



Financial Statements

For the Year Ended December 31, 2016

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Independent Auditor's Report

**To the Board of Directors
Rural Education and Development Global
San Francisco, California**

We have audited the accompanying financial statements of Rural Education and Development Global (READ Global) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 the entity'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 the entity'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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of READ Global as of December 31, 2016, and the changes in its net assets, its functional expenses and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, READ Global elected to present its 2016 financial statements without combining the balances and activities of certain affiliated entities. Our opinion is not modified with respect to this matter.

Clark Nuber PS
Certified Public Accountants
February 14, 2018

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Statement of Financial Position
December 31, 2016

Current Assets:	
Cash and cash equivalents	\$ 1,017,658
Contributions and grants receivable, net	364,203
Program advances	283,212
Prepaid expenses and other assets	<u>7,619</u>
Total Current Assets	1,672,692
Contributions and grants receivable, net of current portion	100,000
Security deposits	675
Property, equipment and fixtures, net	<u>6,403</u>
Total Assets	<u>\$ 1,779,770</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 33,715</u>
Total Liabilities	33,715
Net Assets:	
Unrestricted	817,510
Temporarily restricted	<u>928,545</u>
Total Net Assets	<u>1,746,055</u>
Total Liabilities and Net Assets	<u>\$ 1,779,770</u>

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Statement of Activities
For the Year Ended December 31, 2016

Unrestricted Support and Revenue:	
Contributions and grants	\$ 334,609
Other income	779
Net assets released from restrictions	<u>1,937,016</u>
Total Unrestricted Support and Revenue	2,272,404
Expenses:	
Program services	1,418,231
Administrative and support	356,258
Fundraising	<u>106,419</u>
Total Expenses	<u>1,880,908</u>
Change in Unrestricted Net Assets	391,496
Change in Temporarily Restricted Net Assets:	
Contributions and grants	1,137,502
Net assets released from restrictions	<u>(1,937,016)</u>
Total Change in Temporarily Restricted Net Assets	<u>(799,514)</u>
Total Change in Net Assets	(408,018)
Net assets, beginning of year (Note 8)	<u>2,154,073</u>
Net Assets, End of Year	<u>\$ 1,746,055</u>

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total
		Administrative and Support	Fundraising	
Program support - library expense	\$ 1,106,142	\$ -	\$ -	\$ 1,106,142
Salaries, taxes and related benefits	232,713	96,964	58,178	387,855
Professional services	60,494	202,645	30,628	293,767
Travel and related expenses	13,787	14,916	11,120	39,823
Administrative	3,992	22,695	2,936	29,623
Occupancy, utilities and repairs	823	8,373	3,557	12,753
Depreciation and amortization		3,938		3,938
Office equipment, maintenance and supplies		5,831		5,831
Bank fees	280	896		1,176
Total Expenses	\$ 1,418,231	\$ 356,258	\$ 106,419	\$ 1,880,908

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Statement of Cash Flows
For the Year Ended December 31, 2016**

Cash Flows From Operating Activities:

Change in net assets	\$ (408,018)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation and amortization	3,938
Changes in operating assets and liabilities:	
Contributions and grants receivable	455,837
Program advances	529,151
Prepaid expenses and other assets	(7,619)
Security deposits	3,016
Accounts payable and accrued expenses	<u>(16,702)</u>
Net Cash Provided by Operating Activities	<u>559,603</u>
Net Change in Cash and Cash Equivalents	559,603
Cash and cash equivalents, beginning of year	<u>458,055</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,017,658</u></u>

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Financial Statements For the Year Ended December 31, 2016

Note 1 - Organization and Nature of Operations

Rural Education and Development Global (READ Global) is a nonprofit organization, founded in 1991, incorporated in the State of Pennsylvania and located in San Francisco, California.

