



Combined Financial Statements

For the Year Ended December 31, 2015

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Supplementary Information:	
Combining Statement of Financial Position	13
Combining Statement of Activities	14

Independent Auditor's Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying combined financial statements of Rural Education and Development Global (the Organization) which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1700
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, 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.

Other Matters

The financial statements of the Organization for the year ended December 31, 2014, before the restatement described in Note 8, were audited by other auditors, whose report dated May 16, 2016, expressed an unmodified opinion on those statements.

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the December 31, 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply procedures to the December 31, 2014 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2014 financial statements as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position and combining statement of activities on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber PS

Certified Public Accountants
March 13, 2017

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Combined Statement of Financial Position
December 31, 2015**

Current Assets:

Cash and cash equivalents	\$ 1,343,271
Contributions and grants receivable, net	495,040
Program advances	171,701
Prepaid expenses and other assets	<u>15,953</u>

Total Current Assets **2,025,965**

Contributions and grants receivable, net of current portion	425,000
Security deposits	7,401
Property, equipment and fixtures, net	<u>48,128</u>

Total Assets **\$ 2,506,494**

Liabilities:

Accounts payable and accrued expenses	<u>\$ 172,583</u>
---------------------------------------	-------------------

Total Current Liabilities **172,583**

Net Assets:

Unrestricted	426,014
Temporarily restricted	<u>1,907,897</u>

Total Net Assets **2,333,911**

Total Liabilities and Net Assets **\$ 2,506,494**

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Combined Statement of Activities
For the Year Ended December 31, 2015

Unrestricted Support and Revenue:	
Contributions and grants	\$ 334,976
Other income	1,209
Net gain on foreign currency translation	41,886
Net assets released from restrictions	<u>2,314,146</u>
Total Unrestricted Support and Revenue	2,692,217
Expenses:	
Program services	2,139,517
Administrative and support	273,758
Fundraising	<u>198,183</u>
Total Expenses	<u>2,611,458</u>
Change in Unrestricted Net Assets	80,759
Changes in Temporarily Restricted Net Assets:	
Contributions and grants	956,289
Net assets released from restrictions	<u>(2,314,146)</u>
Change in Temporarily Restricted Net Assets	<u>(1,357,857)</u>
Total Change in Net Assets	(1,277,098)
Net assets, beginning of year (restated)	<u>3,611,009</u>
Net Assets, End of Year	<u><u>\$ 2,333,911</u></u>

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Combined Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Program Services	Supporting Services		Total
		Administrative and Support	Fundraising	
Salaries, taxes and related benefits	\$ 558,960	\$ 150,623	\$ 150,173	\$ 859,756
Program support - Library expense	1,258,875			1,258,875
Professional services	122,520	86,886	11,869	221,275
Occupancy, utilities and repairs	47,025	10,307	10,276	67,608
Travel and related expenses	41,393	5,582	5,565	52,540
Administrative	28,187	9,431	9,403	47,021
Telephone and internet	20,755	3,166	3,156	27,077
Workshops and trainings	20,185	837	834	21,856
Office equipment, maintenance and supplies	13,551	2,427	2,420	18,398
Depreciation and amortization	11,831			11,831
Miscellaneous	9,229	274	274	9,777
Bank fees	3,875	2,448	2,440	8,763
Postage and delivery	2,067	1,777	1,773	5,617
Board meeting expense	1,064			1,064
Total Expenses	\$ 2,139,517	\$ 273,758	\$ 198,183	\$ 2,611,458

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Combined Statement of Cash Flows
For the Year Ended December 31, 2015**

Cash Flows From Operating Activities:

Change in net assets	\$ (1,277,098)
Adjustments to reconcile change in net assets to net cash used by operating activities-	
Depreciation and amortization	11,831
Changes in operating assets and liabilities:	
Accounts receivable	7,267
Contributions and grants receivable	481,243
Program advances	(133,480)
Prepaid expenses and other assets	(10,660)
Security deposits	(7,401)
Accounts payable and accrued expenses	<u>47,860</u>

Net Cash Used by Operating Activities **(880,438)**

Cash Flows From Investing Activities:

Acquisitions of property, equipment and fixtures	<u>(3,082)</u>
--	----------------

Net Cash Used by Investing Activities **(3,082)**

Net Change in Cash and Cash Equivalents **(883,520)**

Cash and cash equivalents, beginning of year	<u>2,226,791</u>
--	------------------

Cash and Cash Equivalents, End of Year **\$ 1,343,271**

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Combined Financial Statements For the Year Ended December 31, 2015

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.

Rural Education and Development Bhutan (READ Bhutan) is a Bhutanese nongovernmental organization. READ Bhutan was founded to establish community library and resource centers (READ Centers) in Bhutan.

Rural Education and Development India (READ India) is an Indian nongovernmental organization. READ India was founded to establish community library and resource centers (READ Centers) in India.

Rural Education and Development Nepal (READ Nepal) is a Nepalese nongovernmental organization. READ Nepal was founded to establish community library and resource centers (READ Centers) in Nepal.

