edify

Financial Statements
With Independent Auditors' Report

September 30, 2014 and 2013

CAPINCROUSE LLP
Certified Public Accountants

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, 2014 and 2013, 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, 2014 and 2013, 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 10, 2014

EDIFY

Statements of Financial Position

	September 30, 2014	September 30, 2013
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 389,319	$ 162,663
Restricted cash from donations	1,002,701	786,685
Notes receivable, current portion	27,173	28,439
Prepaids and other assets	102,275	26,186
	1,521,468	1,003,973
Notes receivable, net of current portion	61,332	84,201
Restricted cash held on deposit with partner organizations	50,893	48,625
Equipment - at cost, net	20,203	21,980
Total Assets	$1,653,896	$ 1,158,779
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 75,033	$ 110,288
Net assets:		
Unrestricted:		
Undesignated	555,959	239,826
Net investment in equipment	20,203	21,980
	576,162	261,806
Temporarily restricted donations	1,002,701	786,685
	1,578,863	1,048,491
Total Liabilities and Net Assets	$1,653,896	$ 1,158,779

See notes to financial statements

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Statements of Activities

	Year Ended September 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 2,652,704	$ 1,492,225	$ 4,144,929	$ 2,348,555	$ 1,562,860	$ 3,911,415
Interest income	3,426	-	3,426	2,223	-	2,223
Other income	21,530	-	21,530	21,155	-	21,155
	2,677,660	1,492,225	4,169,885	2,371,933	1,562,860	3,934,793
Release of temporarily restricted net assets from donor restrictions:	1,276,209	(1,276,209)	-	1,009,274	(1,009,274)	-
Total Support and Revenue	3,953,869	216,016	4,169,885	3,381,207	553,586	3,934,793
EXPENSES:						
Program services:						
Grants for revolving loans	1,170,620	-	1,170,620	1,229,856	-	1,229,856
Other program services	1,835,846	-	1,835,846	1,567,980	-	1,567,980
Supporting activities:						
General and administrative	291,943	-	291,943	289,378	-	289,378
Fundraising	341,104	-	341,104	308,076	-	308,076
Total Expenses	3,639,513	-	3,639,513	3,395,290	-	3,395,290
Change in Net Assets	314,356	216,016	530,372	(14,083)	553,586	539,503
Net Assets, Beginning of Year	261,806	786,685	1,048,491	275,889	233,099	508,988
Net Assets, End of Year	$ 576,162	$ 1,002,701	$ 1,578,863	$ 261,806	$ 786,685	$ 1,048,491

See notes to financial statements

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Statements of Cash Flows

	Year Ended September 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 530,372	$ 539,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,348	15,295
Currency exchange loss	6,137	8,460
Gain on sale of equipment	(2,385)	-
Donation of computer equipment	(4,116)	(6,472)
Net change in:		
Restricted cash from donations	(216,016)	(553,586)
Prepaids and other assets	(77,625)	8,386
Accounts payable	(35,255)	25,515
Net Cash Provided By Operating Activities	213,460	37,101
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment additions	(13,244)	(1,876)
Proceeds from sale of equipment	10,710	-
Notes receivable issued	(10,185)	(104,603)
Collections on notes receivable	25,915	15,542
Net Cash Provided by (Used in) Investing Activities	13,196	(90,937)
Change in Cash and Cash Equivalents	226,656	(53,836)
Cash and Cash Equivalents, Beginning of Year	162,663	216,499
Cash and Cash Equivalents, End of Year	$ 389,319	$ 162,663

See notes to financial statements

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Notes to Financial Statements

September 30, 2014 and 2013

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 low fee independent 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 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 five years.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued:
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, 2014 and 2013, Edify had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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.

3. NOTES RECEIVABLE:

Notes receivable consist of:

	September 30, 2014	September 30, 2013
Conditional use loan receivable from Kenya Commercial Bank in Rwanda with a 0% interest rate unless the bank defaults on the loan. Payments of $4,528 are due quarterly though October 2018 with a final payment amount of $5,064. No present value discount or imputed interest was recorded due to immateriality.	$ 77,517	$ 92,812
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 though September 2015. No present value discount or imputed interest was recorded due to immateriality.	9,642	17,355
Other short-term loans	1,346	2,473
	88,505	112,640
Less current portion	(27,173)	(28,439)
Notes receivable, net of current portion	$ 61,332	$ 84,201

Annual maturities are:

Year Ending September 30,	
2014	$ 27,173
2015	20,042
2016	18,113
2017	18,113
2018	5,064
	$ 88,505

During the years ended September 30, 2014 and 2013, Edify granted a total of $1,198,573 and $1,029,171 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 $1,157 and $2,657 as of September 30, 2014 and 2013, respectively. None of the collateralized loans were in default as of September 30, 2014 and 2013.

5. EQUIPMENT:

Equipment consists of:

	September 30, 2014	September 30, 2013
Computer equipment	$ 41,579	$ 37,463
Furniture	13,244	-
Vehicles	-	18,500
Camera equipment	2,055	2,055
Less accumulated depreciation	(36,675)	(36,038)
Equipment, net of depreciation	$ 20,203	$ 21,980

6. TEMPORARILY RESTRICTED NET ASSETS:

Donor-restricted funds consist of:

	September 30, 2014	September 30, 2013
Dominican Republic designated projects	$ 295,290	$ 86,322
Ghana designated projects	46,855	335,310
Rwanda designated projects	19,222	7,111
Peru designated projects	149,342	75,000
Africa designated projects	254,920	21,960
Liberia designated projects	55,494	114,000
Burkina Faso designated projects	15,810	-
Funds for school loans	-	30,000
Christian transformation	165,768	116,982
	$ 1,002,701	$ 786,685

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 commitments are $20,500 and $2,563 for the years ending September 30, 2015 and 2016, respectively.

8. CONCENTRATION:

For the years ended September 30, 2014 and 2013, five donors provided approximately 40% and 45% of total contributions, respectively.

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 during the year to other nonprofit organizations that have Edify management or board members currently serving on those organization's boards. Edify granted $235,508 and $169,741 to these organizations during the years ended September 30, 2014 and 2013, respectively.

10. SUBSEQUENT EVENTS:

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.