READ Global, collaborates with three entities operating in Bhutan, India and Nepal (the affiliated entities). Rural Education and Development Bhutan (READ Bhutan) is a Bhutanese nongovernmental organization and is a separate legal entity. Rural Education and Development India (READ India) is an Indian nongovernmental organization and is a separate legal entity. Rural Education and Development Nepal (READ Nepal) is a Nepalese nongovernmental organization and is a separate legal entity. READ Global and the three affiliates partner with rural villages to establish community library and resource centers (READ Centers) as vehicles for social and economic transformation. READ Centers offer training programs in education, economic empowerment, technology and women's empowerment. With each Center, READ also provides seed support to an independent for-profit "sustaining enterprise" - a small business that generates income to fund the ongoing costs of the READ Centers.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - READ Global has prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net Assets - Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of READ Global are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the READ Global and/or the passage of time.

Permanently Restricted Net Assets - Net assets restricted by donor-imposed stipulations to be invested in perpetuity. The READ Global had no permanently restricted net assets as of December 31, 2016.

Support and revenue are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, READ Global considers highly liquid investments with initial maturities of three months or less to be cash equivalents.

Contributions and Grants Receivable - Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Financial Statements For the Year Ended December 31, 2016

Note 2 - Continued

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions and grants receivable. READ Global determined that an allowance was unnecessary as of December 31, 2016.

Unconditional contributions and grants receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants that are expected to be collected in future years are recorded at the present value of their estimated cash flows using the risk-adjusted discount rates applicable to the years in which the contributions and grants were received. A present value discount was deemed unnecessary by management as of December 31, 2016.

Program Advances - READ Global provides grants to support the activities of the affiliated entities. Funds provided by READ Global to the affiliated entities are recorded as advances on the statement of financial position until the funds are used for their intended purposes by the affiliated entities. At that time, READ Global recognizes grant expense. Outstanding advances made by READ Global to the affiliated entities totaled \$283,223 as of December 31, 2016.

Property, Equipment and Fixtures - The Organization capitalizes property, equipment and fixtures with a cost of \$500 or greater when purchased or fair value on the date donated. The cost of furniture and equipment is depreciated over the estimated useful life of the assets, generally three to seven years, and is computed using the straight-line method. Expenditures for maintenance and repairs which do not extend the useful life of the related assets are charged to operations as incurred.

Concentrations - Financial instruments that potentially subject READ Global to concentrations of credit and market risk consist primarily of cash and cash equivalents and program advances. Cash and cash equivalents held by financial institutions at times exceeded Federal Deposit Insurance Corporation insured limits.

As of December 31, 2016, 92% of READ Global's contributions and grants receivable was from three donors. For the year ended December 31, 2016, 72% of READ Global's revenue and support was from two donors.

Program support expense consists almost entirely of expenses related to READ Global's support of the affiliated entities. Program support expense represented 59% of READ Global's total expenses for the year ended December 31, 2016.

Contributions and Grants - Unconditional contributions and grants are recognized at their fair value when received or when an unconditional promise is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Conditional contributions and grants are recognized as revenue when the conditions upon which they depend are substantially met. As of December 31, 2016, there were no conditional contributions or grants.

In-Kind Contributions - The Organization receives various types of donated goods and services. In-kind contributions are recorded at their estimated fair value at the date of the gift. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. READ Global received approximately \$3,758 in in-kind services during the year ended December 31, 2016.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Financial Statements For the Year Ended December 31, 2016

Note 2 - Continued

Functional Allocation of Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Certain costs have been allocated among the program and supporting services benefited based generally on the level of effort spent and specific identification.

Tax Exempt Status - The Internal Revenue Service has determined that READ Global is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC).

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - READ Global has evaluated subsequent events through February 14, 2018, the date on which the financial statements were available to be issued.

Joint Venture - Subsequent to year end, READ Global entered into a joint venture agreement (the Agreement) with another organization under which both entities have agreed to jointly fundraise and commit resources to the joint venture to carry out program activities. The budgeted amount of committed resources from READ Global was approximately \$462,000. The Agreement became effective January 1, 2017, and terminated on January 31, 2018. READ Global and the other organization are in the process of negotiating the second year of the agreement.

