



EDIFY

Financial Statements  
With Independent Auditors' Report

September 30, 2015 and 2014

# EDIFY

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Edify  
San Diego, California

We have audited the accompanying financial statements of Edify, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 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 Edify'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 Edify'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.

Board of Directors  
Edify  
San Diego, California

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edify as of September 30, 2015 and 2014, 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 18, 2015

# EDIFY

## Statements of Financial Position

	September 30,	
	2015	2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,397,205	\$ 461,169
Restricted cash from donations	887,559	1,002,701
Notes receivable, current portion	18,960	27,173
Prepays and other assets	66,846	30,425
	<u>2,370,570</u>	<u>1,521,468</u>
Notes receivable, net of current portion	38,825	61,332
Restricted cash held on deposit with partner organizations	48,907	50,893
Prepays and other assets, net of current portion	26,400	-
Equipment - at cost, net	<u>26,977</u>	<u>20,203</u>
Total Assets	<u>\$ 2,511,679</u>	<u>\$ 1,653,896</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	<u>\$ 102,661</u>	<u>\$ 75,033</u>
Net assets:		
Unrestricted:		
Undesignated	935,709	555,959
Designated by board as general operating reserve	558,773	-
Net investment in equipment	26,977	20,203
	<u>1,521,459</u>	<u>576,162</u>
Temporarily restricted donations	<u>887,559</u>	<u>1,002,701</u>
	<u>2,409,018</u>	<u>1,578,863</u>
Total Liabilities and Net Assets	<u>\$ 2,511,679</u>	<u>\$ 1,653,896</u>

See notes to financial statements

# EDIFY

## Statements of Activities

	Year Ended September 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 3,500,055	\$ 951,000	\$ 4,451,055	\$ 2,652,704	\$ 1,492,225	\$ 4,144,929
Interest income	1,857	-	1,857	3,426	-	3,426
Other income	52,910	-	52,910	21,530	-	21,530
	3,554,822	951,000	4,505,822	2,677,660	1,492,225	4,169,885
Release of temporarily restricted net assets from donor restrictions:	1,066,142	(1,066,142)	-	1,276,209	(1,276,209)	-
<b>Total Support and Revenue</b>	4,620,964	(115,142)	4,505,822	3,953,869	216,016	4,169,885
<b>EXPENSES:</b>						
Program services:						
Grants for revolving loans	638,091	-	638,091	1,170,620	-	1,170,620
Other program services	2,047,972	-	2,047,972	1,835,846	-	1,835,846
Supporting activities:						
General and administrative	350,850	-	350,850	291,943	-	291,943
Fundraising	638,754	-	638,754	341,104	-	341,104
<b>Total Expenses</b>	3,675,667	-	3,675,667	3,639,513	-	3,639,513
Change in Net Assets	945,297	(115,142)	830,155	314,356	216,016	530,372
Net Assets, Beginning of Year	576,162	1,002,701	1,578,863	261,806	786,685	1,048,491
Net Assets, End of Year	\$ 1,521,459	\$ 887,559	\$ 2,409,018	\$ 576,162	\$ 1,002,701	\$ 1,578,863

See notes to financial statements

# EDIFY

## Statements of Cash Flows

	Year Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 830,155	\$ 530,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,599	12,348
Currency exchange loss	6,191	6,137
Gain on sale of equipment	-	(2,385)
Donation of computer software	(2,940)	(4,116)
Net change in:		
Restricted cash from donations	115,142	(216,016)
Prepays and other assets	(63,735)	(77,625)
Accounts payable	27,628	(35,255)
Net Cash Provided By Operating Activities	<u>922,040</u>	<u>213,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment and software additions	(12,519)	(13,244)
Proceeds from sale of equipment	-	10,710
Notes receivable issued	-	(10,185)
Collections on notes receivable	26,515	25,915
Net Cash Provided by Investing Activities	<u>13,996</u>	<u>13,196</u>
Change in Cash and Cash Equivalents	936,036	226,656
Cash and Cash Equivalents, Beginning of Year	<u>461,169</u>	<u>234,513</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,397,205</u>	<u>\$ 461,169</u>

See notes to financial statements

# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

Edify was incorporated in 2009 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from state income taxes. Edify has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. 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 is focusing on delivering four key resources to help Christian education entrepreneurs in developing countries lift their communities out of poverty.

1. Training school leaders and teachers to use Christ-centered materials to develop character in students
2. Providing loan capital to expand and improve facilities at low-fee, sustainable Christ-centered schools
3. Training school leaders to effectively manage and to grow sustainable and transformational schools
4. Integrating education technology to enhance learning outcomes and employability

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The 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 financial statements to the reader.

