

SUMMITS EDUCATION, INC.

Financial Statements

Year Ended July 31, 2019

(With Independent Auditors' Report Thereon)

SUMMITS EDUCATION, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Summits Education, Inc.:

We have audited the accompanying financial statements of Summits Education, Inc. (a non-profit organization) (the Organization), which comprise the statement of financial position as of July 31, 2019, 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.

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 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 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 Organization'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 Organization'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 Summits Education, Inc. as of July 31, 2019, and the changes 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.

Emphasis of Matter

As of July 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

Kahn, Litwin, Renya & Co., Ltd.

March 16, 2020

SUMMITS EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2019



Assets

Cash and cash equivalents	\$ 131,405
Grants receivable	88,549
Pledges receivable	750,000
Equipment, net	<u>1,331</u>

Total Assets **\$ 971,285**

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 75,322
Deferred revenue	<u>23,324</u>
Total liabilities	<u>98,646</u>

Net Assets:

Without donor restrictions	775,854
With donor restrictions	<u>96,785</u>
Total net assets	<u>872,639</u>

Total Liabilities and Net Assets **\$ 971,285**

SUMMITS EDUCATION, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2019



Change in Net Assets Without Donor Restrictions:	
Revenue and support:	
Contribution and grant income	\$ 1,894,101
Net assets released from restrictions	1,126,440
Total revenue and support	<u>3,020,541</u>
Expenses:	
Program	2,139,193
Management and general	26,537
Fundraising	26,182
Total expenses	<u>2,191,912</u>
Change in net assets without donor restrictions	828,629
Change in Net Assets With Donor Restrictions:	
Contribution and grant income	1,122,146
Net assets released from restrictions	(1,126,440)
Change in net assets with donor restrictions	<u>(4,294)</u>
Change in Net Assets	824,335
Net Assets, beginning of year	<u>48,304</u>
Net Assets, end of year	<u><u>\$ 872,639</u></u>

SUMMITS EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other assistance	\$ 2,040,533	\$ -	\$ -	\$ 2,040,533
Salaries and payroll taxes	43,317	6,664	16,661	66,642
Advertising	569	88	219	876
Depreciation	-	734	-	734
Information technology	9,086	3,495	1,398	13,979
Office expenses	1,357	252	1,783	3,392
Professional fees	37,062	14,255	5,702	57,019
Trainings and meetings	2,727	1,049	419	4,195
Travel	4,542	-	-	4,542
	<u>4,542</u>	<u>-</u>	<u>-</u>	<u>4,542</u>
Total expenses	<u>\$ 2,139,193</u>	<u>\$ 26,537</u>	<u>\$ 26,182</u>	<u>\$ 2,191,912</u>

SUMMITS EDUCATION, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2019



Cash Flows from Operating Activities:	
Change in net assets	\$ 824,335
Adjustments to reconcile total change in net assets to net cash used by operating activities:	
Depreciation	734
Changes in operating assets and liabilities	
Grants receivable	(60,948)
Pledges receivable	(750,000)
Accounts payable and accrued expenses	22,745
Deferred revenue	(479,611)
Net cash used by operating activities	<u><u>(442,745)</u></u>
Net Decrease in Cash and Cash Equivalents	(442,745)
Cash and Cash Equivalents, beginning of year	<u><u>574,150</u></u>
Cash and Cash Equivalents, end of year	<u><u>\$ 131,405</u></u>

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

1. Nature of Operations

Summits Education, Inc. (the Organization) operates with the belief that access to education is a human right. In Haiti, the Organization's network of 40 rural primary schools is dedicated to providing the highest quality education, based on universal best practices, to the children of communities who have traditionally had little access to education. The Organization is committed to a holistic approach that meets the needs of the whole child. The Organization focuses on creating environments in which every student is healthy; engaged in their own learning; academically challenged; supported by caring adults and educators; and prepared to thrive in secondary education and future vocational activities. Through targeted education and training initiatives, the Organization strives to provide the best education to the remote communities of the Central Plateau.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity and availability of resources, financial performance, and cash flows. Upon adoption, net assets were reduced to two classes (without and with donor restriction).

