

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

# RURAL EDUCATION AND DEVELOPMENT GLOBAL

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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 the Rural Education and Development Global (READ Global), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, 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 did not audit the financial statements of Rural Education and Development Bhutan, Rural Education and Development India and Rural Education and Development Nepal, which reflect total assets constituting 14 percent of total assets at December 31, 2014, and total revenues constituting 2 percent of total revenues for the year then ended. Those statements were audited by another auditor in accordance with International Standards on Auditing, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in the above statements, is based solely on the reports of the other auditor. 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 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 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of READ Global as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited READ Global's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 16, 2016

## RURAL EDUCATION AND DEVELOPMENT GLOBAL

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

## ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,226,791	\$ 3,499,939
Investments	-	524
Accounts receivable	7,267	54,359
Grants receivable	701,283	10,792
Program advances	38,221	7,984
Prepaid expenses	<u>897</u>	<u>584</u>
Total current assets	<u>2,974,459</u>	<u>3,574,182</u>
<b>FIXED ASSETS</b>		
Equipment, furniture, and vehicles	71,310	129,434
Less: Accumulated depreciation and amortization	<u>(11,351)</u>	<u>(62,026)</u>
Net fixed assets	<u>59,959</u>	<u>67,408</u>
<b>OTHER ASSETS</b>		
Security deposit	4,396	6,611
Grants receivable, net of current portion (Note 2)	<u>700,000</u>	<u>-</u>
Total other assets	<u>704,396</u>	<u>6,611</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,738,814</u></b>	<b><u>\$ 3,648,201</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>103,532</u>	\$ <u>128,671</u>
<b>NET ASSETS</b>		
Unrestricted	369,527	(54,456)
Temporarily restricted	<u>3,265,755</u>	<u>3,573,986</u>
Total net assets	<u>3,635,282</u>	<u>3,519,530</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,738,814</u></b>	<b><u>\$ 3,648,201</u></b>

**RURAL EDUCATION AND DEVELOPMENT GLOBAL**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions	\$ 321,001	\$ 2,061,298	\$ 2,382,299	\$ 993,965
Interest income	28,202	-	28,202	22,382
Donated goods and services	22,958	-	22,958	32,290
Special events	9,008	-	9,008	7,191
Other revenue	89,495	-	89,495	62,449
Gain (Loss) from exchange rate	(41,237)	-	(41,237)	(25,584)
Net assets released from donor restrictions	<u>2,369,529</u>	<u>(2,369,529)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,798,956</u>	<u>(308,231)</u>	<u>2,490,725</u>	<u>1,092,693</u>
<b>EXPENSES</b>				
Program Services	<u>1,704,663</u>	<u>-</u>	<u>1,704,663</u>	<u>1,382,485</u>
Supporting Services:				
Management and General	341,987	-	341,987	245,284
Fundraising	<u>328,323</u>	<u>-</u>	<u>328,323</u>	<u>419,876</u>
Total supporting services	<u>670,310</u>	<u>-</u>	<u>670,310</u>	<u>665,160</u>
Total expenses	<u>2,374,973</u>	<u>-</u>	<u>2,374,973</u>	<u>2,047,645</u>
Change in net assets	423,983	(308,231)	115,752	(954,952)
Net assets at beginning of year	<u>(54,456)</u>	<u>3,573,986</u>	<u>3,519,530</u>	<u>4,474,482</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 369,527</u></b>	<b><u>\$ 3,265,755</u></b>	<b><u>\$ 3,635,282</u></b>	<b><u>\$ 3,519,530</u></b>

**RURAL EDUCATION AND DEVELOPMENT GLOBAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>			<u>2013</u>	
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>	<u>Total Expenses</u>
<u>Management and General</u>		<u>Fundraising</u>	<u>Total Supporting Services</u>		
Salaries, taxes and related benefits	\$ 543,616	\$ 112,575	\$ 207,409	\$ 319,984	\$ 965,818
Program support - Library expense	793,619	-	-	-	793,619
Professional services	107,419	159,479	50,560	210,039	317,458
Travel and related expenses	83,568	6,602	30,682	37,284	120,852
Occupancy, utilities and repairs	43,785	28,798	14,547	43,345	87,130
Office equipment, maintenance and supplies	62,029	11,170	12,602	23,772	85,801
Workshops and trainings	34,400	2,250	-	2,250	36,650
Telephone and internet	9,189	3,450	174	3,624	12,813
Depreciation and amortization	10,215	-	-	-	10,215
Bank fees	916	8,472	-	8,472	9,388
Miscellaneous	13,494	1,851	-	1,851	15,345
Board meeting expense	843	2,616	5,494	8,110	8,953
Postage and delivery	145	1,693	1,543	3,236	3,381
Administrative	1,425	3,031	5,312	8,343	9,768
<b>TOTAL</b>	<b><u>\$ 1,704,663</u></b>	<b><u>\$ 341,987</u></b>	<b><u>\$ 328,323</u></b>	<b><u>\$ 670,310</u></b>	<b><u>\$ 2,374,973</u></b>
				<b><u>\$ 2,047,645</u></b>	

See accompanying notes to financial statements.

