



Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 17, 2017

EDIFY

Statements of Financial Position

	September 30,	
	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 899,651	\$ 387,255
Restricted cash from donations	1,156,975	1,314,419
Board designated cash reserve	589,403	560,141
Notes receivable, current portion	14,853	15,356
Prepays and other assets	370,786	133,877
	<u>3,031,668</u>	<u>2,411,048</u>
Notes receivable, net of current portion	4,152	19,650
Restricted cash held on deposit with partner organizations	45,736	45,668
Prepays and other assets, net of current portion	-	13,200
Equipment—at cost, net	45,374	43,732
	<u>45,374</u>	<u>43,732</u>
Total Assets	<u>\$ 3,126,930</u>	<u>\$ 2,533,298</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 61,219	\$ 140,653
Other long-term liabilities	1,083	5,453
	<u>1,083</u>	<u>5,453</u>
	<u>62,302</u>	<u>146,106</u>
Net assets:		
Unrestricted:		
Undesignated	1,272,876	468,900
Board designated cash reserve	589,403	560,141
Net investment in equipment	45,374	43,732
	<u>1,907,653</u>	<u>1,072,773</u>
Temporarily restricted	1,156,975	1,314,419
	<u>1,156,975</u>	<u>1,314,419</u>
	<u>3,064,628</u>	<u>2,387,192</u>
Total Liabilities and Net Assets	<u>\$ 3,126,930</u>	<u>\$ 2,533,298</u>

See notes to financial statements

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Statements of Activities

	Year Ended September 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,244,883	\$ 1,755,736	\$ 6,000,619	\$ 3,005,638	\$ 1,785,898	\$ 4,791,536
Interest income	1,729	-	1,729	1,758	-	1,758
Other income	301,188	-	301,188	206,873	-	206,873
	4,547,800	1,755,736	6,303,536	3,214,269	1,785,898	5,000,167
Release of temporarily restricted net assets from donor restrictions	1,913,180	(1,913,180)	-	1,359,038	(1,359,038)	-
Total Support and Revenue	6,460,980	(157,444)	6,303,536	4,573,307	426,860	5,000,167
EXPENSES:						
Program services:						
Grants for revolving loans	972,412	-	972,412	930,412	-	930,412
Other program services	3,319,074	-	3,319,074	2,915,923	-	2,915,923
Supporting activities:						
General and administrative	343,958	-	343,958	323,833	-	323,833
Fundraising	990,656	-	990,656	851,825	-	851,825
Total Expenses	5,626,100	-	5,626,100	5,021,993	-	5,021,993
Change in Net Assets	834,880	(157,444)	677,436	(448,686)	426,860	(21,826)
Net Assets, Beginning of Year	1,072,773	1,314,419	2,387,192	1,521,459	887,559	2,409,018
Net Assets, End of Year	\$ 1,907,653	\$ 1,156,975	\$ 3,064,628	\$ 1,072,773	\$ 1,314,419	\$ 2,387,192

See notes to financial statements

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Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 677,436	\$ (21,826)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,560	14,264
Currency exchange loss	960	8,037
Donation of computer software	(4,116)	(7,644)
Net change in:		
Restricted cash from donations	157,444	(426,860)
Board designated cash reserve	(29,262)	(1,368)
Prepays and other assets	(224,353)	(53,881)
Accounts payable	(83,804)	43,445
Net Cash Provided by (Used in) Operating Activities	<u>514,865</u>	<u>(445,833)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment and software additions	(17,442)	(23,325)
Collections on notes receivable	14,973	17,981
Net Cash Used in Investing Activities	<u>(2,469)</u>	<u>(5,344)</u>
Change in Cash and Cash Equivalents	512,396	(451,177)
Cash and Cash Equivalents, Beginning of Year	<u>387,255</u>	<u>838,432</u>
Cash and Cash Equivalents, End of Year	<u>\$ 899,651</u>	<u>\$ 387,255</u>

See notes to financial statements

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Notes to Financial Statements

September 30, 2017 and 2016

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 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

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.

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, 2017 and 2016

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.