Together, READ Global, READ Bhutan, READ India and READ Nepal (collectively, the Organization) 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 Combination - The combined financial statements of the Organization included the accounts of READ Global, READ Bhutan, READ India and READ Nepal. Management has determined that consolidation of the Organization's financial statements is not required under accounting principles generally accepted in the United States of America (U.S. GAAP); however, management has elected to present combined financial statements for the year ended December 31, 2015. All inter-entity accounts and transactions have been eliminated in combination.

Basis of Presentation - The Organization has prepared its combined financial statements on the accrual basis of accounting in accordance with U.S. GAAP.

For the purposes of financial reporting, the Organization classifies resources into three net asset categories pursuant to any donor-imposed restrictions. Accordingly, the net assets of the Organization 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 Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets restricted by donor-imposed stipulations to be invested in perpetuity. The Organization had no permanently restricted net assets as of December 31, 2015.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Combined Financial Statements For the Year Ended December 31, 2015

Note 2 - Continued

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 as net assets released from restrictions.

Inter-Entity Activity - READ Global provides grants to support the activities of READ Bhutan, READ India and READ Nepal. Funds provided by READ Global to the overseas READ entities are recorded as advances on the statement of financial position until the funds are used for their intended purposes by the overseas READ entities. At that time, READ Global recognizes grant expense and the overseas READ entities recognize grant revenue. These transactions are eliminated for presentation of combined financial statements. Outstanding advances made by READ Global to the overseas READ entities totaled \$812,303 as of December 31, 2015. Please see the supplemental combining statement of financial position for advances held by each of the overseas READ entities as of December 31, 2015.

Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Organization considers highly liquid investments initial maturities of three months or less to be cash equivalents. The Organization operates in several foreign countries and holds cash in foreign currencies. As of December 31, 2015, the Organization held approximately \$885,000 in foreign countries, of which the entire amount was held in foreign currencies. Repatriation of funds restrictions may exist in certain foreign currency accounts. The Organization has not experienced any losses in such accounts and closely monitors its cash held in foreign currencies.

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. 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. The Organization determined that no allowance was necessary as of December 31, 2015.

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, 2015.

Program Advances - Program advances consist of funds advanced by the Organization to local READ Centers to support activities. The advances are settled as Centers incur related expenses and are generally settled within two months of the date the funds are advanced. Management has determined that an allowance for program advances is not necessary based on historical experience.

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.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Combined Financial Statements For the Year Ended December 31, 2015

Note 2 - Continued

Concentrations - Financial instruments that potentially subject the Organization 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, 2015, 87% of the Organization's contributions and grants receivable was from two donors. For the year ended December 31, 2015, 20% of the Organization's revenue and support was from two donors. As of December 31, 2015, approximately 67% and 32% of outstanding program advances were to Centers located India and Nepal, respectively.

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, 2015, conditional contributions and grants totaled approximately \$29,000. The Organization expects to fulfill the conditions related to these contributions and grants within the next year.

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. The Organization received approximately \$5,700 in in-kind services during the year ended December 31, 2015.

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). READ Bhutan, READ India and READ Nepal are registered nongovernmental organizations in accordance with respective laws governing in each of their respective countries.

Foreign Currency Translation - Substantially all assets and liabilities of the Organization that are held in foreign currencies are translated at year end exchange rates. Revenue and expenses are translated at the average exchange rates during the year. Gains and losses from foreign currency translation for the year are included in the statement of activities.

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 - The Organization has evaluated subsequent events through March 13, 2017, the date on which the financial statements were available to be issued.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Combined Financial Statements For the Year Ended December 31, 2015

Note 3 - Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31, 2015:

Due within one year	\$ 495,040
Due within one to five years	425,000
	<hr/>
Contributions and Grants Receivable, Net	<u>\$ 920,040</u>

Note 4 - Property, Equipment and Fixtures

Property, equipment and fixtures consisted of the following as of December 31, 2015:

Equipment	\$ 47,930
Vehicles	6,330
Fixtures	15,531
	<hr/>
	69,791
Less accumulated depreciation and amortization	(21,663)
	<hr/>
Property, Equipment and Fixtures, Net	<u>\$ 48,128</u>

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for following purposes as of December 31, 2015:

Purpose restrictions-	
United States	\$ 1,508,019
Bhutan	20,387
India	44,742
Nepal	114,709
	<hr/>
Total purpose restrictions	1,687,857
Time restrictions	220,040
	<hr/>
Total Temporarily Restricted Net Assets	<u>\$ 1,907,897</u>

Net assets totaling \$2,314,146 were released from restrictions by incurring expenses in satisfaction of donor restrictions during the year ended December 31, 2015.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Notes to Combined Financial Statements For the Year Ended December 31, 2015

Note 6 - Employee Benefit Plan

READ Global provides retirement benefits to its employees through a defined contribution plan covering all employees with eligible years of service. READ Global does not contribute to the plan. READ Bhutan, READ India and READ Nepal make contributions to the retirement plans of the respective countries in which they operate. Retirement plan contribution expense totaled \$36,124 for the year ended December 31, 2015.

