



Financial Statements

For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

**To the Board of Directors
Rural Education and Development Inc., dba READ Global
San Francisco, California**

We have audited the accompanying financial statements of Rural Education and Development Inc., dba READ Global (READ Global) which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016, and the changes in its net assets, its functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the 2016 financial statements have been restated to recognize unconditional contribution revenue for the year ended December 31, 2016. Our opinion is not modified with respect to this matter.

Clark Nuber P.S.

Certified Public Accountants
December 19, 2018

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Statements of Financial Position
December 31, 2017 and 2016

	2017	(Restated) 2016
Current Assets:		
Cash and cash equivalents	\$ 780,311	\$ 1,017,658
Contributions and grants receivable, net	195,535	390,663
Program advances	162,639	283,212
Prepaid expenses and other assets	2,694	7,619
Total Current Assets	1,141,179	1,699,152
Contributions and grants receivable, net of current portion	50,000	100,000
Security deposits	675	675
Property, equipment and fixtures, net	4,524	6,403
Total Assets	\$ 1,196,378	\$ 1,806,230
Liabilities:		
Accounts payable and accrued expenses	\$ 28,437	\$ 33,715
Deferred revenue	25,600	
Funds held for joint venture	10,500	
Total Liabilities	64,537	33,715
Net Assets:		
Unrestricted	807,981	817,510
Temporarily restricted	323,860	955,005
Total Net Assets	1,131,841	1,772,515
Total Liabilities and Net Assets	\$ 1,196,378	\$ 1,806,230

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017	(Restated) 2016
Unrestricted Support and Revenue:		
Contributions and grants	\$ 156,278	\$ 334,609
Other income	24	779
Net assets released from restrictions	1,336,842	1,937,016
Total Unrestricted Support and Revenue	1,493,144	2,272,404
Expenses:		
Program services	1,190,136	1,418,231
Administrative and support	241,058	356,258
Fundraising	71,479	106,419
Total Expenses	1,502,673	1,880,908
Change in Unrestricted Net Assets	(9,529)	391,496
Change in Temporarily Restricted Net Assets:		
Contributions and grants	705,697	1,163,962
Net assets released from restrictions	(1,336,842)	(1,937,016)
Total Change in Temporarily Restricted Net Assets	(631,145)	(773,054)
Total Change in Net Assets	(640,674)	(381,558)
Net assets, beginning of year	1,772,515	2,154,073
Net Assets, End of Year	\$ 1,131,841	\$ 1,772,515

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting Services		2017 Total
		Administrative and Support	Fundraising	
Program support - library expense	\$ 818,262	\$ -	\$ -	\$ 818,262
Salaries, taxes and related benefits	249,067	58,386	24,365	331,818
Professional services	87,437	149,666	35,109	272,212
Travel and related expenses	31,672	4,897	8,843	45,412
Administrative	3,228	11,436	394	15,058
Occupancy, utilities and repairs		9,901		9,901
Bank fees	470	1,340	2,707	4,517
Office equipment, maintenance and supplies		3,553	61	3,614
Depreciation and amortization		1,879		1,879
Total Expenses	\$ 1,190,136	\$ 241,058	\$ 71,479	\$ 1,502,673

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

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

	Program Services	Supporting Services		2016 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
Office equipment, maintenance and supplies		5,831		5,831
Depreciation and amortization		3,938		3,938
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 INC., dba READ GLOBAL

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	(Restated) 2016
Cash Flows From Operating Activities:		
Change in net assets	\$ (640,674)	\$ (381,558)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation and amortization	1,879	3,938
Changes in operating assets and liabilities:		
Contributions and grants receivable	245,128	429,377
Program advances	120,573	529,151
Prepaid expenses and other assets	4,925	(7,619)
Security deposits		3,016
Accounts payable and accrued expenses	(5,278)	(16,702)
Deferred revenue	25,600	
Funds held for joint venture	10,500	
Net Cash (Used) Provided by Operating Activities	(237,347)	559,603
Net Change in Cash and Cash Equivalents	(237,347)	559,603
Cash and cash equivalents, beginning of year	1,017,658	458,055
Cash and Cash Equivalents, End of Year	\$ 780,311	\$ 1,017,658

See accompanying notes.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Note 1 - Organization and Nature of Operations

Rural Education and Development Inc., dba READ 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 an international 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.