Note 3 - Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31, 2016:

Due within one year	\$	364,203
Due within one to five years		<u>100,000</u>
Contributions and Grants Receivable, Net	\$	<u>464,203</u>

Note 4 - Property, Equipment and Fixtures

Property, equipment and fixtures consisted of the following as of December 31, 2016:

Equipment	\$	20,177
Fixtures		<u>5,068</u>
		25,245
Less accumulated depreciation and amortization		<u>(18,842)</u>
Property, Equipment and Fixtures, Net	\$	<u>6,403</u>

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Financial Statements For the Year Ended December 31, 2016

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for following purposes as of December 31, 2016:

Purpose restricted net assets-	
United States	\$ 414,528
Bhutan	167,622
India	5,000
Nepal	<u>152,192</u>
Total purpose restricted net assets	739,342
Time restricted net assets	<u>189,203</u>
Total Temporarily Restricted Net Assets	<u>\$ 928,545</u>

Net assets totaling \$1,937,016 were released from restrictions by incurring expenses in satisfaction of donor restrictions during the year ended December 31, 2016.

Note 6 - Employee Benefit Plan

READ Global provides retirement benefits to its employees through a defined contribution plan covering all employees who have met the required eligibility requirements. Eligible employees must be over the age of 21 and have three months of service. READ Global does not make contributions to the plan.

Note 7 - Commitments and Contingencies

READ Global leases facilities space for its San Francisco headquarters under a month-to-month lease. The monthly base rent is \$675, plus READ Global's share of common tenant costs. Rent expense totaled approximately \$13,158 for the year ended December 31, 2016.

Note 8 - Change in Reporting Entity

During the year ended December 31, 2016, management of READ Global elected to present its 2016 financial statements for READ Global without including the accounts and activities of the affiliated entities (Note 1). The audited financial statements as of and for the year ended December 31, 2015, had been presented on a combined basis and included the accounts and activities of the affiliated entities. As a result, the beginning net asset balance reflected on the statement of activities for the year ended December 31, 2016, represents the net assets of only READ Global and totaled \$2,154,073. Total net assets previously reported on a combined basis as of December 31, 2015, were \$2,333,911. The beginning cash balance reflected on the statement of cash flows for the year ended December 31, 2016, represents the cash balance of only READ Global and totaled \$458,055. Cash previously reported on a combined basis for the year ended December 31, 2015, totaled \$1,343,271.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Financial Statements For the Year Ended December 31, 2016

Note 9 - Execution of READ Global Strategic Plan

READ Global continues to evolve along with global changes in philanthropy. The domestic focus of the current United States administration and increasing emphasis of individual givers on local and domestic issues are leading to challenges in foreign giving. In addition, decisions regarding foreign giving by large corporations are increasingly being made abroad, resulting in increased emphasis on presence in foreign markets. These factors contributed to a decline in net assets for the year ended December 31, 2016.

Since early 2015, the Board of Directors and the management team of READ Global have been executing a multi-year strategic plan to a) find a strategic partner to expand the reach and capabilities of the organization, b) reduce US staff to lower operating costs and reduce the organization's reliance on unrestricted funds, and c) improve fundraising capabilities in the US and Asia while building a strong governance structure. Currently, management is executing the last phase of the strategic plan.

In the meantime, READ Global's partner country organizations continue to progress toward self-sustainability. Management expects READ India, recently the first partner organization to fully sustain itself through local fundraising, to do so again this coming year. Management continues to work with READ Bhutan and READ Nepal to improve local fundraising and reduce their reliance on READ Global. In addition, READ Global continues to partner with IREX through its joint venture, Communities Thrive. This partnership has provided READ Global an opportunity to leverage the back-office resources of a larger organization while allowing READ Global to continue to expand its proprietary expertise in self-sustaining giving.