The Organization adopted the provisions of this new standard for the year ended July 31, 2019.

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor imposed time and/or purpose restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no donor imposed net assets to be maintained in perpetuity as of July 31, 2019.

Cash and Cash Equivalents

The Organization considers all cash balances and highly liquid investments with maturities of three months or less to be cash equivalents.

Grants Receivable

The Organization carries its grants receivable at net realizable value. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on the history of collections and current credit conditions.

A receivable is considered past due if payment has not been received within the stated terms. The Organization does not accrue interest on past due or long-term receivables. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against an allowance. At year end, management has determined that no allowance for doubtful accounts is deemed necessary.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are discounted at an appropriate rate commensurate with the risk involved. If material, receivables with amounts due beyond one year are discounted to their net present value using the interest rate for treasury bills with a remaining term equal to future receipts.

On a periodic basis, the Organization evaluates its pledges receivable and established an allowance for doubtful accounts, based on a history of past collections and current credit conditions. At year end, management has determined that no allowance for doubtful accounts is deemed necessary.

Deferred Revenue

Advanced funds are recorded in the accounting records by the Organization as deferred revenue until such time as the Organization incurs expenditures related to the specific program for which the funds have been received.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

Support and Revenue Recognition

Contributions and Grant Income - The Organization recognizes contributions and grant income in the fiscal year in which the contribution or grant is made. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Allocation of Expenses

The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization's operating costs have been allocated based on direct identification between program, management and general, and fundraising, when possible. Personnel costs and other expenditures that require allocation are allocated based on time and effort.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with their tax-exempt status at both the state and federal levels.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

Estimates and Assumptions

The preparation of 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 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. Accordingly, actual results could differ from those estimates.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

Recent Accounting Pronouncements

The following is a summary of a recent authoritative pronouncement that could impact the accounting, reporting, and/or disclosure of financial information by the Organization. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on the classification of certain transactions in the statement of cash flows. When adopted, the new guidance will be applied retrospectively. This standard will be effective for the Organization's year ending July 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for the Organization's year ending July 31, 2020.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 131,405
Grants receivable	88,549
Pledges receivable	750,000
Financial assets, end of year	969,954
Less those unavailable for general expenditure within one year due to:	
Pledges receivable	250,000
Time and purpose restrictions	96,785
Financial assets available to meet cash needs for general expenditures within one year	\$ 623,169

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of expenditures, which are approximately \$365,000.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

4. Pledges Receivable

Pledges receivable are expected to be collected as follows:

Within one year	\$	500,000
One to two years		250,000
Total pledges receivable	\$	750,000

5. Equipment

Equipment consisted of the following:

Equipment	\$	3,671
Less accumulated depreciation		(2,340)
Total equipment, net	\$	1,331

6. Net Assets With Donor Restrictions

Net assets with donor restrictions subjected to expenditure for specified purpose consist of the following at July 31, 2019:

Scholarships	\$	54,886
School project		35,729
Other programs		6,170
Total	\$	96,785

7. Concentrations of Credit and Business Risk

The financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable.

The Organization maintains its cash and cash equivalents in one financial institution. The balances are insured by the Federal Deposit Insurance Company up to specified limits. The account balances, at times, may exceed the federally insured limits, but management believes that the Organization is not exposed to any significant credit risk related to these accounts.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

At year end, 100% of the pledges receivable balance was due from one donor. Management has performed an analysis of these receivables at year end, and does not believe that significant credit risk exists relating to pledges receivable.

During the year ended July 31, 2019, the Organization received approximately \$2,147,600 (71% of total revenue and support) from two funding sources. The Organization received 43% of its revenue and support from two Board Members. At year end, management does not believe that significant business risk exists with respect to the continuation of this funding.

8. Subsequent Events

In February 2020, the Organization was awarded a grant in the amount of \$2,400,000 for the period February 1, 2020 through December 31, 2022 to be used for specific charitable purposes, as defined in the grant agreement.

Management of the Organization has evaluated subsequent events through March 16, 2020, which is the date these financial statements were available to be issued.