Joint Venture - On February 1, 2017, READ Global entered into a joint venture agreement (the Agreement) with Together We Thrive (TWT), a single member limited liability company whose sole member is International Research & Exchanges Board (IREX), a nonprofit organization. The initial term of the Agreement is January 1, 2017 through September 30, 2017. The first Agreement was extended until January 31, 2018. A second Agreement was executed for the period February 1, 2018 through January 31, 2019. The goals and objectives of the joint activities are to expand the READ model for potential application in other countries and contexts. Under the terms of the Agreement, both entities, READ Global and TWT, have agreed to jointly fundraise and commit resources to the joint venture to carry out program activities. The joint activities are managed by a Governance Committee consisting of two representatives from each READ Global and IREX; however, neither has a controlling position. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), READ Global records the joint venture activity as a collaborative arrangement and recognizes costs incurred and revenue generated from the joint venture on the statements of activities. READ Global is entitled to reimbursement for its expenses related to the joint activities. READ Global was reimbursed for expenses totaling \$419,755 during the year ended December 31, 2017, which is included in contributions and grants revenue on the statements of activities. Funds advanced by IREX for such costs totaled \$445,355 during the year ended December 31, 2017, and the amount of funds advanced in excess of contribution revenue recognized is reflected on the statements of financial position as deferred revenue. Contributions received by READ Global for TWT are treated as agency transactions and totaled \$26,160 for the year ended December 31, 2017. Amounts held by READ Global on behalf of TWT as of December 31, 2017 totaled \$10,500, which is reported on the statements of financial position as cash and funds held for joint venture liability.

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 READ Global and/or the passage of time.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Note 2 - Continued

Permanently Restricted Net Assets - Net assets restricted by donor-imposed stipulations to be invested in perpetuity. READ Global had no permanently restricted net assets as of December 31, 2017 and 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 statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - For the purposes of the statements 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.

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, 2017 and 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, 2017 and 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 statements of financial position until the funds are used for their intended purposes by the affiliated entities. At that time, READ Global recognizes grant expense.

Property, Equipment and Fixtures - READ Global capitalizes property, equipment and fixtures with a cost of \$1,000 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, 2017 and 2016, 87% and 92% of READ Global's contributions and grants receivable was from four and three donors, respectively. For the years ended December 31, 2017 and 2016, 49% and 72% of READ Global's revenue and support was from one and two donors, respectively.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

**Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016**

Note 2 - Continued

Contributions received from board members totaled \$46,200 and \$25,000 for the years ended December 31, 2017 and 2016, respectively.

Support provided by READ Global to its affiliated entities represented 54% and 59% of READ Global's total expenses for the years ended December 31, 2017 and 2016, respectively. Support was provided by READ Global as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Nepal	\$ 598,598	\$ 654,843
Bhutan	175,776	181,155
India	<u>43,888</u>	<u>270,144</u>
Total Support Provided to Affiliated Entities	<u>\$ 818,262</u>	<u>\$ 1,106,142</u>

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, 2017, there were no conditional contributions or grants. As of December 31, 2016, outstanding conditional grants totaled approximately \$57,800, and the grant revenue was recognized during the year ended December 31, 2017 when the conditions were satisfied.

In-Kind Contributions - READ Global 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 \$2,148 and \$3,758 in in-kind services during the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and statements 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.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 2 - Continued

Subsequent Events - READ Global has evaluated subsequent events through December 19, 2018, the date on which the financial statements were available to be issued.