### CASH AND CASH EQUIVALENTS

For 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. Also, \$558,773 and \$0 of unrestricted cash has been designated by the board as a general operating reserve for the years ending September 30, 2015 and 2014, respectively.

### 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.



# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

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

#### NET ASSETS:

The 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.

#### 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 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.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of September 30, 2015 and 2014, Edify had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS, continued

Edify files information tax returns in the U.S. and California. Edify is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform with 2015 presentation format.

3. NOTES RECEIVABLE:

Notes receivable consist of:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Conditional use loan receivable from Kenya Commercial Bank in Rwanda with a 0% interest rate unless the bank defaults on the loan. Payments of \$4,258 are due quarterly through October 2018, with a final payment amount of \$4,761. No present value discount or imputed interest was recorded due to immateriality.	\$ 55,857	\$ 77,517
Conditional use loan receivable from a Christian school in Rwanda, secured by computer equipment, with a 0% interest rate unless the school defaults on the loan. Payments of \$1,928 are due quarterly through October 2015. No present value discount was recorded due to immateriality.	1,928	9,642
Other short-term loans	-	1,346
	<u>57,785</u>	<u>88,505</u>
Less current portion	<u>(18,960)</u>	<u>(27,173)</u>
Notes receivable, net of current portion	<u>\$ 38,825</u>	<u>\$ 61,332</u>

Annual maturities are:

<u>Year Ending September 30,</u>	
2016	\$ 18,960
2017	17,032
2018	17,032
2019	4,761
	<u>\$ 57,785</u>

# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

3. NOTES RECEIVABLE, continued:

During the years ended September 30, 2015 and 2014, Edify granted a total of \$670,046 and \$1,198,573 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 statements of activities and are not reflected as notes receivable on the 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. The cash is restricted and may not be withdrawn by Edify over the first three years of the agreement, which was signed in September 2011. Edify recognized a loss on currency exchange rate related to this deposit totaling \$3,806 and \$1,157 as of September 30, 2015 and 2014, respectively. None of the collateralized loans were in default as of September 30, 2015 and 2014.

5. EQUIPMENT:

Equipment consists of:

	September 30,	
	2015	2014
Computer equipment and software	\$ 50,916	\$ 41,579
Furniture	19,366	13,244
Camera equipment	2,055	2,055
Less accumulated depreciation	<u>(45,360)</u>	<u>(36,675)</u>
Equipment, net of depreciation	<u>\$ 26,977</u>	<u>\$ 20,203</u>

# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

6. TEMPORARILY RESTRICTED NET ASSETS:

Donor-restricted funds consist of:

	September 30,	
	2015	2014
Dominican Republic designated projects	\$ 108,600	\$ 295,290
Ghana designated projects	4,544	46,855
Rwanda designated projects	9,142	19,222
Peru designated projects	54,315	149,342
Africa designated projects	307,007	254,920
Liberia designated projects	-	55,494
Burkina Faso designated projects	-	15,810
Ethiopia designated projects	39,000	-
Guatemala designated projects	21,000	-
Education technology	22,179	-
Funds for school loans	100,000	-
Christian transformation	221,772	165,768
	<u>\$ 887,559</u>	<u>\$ 1,002,701</u>

7. COMMITMENTS:

Edify has agreed to pay Kenya Commercial Bank an interest rate subsidy grant not to exceed \$28,000 in the aggregate through October 2018.

Edify previously agreed to provide grants to a ministry partner in Ghana, Sinapi Aba Trust (SAT), not to exceed \$84,000 annually for a period of 5 years beginning in 2013. The grants are for certain operating expenses related to the Edify school loan program in Ghana. During the year ending September 30, 2014, the parties agreed to reduce the amount of the grants and phase them out on a declining payment schedule ending December 31, 2015. The remaining grant commitment is \$2,563 for the year ending September 30, 2016.

8. CONCENTRATION:

For the years ended September 30, 2015 and 2014, five donors provided approximately 38% and 40% of total contributions, respectively.

# EDIFY

## Notes to Financial Statements

September 30, 2015 and 2014

9. RELATED PARTY:

One of Edify's board members is also a board member at the lending institution to which Edify has restricted cash on deposit, as described in note 4. In addition, Edify made grants to other nonprofit organizations that have Edify management or board members currently serving on those organization's boards. Edify granted \$0 and \$235,508 to these organizations during the years ended September 30, 2015 and 2014, respectively.

10. SUBSEQUENT EVENTS:

Subsequent to the year ended September 30, 2015, Edify entered into a lease for office space. The lease is from November 2015 through December 2018 with future rent payments totaling \$109,905 over the life of the lease.

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.