements

EDIFY
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Consolidated Statements of Functional Expenses

	Year Ended September 30,							
	2022				2021			
		Supporting Activities:				Supporting Activities:		
	Program Activities	Management and General	Fundraising	Total	Program Activities	Management and General	Fundraising	Total
U.S salaries and benefits	$ 1,000,605	$ 333,959	$ 1,021,171	$ 2,355,735	$ 787,895	$ 268,362	$ 935,990	$ 1,992,247
International staff	2,066,590	14,091	7,046	2,087,727	1,780,432	-	-	1,780,432
School leader and teacher training	2,027,891	36,000	5,602	2,069,493	1,665,612	1,863	931	1,668,406
Grants for revolving loans	1,464,496	-	-	1,464,496	1,596,922	27,000	-	1,623,922
Travel	812,076	36,972	430,262	1,279,310	260,127	121,599	63,311	445,037
Services and professional fees	508,934	131,174	59,930	700,038	305,916	17,700	117,363	440,979
Office, occupancy, and supplies	497,577	74,145	89,143	660,865	316,132	36,893	45,746	398,771
Depreciation	28,667	63	16,035	44,765	21,006	553	18,852	40,411
Total Expenses	$ 8,406,836	$ 626,404	$ 1,629,189	$10,662,429	$ 6,734,042	$ 473,970	$ 1,182,193	$ 8,390,205

See notes to consolidated financial statements

EDIFY
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Consolidated Statements of Cash Flows

	Year Ended September 30, 2022	Year Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 472,947	$ 697,491
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	44,765	40,411
Loss on disposal of equipment	750	-
Net change in:		
Prepaids and other assets	(48,041)	(93,647)
Accounts payable	287,573	3,268
Net Cash Provided by Operating Activities	757,994	647,523
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and software	-	(114,398)
Net Cash Used in Investing Activities	-	(114,398)
Change in Cash and Cash Equivalents	757,994	533,125
Cash and Cash Equivalents, Beginning of Year	6,168,338	5,635,213
Cash and Cash Equivalents, End of Year	$ 6,926,332	$ 6,168,338
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$ 3,742,955	$ 2,449,997
Restricted cash from donations	674,850	1,687,519
Board designated cash reserve	2,508,527	2,030,822
	$ 6,926,332	$ 6,168,338

See notes to consolidated financial statements

EDIFY
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Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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 throughout the United States and and six international entities in Ghana, Rwanda, Liberia, Uganda, Burkina Faso, and Sierra Leone. Edify also operates under partnership agreements in other countries. Edify Ghana, Edify Liberia, Edify Rwanda, Edify Uganda, Edify Burkina Faso, and Edify Sierra Leone 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, Edify Uganda, Edify Burkina Faso, and Edify Sierra Leone 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, Edify Uganda, Edify Burkina Faso, and Edify Sierra Leone. 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.

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, 2022 and 2021, Edify's cash balances exceeded federally insured limits by approximately $6,245,000 and $5,664,000, 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, 2022 and 2021. 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 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued

Contributions of nonfinancial assets include donated services, software and technology, and other miscellaneous gifts. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received in the consolidated statement of activities. Edify receives skilled services by professional educators for training services and accounting services. Fair value estimates for donated services are based on current rates provided by equivalent industry professionals. Software and technology estimates are based on wholesale prices of identical products as provided by donors and retailer's pricing schedules. Other estimates are based on retail prices of equivalent items and receipts provided by donors. Contributions of nonfinancial assets are used within Edify's program without donor restriction.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS

During the year ended September 30, 2022, Edify adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets. These disclosure requirements include disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received, how the contributed nonfinancial assets are used, a description of the valuation techniques and inputs used to arrive at the fair value measurement and a description of any donor imposed restrictions. The standard did not have a material impact on the financial statements with the exception of increased disclosure.