Note 3 - Contributions and Grants Receivable

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

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 195,535	\$ 390,663
Due within one to five years	<u>50,000</u>	<u>100,000</u>
Contributions and Grants Receivable, Net	<u>\$ 245,535</u>	<u>\$ 490,663</u>

Note 4 - Property, Equipment and Fixtures

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

	<u>2017</u>	<u>2016</u>
Equipment	\$ 20,177	\$ 20,177
Fixtures	<u>5,068</u>	<u>5,068</u>
	25,245	25,245
Less accumulated depreciation and amortization	<u>(20,721)</u>	<u>(18,842)</u>
Property, Equipment and Fixtures, Net	<u>\$ 4,524</u>	<u>\$ 6,403</u>

Note 5 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>(Restated) 2016</u>
Purpose restricted net assets-		
United States	\$ -	\$ 414,528
Bhutan	130,175	167,622
India	2,149	5,000
Nepal	<u>30,739</u>	<u>178,652</u>
Total purpose restricted net assets	163,063	765,802
Time restricted net assets	<u>160,797</u>	<u>189,203</u>
Total Temporarily Restricted Net Assets	<u>\$ 323,860</u>	<u>\$ 955,005</u>

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Note 5 - Continued

Net assets totaling \$1,306,816 were released from restrictions by incurring expenses in satisfaction of donor restrictions, and \$30,026 was released related to time restrictions for the year ended December 31, 2017. Net assets totaling \$1,866,976 were released from restrictions by incurring expenses in satisfaction of donor restrictions, and \$70,040 was released related to time restrictions for 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 \$7,600 and \$13,150 for the years ended December 31, 2017 and 2016, respectively.

Note 8 - Execution of READ Global Strategic Priorities (Unaudited)

READ Global continues to evolve along with global changes in philanthropy. U.S.-headquartered corporations that previously made grants to READ Global have begun awarding their grants directly to READ Global's overseas affiliates to comply with certain foreign corporate laws. This has resulted in reduced grant revenue for READ Global. In addition, READ Global continues to utilize program restricted funds received and recognized as revenue in prior years; however, the use of the funds is recognized as expenses when utilized in later years. These factors contributed to a decline in net assets for the years ended December 31, 2017 and 2016.

Since early 2015, the Board of Directors and the management team of READ Global have been executing a strategy focused on a) expanding the reach and capabilities of the organization through strategic partnerships as needed, b) reducing U.S. staff to lower operating costs and reduce the organization's reliance on unrestricted funds, and c) improving fundraising capabilities in the U.S. and Asia while building a strong governance structure. Currently, management is executing the last phase of the strategy.

In the meantime, READ Global's affiliates continue to progress toward self-sustainability. Management expects READ India, recently the first affiliate 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, TWT (Note 1). This partnership has provided READ Global an opportunity to leverage IREX's larger organizational structure to jointly apply for grants from large institutional funders that expect to fund U.S. office expenses, while allowing READ Global to continue to expand its proprietary expertise in self-sustaining giving.

RURAL EDUCATION AND DEVELOPMENT INC., dba READ GLOBAL

Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 9 - Adjustment to Prior Year Activities and Balances

During the year ended December 31, 2017, management determined that a portion of a grant received in November 2016 was unconditional and should have been recognized as temporarily restricted contribution revenue during the year ended December 31, 2016. Therefore, the activities and balances as of and for the year ended December 31, 2016 have been restated. The following table sets forth the effect of this adjustment as of and for the year ended December 31, 2016:

	<u>Previously Reported</u>	<u>Adjustments</u>	<u>Adjusted Balance</u>
Statement of Financial Position as of December 31, 2016-			
Contributions and grants receivable, net	\$ 364,203	\$ 26,460	\$ 390,663
Temporarily restricted net assets	\$ 928,545	\$ 26,460	\$ 955,005
Total net assets	\$ 1,746,055	\$ 26,460	\$ 1,772,515
Statement of Activities for the Year Ended December 31, 2016-			
Temporarily restricted contributions and grants	\$ 1,137,502	\$ 26,460	\$ 1,163,962
Change in temporarily restricted net assets	\$ (799,514)	\$ 26,460	\$ (773,054)
Total change in net assets	\$ (408,018)	\$ 26,460	\$ (381,558)