

# **EDUCATE THE CHILDREN, INC.**

## **FINANCIAL REPORT**

**For the Years Ended  
June 30, 2020 and 2019**

# ***EDUCATE THE CHILDREN, INC.***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Educate the Children, Inc.  
Ithaca, New York

We have audited the accompanying financial statements of Educate the Children, Inc. a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2020 and 2019, and the related Statements of Activities, Functional Expenses, 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 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 auditors' 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educate the Children, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, Educate the Children, Inc. adopted the following Accounting Standards during the year ended June 30, 2020: Financial Accounting Standards Board (FASB) Accounting Standards update (ASU) No. 2014-09, “Revenue from Contracts with Customers” (Topic 606); and FASB ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” (Topic 958). Our opinion is not modified with respect to this matter.

Respectfully Submitted,

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
\_\_\_\_\_, 2020

# ***EDUCATE THE CHILDREN, INC.***

## **STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 234,203	\$ 210,362
Unconditional Promises to Give, Net	-	389
Prepaid Expenses	<u>313</u>	<u>313</u>
<b>Total Current Assets</b>	<u>\$ 234,516</u>	<u>\$ 211,064</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued Liabilities	\$ -	\$ 78
Refundable Advances	<u>1,885</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>1,885</u>	<u>78</u>
<b>Net Assets Without Donor Restrictions</b>	<b>223,131</b>	210,986
<b>Net Assets With Donor Restrictions</b>	<u>9,500</u>	<u>-</u>
<b>Total Net Assets</b>	<u>232,631</u>	<u>210,986</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 234,516</u>	<u>\$ 211,064</u>

See Notes to Financial Statements

# ***EDUCATE THE CHILDREN, INC.***

## **STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>			<b>2019</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>
<b>Public Support and Revenues</b>				
Contributions	\$ 214,424	\$ 9,500	\$ 223,924	\$ 185,122
Grant Revenue	69,392	-	69,392	86,702
Paycheck Protection Revenue	8,115	-	8,115	-
<b>Total Public Support and Revenues</b>	<b>291,931</b>	<b>9,500</b>	<b>301,431</b>	<b>271,824</b>
<b>Expenses</b>				
Program Services	231,200	-	231,200	241,494
Fundraising	37,554	-	37,554	38,021
Management and General	11,032	-	11,032	11,090
			-	
<b>Total Expenses</b>	<b>279,786</b>	<b>-</b>	<b>279,786</b>	<b>290,605</b>
Excess (Deficit) of Public Support and Revenues Over Expenses	12,145	9,500	21,645	(18,781)
Net Assets - Beginning of Year	210,986	-	210,986	229,767
<b>Net Assets - End of Year</b>	<b>\$ 223,131</b>	<b>\$ 9,500</b>	<b>\$ 232,631</b>	<b>\$ 210,986</b>

See Notes to Financial Statements

# ***EDUCATE THE CHILDREN, INC.***

## **STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019	
	Program Services	Fundraising	Management and General	Total	Total
	Salaries	\$ 12,190	\$ 26,725	\$ 7,971	\$ 46,886
Payroll Taxes and Employee Benefits	1,202	2,635	785	4,622	4,296
<b>Total Salaries and Related Expenses</b>	<b>13,392</b>	<b>29,360</b>	<b>8,756</b>	<b>51,508</b>	51,182
Transfers to Other Organizations	213,174	-	-	213,174	222,865
Professional Fees	1,739	3,813	1,137	6,689	6,461
Bank and Credit Fees	1,156	570	-	1,726	2,500
Printing	315	691	206	1,212	1,641
Dues and Subscriptions	549	1,204	360	2,113	1,391
Supplies	328	719	215	1,262	1,297
Telephone and Communications	261	572	171	1,004	1,574
Postage	260	569	170	999	1,078
Filing Fees	19	42	13	74	75
Advertising	7	14	4	25	258
Computer and Other Services	-	-	-	-	204
Travel and Training	-	-	-	-	79
<b>Total Expenses</b>	<b>\$ 231,200</b>	<b>\$ 37,554</b>	<b>\$ 11,032</b>	<b>\$ 279,786</b>	<b>\$290,605</b>

