

**RURAL EDUCATION AND DEVELOPMENT, INC.
DBA: READ GLOBAL**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Education and Development, Inc. dba: READ Global (a nonprofit corporation), which comprise the financial position as of December 31, 2018, 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 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.

Board of Directors
Rural Education and Development, Inc. dba: READ Global

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Education and Development, Inc. dba: READ Global as of December 31, 2018, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Seattle, Washington
July 30, 2019

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	784,474
Contributions and Grants Receivable		389,321
Program Advances		314,151
Prepaid Expenses and Other Assets		3,199
Total Current Assets		1,491,145

OTHER ASSETS

Contributions and Grants Receivable, Net of Current Portion		160,050
Security Deposits		675
Property, Equipment, and Fixtures, Net		3,589
Total Other Assets		164,314

Total Assets		\$ 1,655,459
--------------	--	--------------

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable		36,962
Deferred Revenue		4,576
Funds Held for Joint Venture		8,400
Total Liabilities		49,938

NET ASSETS

Without Donor Restrictions		653,213
With Donor Restrictions:		
Purpose Restricted for Future Expenditures		817,451
Time-Restricted for Future Periods		134,857
Total Net Assets		1,605,521

Total Liabilities and Net Assets		\$ 1,655,459
----------------------------------	--	--------------

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions and Grants	\$ 173,806	\$ 1,493,570	\$ 1,667,376
Net Investment Loss	(1,035)	-	(1,035)
Net Assets Released from Restrictions	865,122	(865,122)	-
Total Revenue, Support, and Gains	1,037,893	628,448	1,666,341
EXPENSES AND LOSSES			
Program Services Expense	917,060	-	917,060
Administrative and Support	235,595	-	235,595
Fundraising	40,006	-	40,006
Total Expenses and Losses	1,192,661	-	1,192,661
CHANGE IN NET ASSETS	(154,768)	628,448	473,680
Net Assets - Beginning of Year	807,981	323,860	1,131,841
NET ASSETS - END OF YEAR	\$ 653,213	\$ 952,308	\$ 1,605,521

See accompanying Notes to Financial Statements.

**RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total
		Administrative and Support	Fundraising	
Program Support - Library Expense	\$ 439,064	\$ -	\$ -	\$ 439,064
Salaries, Taxes, and Related Benefits	211,293	57,091	30,314	298,698
Professional Services	148,695	144,041	3,249	295,985
Travel and Related Expenses	65,833	4,344	4,060	74,237
Administrative	1,560	7,376	1,711	10,647
Occupancy, Utilities, and Repairs	-	7,682	-	7,682
Office Equipment, Maintenance, and Supplies	615	14,126	672	15,413
Depreciation	-	935	-	935
Bad Debt	50,000	-	-	50,000
Total Expenses by Function	\$ 917,060	\$ 235,595	\$ 40,006	\$ 1,192,661

See accompanying Notes to Financial Statements.

**RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 473,680
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	935
Changes in Operating Assets and Liabilities:	
Contributions and Grants Receivable	(303,836)
Program Advances	(151,512)
Prepaid Expenses and Other Assets	(505)
Accounts Payable and Accrued Expenses	8,525
Deferred Revenue	(21,024)
Funds Held for Joint Venture	(2,100)
Net Cash Provided by Operating Activities	4,163
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 4,163
Cash and Cash Equivalents - Beginning of Year	780,311
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 784,474</u></u>

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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. A third Agreement was executed for the period February 1, 2019 through March 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 (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 venture activities. READ Global was reimbursed for expenses totaling \$298,250 during the year ended December 31, 2018, which is included in contributions and grants revenue on the statement of activities. Funds advanced by IREX for such costs totaled \$277,226 during the year ended December 31, 2018, and the amount of funds advanced in excess of contribution revenue recognized is reflected on the statement of financial position as deferred revenue.

Contributions received by READ Global for TWT are treated as agency transactions and totaled \$15,100 for the year ended December 31, 2018. Amounts held by READ Global on behalf of TWT as of December 31, 2018 totaled \$8,400, respectively, which is reported on the statement of financial position as cash and funds held for joint venture liability.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

READ Global has prepared its financial statements on the accrual basis of accounting in accordance with GAAP.

Adoption of New Accounting Standard

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. READ Global has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no change to the total previously reported net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement 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.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018.

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, 2018.

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, 2018, 75% of READ Global's contributions and grants receivable was from three donors. For the year ended December 31, 2018, 38% of READ Global's revenue and support was from two donors.

Contributions received from board members totaled \$106,250 for the year ended December 31, 2018.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations (Continued)

Support provided by READ Global to its affiliated entities represented 37% of READ Global's total expenses for the year ended December 31, 2018. Support was provided by READ Global as follows for the year ended December 31, 2018:

Nepal	\$ 231,122
Bhutan	122,304
India	<u>85,637</u>
Total	<u>\$ 439,063</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 net assets with donor restrictions, 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, 2018, there were two conditional grants with balances of approximately \$354,000.

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 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

We have evaluated subsequent events through July 30, 2019, the date the financial statements were available to be issued.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 LIQUIDITY AND AVAILABILITY

READ Global seeks to maintain liquid financial assets sufficient to cover approximately 60 days of payroll and general expenditures with a stated goal of instituting a conservative level of board designated reserve funds by the end of 2019. 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 as of December 31, 2018:

Cash and Cash Equivalents	\$ 784,474
Contributions and Grants Receivable	389,321
Total Financial Assets	<u>1,173,795</u>
Time-Restricted Net Assets	(134,857)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,038,938</u>

NOTE 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following as of December 31, 2018:

Due Within One Year	\$ 389,321
Due In One to Five Years	160,050
Total	<u>\$ 549,371</u>

NOTE 4 PROPERTY, EQUIPMENT, AND FIXTURES

Property, equipment, and fixtures consisted of the following as of December 31, 2018:

Equipment	\$ 20,177
Furniture and Fixtures	5,068
Total	<u>25,245</u>
Less: Accumulated Depreciation and Amortization	<u>(21,656)</u>
Property and Equipment, Net	<u>\$ 3,589</u>

NOTE 5 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.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Expenditure for Specified Purpose:	
Global	\$ 22,525
Bhutan	81,391
India	261,034
Nepal	<u>452,501</u>
Total	817,451
Subject to the Passage of Time:	
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	<u>134,857</u>
Total	<u>134,857</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 952,308</u></u>

Net assets totaling \$754,325 were released from restrictions by incurring expenses in satisfaction of donor restrictions, and \$110,797 was released related to time restrictions for the year ended December 31, 2018.

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 \$5,600 for the year ended December 31, 2018.

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.

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 globally while building a strong governance structure. Currently, management is executing the last phase of the strategy.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 EXECUTION OF READ GLOBAL STRATEGIC PRIORITIES (UNAUDITED) (CONTINUED)

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.