## RURAL EDUCATION AND DEVELOPMENT GLOBAL

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 115,752	\$ (954,952)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	10,215	16,932
Realized gain	146	-
Donated securities	(1,643)	(524)
(Increase) decrease in:		
Accounts receivable	47,092	(41,726)
Grants receivable	(1,390,491)	1,451,534
Program advances	(30,237)	(1,190)
Prepaid expenses	(313)	230
Security deposit	2,215	2,054
Increase (decrease) in:		
Accounts payable and accrued liabilities	(25,139)	(8,814)
Deferred income	-	(22,519)
Net cash (used) provided by operating activities	<u>(1,272,403)</u>	<u>441,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,766)	(28,301)
Proceeds from sale of investments	<u>2,021</u>	<u>-</u>
Net cash used by investing activities	<u>(745)</u>	<u>(28,301)</u>
Net (decrease) increase in cash and cash equivalents	(1,273,148)	412,724
Cash and cash equivalents at beginning of year	<u>3,499,939</u>	<u>3,087,215</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,226,791</u></b>	<b><u>\$ 3,499,939</u></b>



## RURAL EDUCATION AND DEVELOPMENT GLOBAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Rural Education and Development Global (READ Global) is a non-profit organization, founded in 1991, incorporated in the State of Pennsylvania and located in San Francisco, California. READ Global partners 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 seeds a for-profit "sustaining enterprise" - a small business that generates income to fund the ongoing costs of the Center.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with READ Global's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

##### Cash and cash equivalents -

READ Global considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, READ Global maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

At December 31, 2014, READ Global maintained cash and cash equivalents of \$502,776 in foreign countries. These funds are uninsured.

##### Foreign operations -

The financial statements of READ Global include activities in India, Bhutan and Nepal. The accounting records are maintained in the functional currency of the foreign currency of each country. Assets and liabilities denominated in each countries' functional currency are converted into U.S. dollars at year-end exchange rates, and revenue and expense accounts are translated at the average rates in effect during the year. Exchange gains and losses are reported in the Statement of Activities and Change in Net Assets. At December 31, 2014, READ Global incurred an exchange loss of \$41,237, which is included in other revenue.

##### Accounts and grants receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

## RURAL EDUCATION AND DEVELOPMENT GLOBAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2014 totaled \$10,215.

##### Income taxes -

READ Global is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. READ Global is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2014, READ Global has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of READ Global and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of READ Global and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

READ Global receives funding under grants from foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Donated goods and services -

Donated goods and services consist of equipment, services and supplies. Donated goods and services are recorded at their fair market value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to READ Global; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **GRANTS RECEIVABLE**

As of December 31, 2014, READ Global has received promises to give totaling \$1,401,283. Grants are due as follows at December 31, 2014:

Less than one year	\$ 701,283
One to five years	<u>700,000</u>
<b>GRANTS RECEIVABLE</b>	<b><u>\$ 1,401,283</u></b>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

READ Global Programs	\$ 1,649,943
Nepal Programs	1,404,445
India Programs	39,421
Bhutan Programs	169,446
Vietnam Programs	<u>2,500</u>
	<b><u>\$ 3,265,755</u></b>

**RURAL EDUCATION AND DEVELOPMENT GLOBAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**3. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

READ Global Programs	\$ 1,605,538
India Programs	83,623
Nepal Programs	618,931
Bhutan Programs	<u>61,437</u>
	<b>\$ <u>2,369,529</u></b>

**4. DONATED GOODS AND SERVICES**

During the year ended December 31, 2014, READ Global was the beneficiary of donated goods and services which allowed READ Global to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2014:

<b>Equipment, Services and Supplies</b>	<b>\$ <u>22,958</u></b>
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**5. LEASE COMMITMENTS**

READ Global leases office space in San Francisco, California, terminating June 30, 2015. READ Global also leases office space in Nepal under a five-year agreement, which originated in April 2007 and was extended through 2017, and in India and Bhutan, under annual agreements. Rent expense (including utilities and repairs expense) for the year ended December 31, 2014 totaled \$87,130.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2015	\$ 8,318
2016	2,369
2017	<u>2,369</u>
	<b>\$ <u>13,056</u></b>

**6. RETIREMENT PLAN**

READ Global provides retirement benefits to its employees through a defined contribution plan covering all employees with eligible experience. READ Global does not contribute to the plan.

**RURAL EDUCATION AND DEVELOPMENT GLOBAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**7. CONCENTRATION OF REVENUE**

Approximately 74% of READ Global's revenue for the year ended December 31, 2014 was derived from one donor. READ Global has no reason to believe that the relationship with this donor will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect READ Global's ability to finance ongoing operations.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, READ Global has evaluated events and transactions for potential recognition or disclosure through May 16, 2016, the date the financial statements were issued.