See Notes to Financial Statements

# ***EDUCATE THE CHILDREN, INC.***

## **STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>			
	<b>Program</b>		<b>Management</b>	
	<b>Services</b>	<b>Fundraising</b>	<b>and General</b>	<b>Total</b>
Salaries	\$ 12,190	\$ 26,725	\$ 7,971	\$ 46,886
Payroll Taxes and Employee Benefits	1,117	2,449	730	4,296
<b>Total Salaries and Related Expenses</b>	<b>13,307</b>	<b>29,174</b>	<b>8,701</b>	<b>51,182</b>
Transfers to Other Organizations	222,865	-	-	222,865
Professional Fees	1,680	3,683	1,098	6,461
Bank and Credit Fees	1,666	834	-	2,500
Printing	427	935	279	1,641
Telephone and Communications	409	897	268	1,574
Dues and Subscriptions	362	793	236	1,391
Supplies	337	740	220	1,297
Postage	280	615	183	1,078
Advertising	67	147	44	258
Computer and Other Services	53	116	35	204
Travel and Training	21	45	13	79
Filing Fees	20	42	13	75
<b>Total Expenses</b>	<b>\$ 241,494</b>	<b>\$ 38,021</b>	<b>\$ 11,090</b>	<b>\$ 290,605</b>



# ***EDUCATE THE CHILDREN, INC.***

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Grant Receipts	\$ 69,781	\$ 87,633
Contributions, Program, and Other Receipts	232,039	185,122
Cash Paid to Suppliers and Other Organizations	(226,471)	(239,123)
Cash Paid to Employees	<u>(51,508)</u>	<u>(51,182)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>23,841</u>	<u>(17,550)</u>
 Change in Cash	 23,841	 (17,550)
 Cash and Cash Equivalents - Beginning	 <u>210,362</u>	 <u>227,912</u>
 <b>Cash and Cash Equivalents - Ending</b>	 <u><u>\$ 234,203</u></u>	 <u><u>\$ 210,362</u></u>

See Notes to Financial Statements

# ***EDUCATE THE CHILDREN, INC.***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Nature of Organization and Summary of Significant Accounting Policies**

#### **Nature of Organization**

Educate the Children, Inc. (ETC) is a not-for-profit organization originally formed in Ithaca, New York. ETC's programs benefit women and children through educational opportunities, skills training, kindergarten programs, teacher training and agricultural development. ETC provides funding for these programs to take place in Nepal, through an independent organization. ETC's programs benefit more than 10,000 Nepalese each year.

#### **Basis of Accounting**

The financial statements of ETC have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenditures when incurred.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

#### **Basis of Presentation**

The financial statements of ETC have been prepared in accordance with U.S. GAAP, which requires ETC to report information regarding its financial position and activities according to the following net asset classifications:

##### **Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ETC. These net assets may be used at the discretion of ETC's management and the Board of Directors.

##### **Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ETC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities. Net Assets With Donor Restrictions were \$9,500 and \$-0- as of June 30, 2020 and 2019, respectively.

# ***EDUCATE THE CHILDREN, INC.***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Nature of Organization and Summary of Significant Accounting Policies - Continued**

#### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, ETC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### **Concentration of Credit Risk**

ETC maintains its cash balances in two financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC). During the year, ETC may have cash balances in excess of FDIC insurance limits. There were no uninsured balances at June 30, 2020 and 2019.

#### **Property and Equipment**

Property and equipment are stated at cost. Donated items are stated at fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment; generally, 5 - 7 years. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Upon retirement or disposal of an asset, the cost and related depreciation are eliminated, and any gain or loss is included in the Statements of Activities.

#### **Contributions**

Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions depending on the existing and/or nature of any donor restrictions.

#### **Advertising**

The Organization expenses all advertising costs as they are incurred. ETC uses advertising to promote its programs and raise additional funds to support its programs. The production costs of advertising are expensed as incurred. During the years ended 2020 and 2019, advertising expense was \$25 and \$258, respectively.

#### **Functional Expenses**

The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific function of ETC are reported as expenses of that function. A portion of costs that benefit multiple functions (indirect costs) have been allocated across program services, management and general, and fundraising expenses. Expenses were allocated by function using a reasonable and consistent approach that was primarily based on the costs attributable by function based on estimated percentage of time and effort, square footage, or full time equivalent.