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, 2022	September 30, 2021
Financial assets:		
Cash and cash equivalents	$ 3,742,956	$ 2,449,997
Restricted cash from donations	674,850	1,687,519
Board designated cash reserve	2,508,527	2,030,822
Accounts receivable (included within prepaids and other assets on the consolidated statements of financial position)	4,757	3,998
Financial assets, at year end	6,931,090	6,172,336
Less those unavailable for general expenditure within one year due to contraction or donor-imposed restrictions		
Restricted by donor with purpose restrictions	(15,000)	(265,576)
Board designated cash reserve	(2,508,527)	(2,030,822)
	(2,523,527)	(2,296,398)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,407,563	$ 3,875,938

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, 2022	September 30, 2021
Computer equipment and software	$ 257,289	$ 259,369
Furniture	38,820	48,507
Camera equipment	-	-
Less accumulated depreciation	(165,020)	(131,686)
Equipment, net of depreciation	$ 131,089	$ 176,190

5. NET ASSETS WITH DONOR RESTRICTIONS:

Donor-restricted funds consist of:

	September 30, 2022	September 30, 2021
Edify information systems integration	$ 191,570	$ 546,050
Edify staff leadership development	114,235	202,552
Uganda designated projects	114,111	256,532
Panama designated projects	110,601	-
Ethiopia designated projects	103,833	103,145
Guatemala designated projects	27,244	84,530
El Salvador designated projects	5,993	-
Christian Transformation	4,190	50,000
Rwanda designated projects	3,073	86,677
Executive recruiting and compensation	-	91,485
Liberia designated projects	-	83,604
Burkina Faso designated projects	-	76,347
Sierra Leone designated projects	-	62,682
Africa designated projects	-	22,887
Ghana designated projects	-	18,500
Covid recovery designated projects	-	1,928
Dominican Republic designated projects	-	600
	$ 674,850	$ 1,687,519

6. CONTRIBUTION OF NONFINANCIAL ASSETS:

Edify receives donations of professional services, software and technology, and other nonfinancial assets for use in program, fundraising, and management activities.

Contribution of nonfinancial assets recorded within the consolidated statements of activities include:

	Year Ended September 30, 2022	Year Ended September 30, 2021
Donated services	$ 121,564	$ 235,954
Donated software & technology	12,875	10,728
Other contributed nonfinancial assets	20,992	-
	$ 155,431	$ 246,682

7. GRANTS FOR REVOLVING LOANS:

During the years ended September 30, 2022 and 2021, Edify granted a net total of $1,464,496 and $1,780,432 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.

8. COMMITMENTS:
Edify leases office space in Uganda, Liberia, Sierra Leone, and Ghana. These office leases mature between July 2023 through October 2025. Future minimum payments are summarized below:

Future minimum payments are as follows:

Year Ending September 30,		
2023	$	30,989
2024		22,100
2025		17,625
2026		1,400
	$	72,114

Edify has entered into staffing contracts with independent contractors for future services in various countries that it serves with total contract commitments of $40,201 as of September 30, 2022.

9. EMPLOYEE BENEFIT PLANS:
Edify participates in a FIS Business Systems 403b retirement plan (the Plan) implemented October 1, 2021. All regular full-time US based staff members are covered upon beginning service. Edify's conributions are based on employee's W-2 wages and increased by elective deferrals made by the employee. Edify's contribution to the Plan for the years ended September 30, 2022 was $7,643. There were no transactions in the year ended September 30, 2021, since the plan was non-existent at that time.

10. RELATED PARTY:

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, 2022 and 2021. Edify received donated professional services of $49,564 and $181,954 related to these organizations during the year ended September 30, 2022 and 2021, 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 organization's 360 degrees of transformation initiative. Edify paid travel expenses of $7,771 and $2,175 directly related to these activities during the years ended September 30, 2022 and 2021, respectively. Children of the CEO participated in a donor vision trip during fiscal year 2022. Edify paid for their travel expenses related to this activity totaling $3,773 and $0 during the years ended September 30, 2022 and 2021, respectively.

11. CONCENTRATION:

For the years ended September 30, 2022 and 2021, the top five donors provided approximately 31% of total revenue in both years.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 8, 2022, which is the date the consolidated financial statements were available to be issued.