Note 7 - Commitments and Contingencies

The Organization leases facilities space under various noncancelable operating leases. Future minimum lease payments for noncancelable operating leases are as follows:

For the Year Ending December 31,

2016	\$	33,628
2017		<u>6,311</u>
Total	\$	<u>39,939</u>

Rent expense totaled approximately \$53,573 for the year ended December 31, 2015.

Note 8 - Prior Period Adjustment

During the year ended December 31, 2015, management determined that certain expenses had been inaccurately recognized in or omitted from the December 31, 2014 financial statements. Therefore, management restated the 2014 financial statements.

The following table reflects the effects of the restatement of the financial statements as of and for the year ended December 31, 2014:

	<u>Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Statement of Financial Position as of December 31, 2014-			
Property, equipment and fixtures	\$ 59,959	\$ (3,082)	\$ 56,877
Total assets	3,738,814	(3,082)	3,735,732
Accounts payable and accrued liabilities	103,532	21,191	124,723
Total liabilities	103,532	21,191	124,723
Unrestricted net assets	369,527	(24,273)	345,254
Total net assets	3,635,282	(24,273)	3,611,009
Statement of Activities for the Year Ended December 31, 2014-			
Total expenses	2,374,973	24,273	2,399,246
Change in net assets	115,752	24,273	140,025

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Notes to Combined Financial Statements
For the Year Ended December 31, 2015**

Note 9 - Subsequent Event

READ Global entered into a joint venture 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 agreement is effective January 1, 2017 and terminates September 30, 2017 with an option to renew for fifteen months.

SUPPLEMENTARY INFORMATION

RURAL EDUCATION AND DEVELOPMENT GLOBAL

**Combining Statement of Financial Position
December 31, 2015**

	READ Global	READ Bhutan	READ India	READ Nepal	Eliminations	Combined Total
Current Assets:						
Cash and cash equivalents	\$ 458,055	\$ 317,406	\$ 239,467	\$ 328,343	\$ -	\$ 1,343,271
Contributions and grants receivable, net	495,040					495,040
Program advances	60	1,936	115,151	54,554		171,701
Advances due from foreign affiliates	812,303				(812,303)	
Prepaid expenses and other assets			12,597	3,356		15,953
Total Current Assets	1,765,458	319,342	367,215	386,253	(812,303)	2,025,965
Contributions and grants receivable, net of current portion	425,000					425,000
Security deposits	3,691	663	3,047			7,401
Property, equipment and fixtures, net	10,341		12,561	25,226		48,128
Total Assets	\$ 2,204,490	\$ 320,005	\$ 382,823	\$ 411,479	\$ (812,303)	\$ 2,506,494
Liabilities:						
Accounts payable and accrued expenses	\$ 50,417	\$ 427	\$ 50,576	\$ 71,163	\$ -	\$ 172,583
Advances from READ Global		299,191	287,505	225,607	(812,303)	
Total Current Liabilities	50,417	299,618	338,081	296,770	(812,303)	172,583
Net Assets:						
Unrestricted	426,014					426,014
Temporarily restricted	1,728,059	20,387	44,742	114,709		1,907,897
Total Net Assets	2,154,073	20,387	44,742	114,709		2,333,911
Total Liabilities and Net Assets	\$ 2,204,490	\$ 320,005	\$ 382,823	\$ 411,479	\$ (812,303)	\$ 2,506,494

See independent auditor's report.

RURAL EDUCATION AND DEVELOPMENT GLOBAL

Combining Statement of Activities
For the Year Ended December 31, 2015

	READ Global	READ Bhutan	READ India	READ Nepal	Eliminations	Combined Total
Unrestricted Support and Revenue:						
Contributions and grants	\$ 309,006	\$ 55,427	\$ 199,769	\$ 647,789	\$ (877,015)	\$ 334,976
Other income	1,104		105			1,209
(Loss) gain on foreign currency		(4,204)		46,090		41,886
Net assets released from restrictions	1,993,385	18,767	127,006	174,988		2,314,146
Total Unrestricted Support and Revenue	2,303,495	69,990	326,880	868,867	(877,015)	2,692,217
Expenses:						
Program services	1,311,100	209,171	529,199	967,062	(877,015)	2,139,517
Administrative and support	273,758					273,758
Fundraising	198,183					198,183
Total Expenses	1,783,041	209,171	529,199	967,062	(877,015)	2,611,458
Change in Unrestricted Net Assets	520,454	(139,181)	(202,319)	(98,195)		80,759
Change in Temporarily Restricted Net Assets:						
Contributions and grants	502,972	39,154	171,748	242,415		956,289
Net assets released from restrictions	(1,993,385)	(18,767)	(127,006)	(174,988)		(2,314,146)
Change in Temporarily Restricted Net Assets	(1,490,413)	20,387	44,742	67,427		(1,357,857)
Total Change in Net Assets	(969,959)	(118,794)	(157,577)	(30,768)		(1,277,098)
Net assets, beginning of year (restated)	3,124,032	139,181	202,319	145,477		3,611,009
Net Assets, End of Year	\$ 2,154,073	\$ 20,387	\$ 44,742	\$ 114,709	\$ -	\$ 2,333,911

See independent auditor's report.