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Notes to Financial Statements

September 30, 2017 and 2016

3. NOTES RECEIVABLE:

Notes receivable consist of:

	September 30,	
	2017	2016
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 \$4,152. No present value discount was recorded due to immateriality.	\$ 19,005	\$ 35,006
	19,005	35,006
Less current portion	(14,853)	(15,356)
Notes receivable, net of current portion	\$ 4,152	\$ 19,650

Annual maturities are:

Year Ending September 30,	
2018	\$ 14,853
2019	4,152
	\$ 19,005

During the years ended September 30, 2017 and 2016, Edify granted a total of \$971,324 and \$1,021,760 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. Edify recognized a loss on currency exchange rate related to this deposit totaling \$1,498 and \$4,810 as of September 30, 2017 and 2016, respectively. None of the collateralized loans were in default as of September 30, 2017 and 2016.

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Notes to Financial Statements

September 30, 2017 and 2016

5. EQUIPMENT:

Equipment consists of:

	September 30,	
	2017	2016
Computer equipment and software	\$ 81,924	\$ 63,586
Furniture	40,885	37,665
Camera equipment	2,055	2,055
Less accumulated depreciation	(79,490)	(59,574)
Equipment, net of depreciation	\$ 45,374	\$ 43,732

6. TEMPORARILY RESTRICTED NET ASSETS:

Donor-restricted funds consist of:

	September 30,	
	2017	2016
Dominican Republic designated projects	\$ 23,572	\$ 132,183
Ghana designated projects	58,820	20,054
Rwanda designated projects	48,952	58,761
Peru designated projects	80,339	121,896
Africa designated projects	334,032	305,000
Liberia designated projects	10,000	5,000
Burkina Faso designated projects	100,000	83,772
Ethiopia designated projects	40,805	17,582
Guatemala designated projects	-	63,756
Uganda feasibility study	20,000	-
Sierra Leone designated projects	89,273	-
Funds for school loans	-	57,500
Latin America designated projects	15,000	-
India designated projects	97,078	145,763
Philippines feasibility study	-	8,225
Christian transformation	239,104	294,927
	\$ 1,156,975	\$ 1,314,419

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Notes to Financial Statements

September 30, 2017 and 2016

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 has agreed to provide grants to certain lending partners to subsidize the cost of dedicated loan officers for the year ending September 30, 2018, as follows: \$2,500 to Amasezerano Community Bank in Rwanda, \$5,000 to ACTB Savings and Loans in Sierra Leone, and \$5,000 to Fundación de Asistencia para la Pequeña Empresa (FAPE) in Guatemala. In addition, Edify agreed to provide a loan officer grant of \$2,000 to FAPE during the fiscal year ending September 30, 2019. Loan officer grant payments are contingent upon the lending partner meeting their obligations under the respective loan program agreement.

Edify has entered into staffing contracts with independent contractors in various countries that it serves with a total contract liability of \$97,400 as of the year ending September 30, 2017.

Edify signed a lease in November 2015 for office space in San Diego, California. The lease expires in December 2018. During fiscal year 2017 monthly payments averaged \$3,195. Edify received 3 months of free rent in the first year of the lease. 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, 2017, was \$35,645.

Future minimum cash lease payments are as follows:

Year Ending September 30,

2018	\$	40,014
2019		8,509
		<hr/>
	\$	48,523
		<hr/> <hr/>

8. CONCENTRATION:

For the years ended September 30, 2017 and 2016, five donors provided approximately 28% and 35% of total contributions, respectively.

EDIFY

Notes to Financial Statements

September 30, 2017 and 2016

9. RELATED PARTY:

One of Edify's board members was formerly a board member at the lending institution in which Edify has 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 organizations' boards or worked for them. 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. Edify made grants of \$83,835 and received donated professional services of \$132,892 related to these organizations during the year ended September 30, 2016. In addition, Edify received a loan repayment of \$93,342 from one of these organizations in the year ended September 30, 2016.

The spouse of Edify's president 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 for this volunteer of \$3,352 directly related to these activities during fiscal year 2017.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 17, 2017, which is the date the financial statements were available to be issued.