#### **Income Taxes**

ETC is exempt from income taxes under §501(c)(3) of the Internal Revenue Code. In addition, ETC qualifies for the charitable contribution deduction under §170(b)(1)(A) and has been classified as an organization that is not a private foundation under §509(a)(2).

# ***EDUCATE THE CHILDREN, INC.***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Nature of Organization and Summary of Significant Accounting Policies - Continued**

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenues from Contracts with Customers” (Topic 606). This update supersedes existing revenue recognition guidance. Entities should now recognize revenue depicting the transfer of promised goods or services in a manner which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14. The purpose of this update was to defer the effective date of ASU No. 2014-09. Accordingly, the effective date for non-public entities is for years beginning after December 15, 2018, applied on a modified prospective basis.

In June 2018, FASB issued ASU No. 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” (Topic 958). This accounting standard is meant to help nonprofit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for resources provided. If the resource provider does not receive commensurate value, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received from the resource provider, the transfer is a contribution. The effective date of this ASU is for years beginning after December 15, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those reporting periods.

During the year ended June 30, 2020, ETC adopted the above accounting pronouncements. Where applicable, previously reported balances have been reclassified to conform to the new pronouncements. The adoption had no effect on net asset balances previously reported.

#### **Subsequent Events**

ETC has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through \_\_\_\_\_, 2020, the date the financial statements were available to be issued.

# ***EDUCATE THE CHILDREN, INC.***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 2* Availability and Liquidity**

The following represents ETC's financial assets at June 30:

<b>Financial Assets at Year End</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 234,203	\$ 210,362
Unconditional Promises to Give, Net	-	389
<b>Total Financial Assets</b>	<b>234,203</b>	<b>210,751</b>
<b>Less Amounts Not Available to be Used Within One Year</b>		
Net Assets with Donor Restrictions	<u>9,500</u>	<u>-</u>
<b>Total Financial Assets Available Within One Year</b>	<b><u>\$ 224,703</u></b>	<b><u>\$ 210,751</u></b>

ETC manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

### ***Note 3* Unconditional Promises to Give**

Unconditional promises to give consisted of the following at June 30:

	<b>2020</b>	<b>2019</b>
Unconditional Promises to Give - Less than One Year	\$ -	\$ 389
Less: Allowance for Doubtful Pledges	<u>-</u>	<u>-</u>
<b>Unconditional Promises to Give, Net</b>	<b><u>\$ -</u></b>	<b><u>\$ 389</u></b>

Allowance for uncollectible amounts is recognized on a portion of unconditional promises to give, based on prior years' experience and management's analysis of specific promises made.

# ***EDUCATE THE CHILDREN, INC.***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 4* Equipment and Furniture**

Cost and accumulated depreciation for fixed assets are summarized as follows at June 30:

	<b>2020</b>	
	<b>Cost</b>	<b>Accumulated Depreciation</b>
Equipment and Furniture	<b>\$ 2,000</b>	<b>\$ 2,000</b>

  

	<b>2019</b>	
	<b>Cost</b>	<b>Accumulated Depreciation</b>
Equipment and Furniture	<b>\$ 2,000</b>	<b>\$ 2,000</b>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$-0-.

### ***Note 5* Paycheck Protection Program Loan**

On April 14, 2020, ETC applied for a Paycheck Protection Program loan in the amount of \$10,000 with the U.S. Small Business Administration through Tompkins Bank of Castile. The loan was approved, and funds were received on May 4, 2020. The loan may be partially or completely forgiven, pursuant to and subject to the terms in the Paycheck Protection Program.

### ***Note 6* Transactions with Other Organizations**

In addition to the amount recorded as transfers to other organizations in the Statements of Functional Expenses, ETC received designated pass-through funding totaling \$69,392 and \$86,702 for the years ended June 30, 2020 and 2019, respectively. Of this amount, \$69,409 and \$75,312 were distributed along with ETC funds.

### ***Note 7* Economic Uncertainty**

In March 2020, the coronavirus outbreak was declared to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which ETC operates. While it is unknown how long these conditions will last and what the complete financial effect will be, ETC expects to experience disruptions to its business, customers and suppliers, which could negatively impact operating results in future periods.