EDIFY

FINANCIAL STATEMENTS
With Independent Auditors' Report

September 30, 2011 and 2010

CAPINCROUSE LLP
Certified Public Accountants

EDIFY

Table of Contents

CAPINCROUSE LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Edify
San Diego, California

We have audited the accompanying statements of financial position of Edify as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Edify's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

San Diego, California
November 14, 2011

EDIFY

Statements of Financial Position

	September 30, 2011	September 30, 2010
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 57,288	$ 16,903
Restricted cash from donations	25,685	20,000
Investments, donated privately held stock	-	91,442
Notes receivable from schools, current portion	97,306	78,424
Prepaids and other assets	21,480	4,067
	201,759	210,836
Notes receivable from schools, net of current portion	481,224	44,239
Restricted cash held on deposit with partner organizations	50,000	-
Equipment - at cost, net	20,999	10,606
Total Assets	$ 753,982	$ 265,681
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 6,842	$ 8,882
Net assets:		
Unrestricted:		
Undesignated	700,456	226,193
Net investment in equipment	20,999	10,606
	721,455	236,799
Temporarily restricted	25,685	20,000
	747,140	256,799
Total Liabilities and Net Assets	$ 753,982	$ 265,681

See notes to financial statements

EDIFY

Statements of Activities

	Year Ended September 30,					
	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 2,072,091	$ 417,830	$ 2,489,921	$ 1,013,358	$ 236,000	$ 1,249,358
Interest income	13,509	-	13,509	901	-	901
Other income	7,975	-	7,975	-	-	-
	2,093,575	417,830	2,511,405	1,014,259	236,000	1,250,259
Release of temporarily restricted net assets from donor restrictions:	412,145	(412,145)	-	216,000	(216,000)	-
Total Support and Revenue	2,505,720	5,685	2,511,405	1,230,259	20,000	1,250,259
EXPENSES:						
Program services:						
Grants for revolving loans	849,005	-	849,005	559,452	-	559,452
Other program services	652,038	-	652,038	218,010	-	218,010
Supporting activities:						
General and administrative	310,172	-	310,172	145,272	-	145,272
Fundraising	209,849	-	209,849	70,726	-	70,726
Total Expenses	2,021,064	-	2,021,064	993,460	-	993,460
Change in Net Assets	484,656	5,685	490,341	236,799	20,000	256,799
Net Assets, Beginning of Year	236,799	20,000	256,799	-	-	-
Net Assets, End of Year	$ 721,455	$ 25,685	$ 747,140	$ 236,799	$ 20,000	$ 256,799

See notes to financial statements

EDIFY

Statements of Cash Flows

	Year Ended September 30, 2011	Year Ended September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 490,341	$ 256,799
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,506	3,461
Amortization of notes receivable discount	(10,867)	-
Discount recorded on notes receivable	49,005	-
Stock gifts	(78,225)	(199,508)
Net change in:		
Restricted cash from donations	(5,685)	(20,000)
Prepaids and other assets	(18,290)	(4,067)
Accounts payable	(2,040)	8,882
Net Cash Provided by Operating Activities	431,745	45,567
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment additions	(17,022)	(14,067)
Notes receivable issued	(517,725)	(122,663)
Collections on notes receivable	23,720	-
Restricted cash deposited with partner organizations	(50,000)	-
Proceeds from sale of stock gifts	169,667	108,066
Net Cash Used in Investing Activities	(391,360)	(28,664)
Change in Cash and Cash Equivalents	40,385	16,903
Cash and Cash Equivalents, Beginning of Year	16,903	-
Cash and Cash Equivalents, End of Year	$ 57,288	$ 16,903

See notes to financial statements

EDIFY

Notes to Financial Statements

September 30, 2011 and 2010

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 focused on delivering three key resources to help Christian education entrepreneurs in developing countries lift their communities out of poverty:

1. Capital to expand or improve facilities at affordable private Christian schools, thereby increasing access to education for the poor
2. Curricula and other tools to strengthen schools' Christian message and witness
3. Business and teacher training for proprietors and educators to increase education quality

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements for Edify have been prepared on the accrual basis. 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.

INVESTMENTS

Investments consist of privately held stock. The investments are reported at fair value based on quoted prices in active markets for similar assets, which is Level 1 of the fair value hierarchy.

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 is three years.

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.

3. NOTES RECEIVABLE:

Notes receivable consist of seven notes loaned to one school program located in Ghana. The notes have varying interest rates ranging from 0% to 10% and varying maturity dates from March 2015 to September 2016. Amounts with interest rates below market are discounted to represent the present value of future cash flows at a reasonable rate. The discount on notes receivable as of September 30, 2011 and 2010, was $45,475 and $7,337, respectively.

The notes have various terms, with all but one note scheduled to receive monthly payments of principal and interest. The exception is a secured convertible note with total principal and interest due in four years, so long as Edify does not elect to convert the note to preferred stock in the school program. Allowances for impaired notes receivable are determined based on the present value of estimated cash flows and the credit worthiness of the school program, as evaluated by the management of Edify. No allowance for doubtful accounts has been recorded against these loans based on their prior collection history.

Annual maturities, net of discount, are:

Year Ending September 30,	
2012	$ 97,306
2013	93,692
2014	101,644
2015	208,715
2016	77,173
	$ 578,530

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. 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. No loans had been disbursed to schools by the lending institution as of September 30, 2011.

5. EQUIPMENT:

Equipment consists of:

	September 30,	
	2011	2010
Computer equipment	$ 29,035	$ 14,067
Camera equipment	2,055	-
Less accumulated depreciation	(10,091)	(3,461)
Equipment, net of depreciation	$ 20,999	$ 10,606

6. TEMPORARILY RESTRICTED NET ASSETS:

Donor-restricted funds consist of:

	September 30,	
	2011	2010
Research project	$ -	$ 20,000
Dominican Republic	25,685	-
	$ 25,685	$ 20,000

7. COMMITMENTS:

Edify entered into an agreement with a school program in Ghana, whereby Edify agreed to give $200,000 in the form of a note receivable to the school program. Edify disbursed $100,000 to fulfill the agreement, leaving $100,000 owed to the school program as of September 30, 2011. The funds will be disbursed upon the school program meeting certain conditions, which are reasonably expected to be fulfilled.

8. CONCENTRATION:

For the years ended September 30, 2011 and 2010, five donors provided approximately 42% and 65% of total contributions, respectively.

9. RELATED PARTY:

Edify's president had a family member who provided consulting services during the year. Payments made by Edify for services rendered during the years ended September 30, 2011 and 2010, totaled $14,705 and $2,400, respectively.

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 3.

10. SUBSEQUENT EVENTS:

Subsequent to the year ended September 30, 2011, Edify received a $250,000 short-term loan from one of its officers to assist with cash flow.

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.