Impact(Ed) International, Inc. and Affiliate

Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2019 and 2018

CohnReznick
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Impact(Ed) International, Inc. and Affiliate

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Independent Auditor's Report on Consolidated Financial Statements

To the Board of Directors
Impact(Ed) International, Inc.
Silver Spring, Maryland

We have audited the accompanying consolidated financial statements of Impact(Ed) International, Inc. and Affiliate ("The Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Impact(Ed) International, Inc. and Affiliate as of December 31, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, in 2019 Impact(Ed) International, Inc. and Affiliate adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09") and *Revenue from Contracts with Customers*, Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08). Our opinion is not modified with respect to these matters.

CohnReznick LLP

Bethesda, Maryland
September 14, 2020

Impact(Ed) International, Inc. and Affiliate

Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets

	2019	2018
Current assets		
Cash and cash equivalents	$ 3,418,568	$ 2,562,869
Investments	400,861	1,103,377
Accounts receivable	59,452	1,390
Contributions and grants receivable	2,222,019	2,772,565
Advances	48,404	29,097
Prepaid expenses	14,455	24,615
Deposits	66,955	158,789
Total current assets	6,230,714	6,652,702
Equipment and website, at cost		
Equipment and website	75,959	54,770
Less: accumulated depreciation and amortization	(56,822)	(54,770)
	19,137	-
	$ 6,249,851	$ 6,652,702

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable and accrued expenses	$ 644,072	$ 826,184
Deferred revenue	711,577	-
Refundable advance	1,084,150	1,308,910
Total current liabilities	2,439,799	2,135,094
Long-term liabilities		
Deferred rent	57,258	-
Total Liabilities	2,497,057	2,135,094
Net assets		
Net assets without donor restrictions		
Operating	3,307,152	3,802,698
Board designated - operating reserve	425,000	425,000
Total net assets without donor restrictions	3,732,152	4,227,698
Net assets with donor restrictions	20,642	289,910
Total net assets	3,752,794	4,517,608
	$ 6,249,851	$ 6,652,702

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

Consolidated Statements of Activities and Change in Net Assets
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support						
Contributions and grants	$ 10,244,109	$ 5,768	$ 10,249,877	$ 11,596,647	$ 17,303	$ 11,613,950
Subcontract revenue	560,000	-	560,000	25,000	-	25,000
In-kind contributions	1,621,998	-	1,621,998	1,080,186	-	1,080,186
Investment income	43,782	-	43,782	18,784	-	18,784
Other income (loss)	(38,304)	-	(38,304)	295,659	-	295,659
Return of restricted gift	-	(96,419)	(96,419)	-	-	-
Net assets released from restrictions	178,617	(178,617)	-	333,193	(333,193)	-
Total revenue and support	12,610,202	(269,268)	12,340,934	13,349,469	(315,890)	13,033,579
Expenses						
Program services	11,630,218	-	11,630,218	11,668,510	-	11,668,510
General administration	1,474,039	-	1,474,039	1,514,911	-	1,514,911
Fundraising	1,491	-	1,491	948	-	948
Total expenses	13,105,748	-	13,105,748	13,184,369	-	13,184,369
Change in net assets	(495,546)	(269,268)	(764,814)	165,100	(315,890)	(150,790)
Net assets, beginning of year	4,227,698	289,910	4,517,608	4,062,598	605,800	4,668,398
Net assets, end of year	$ 3,732,152	$ 20,642	$ 3,752,794	$ 4,227,698	$ 289,910	$ 4,517,608

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program services	General administration	Fundraising	Total expenses
Consultants	$ 5,389,145	$ 93,744	$ -	$ 5,482,889
Salaries	683,924	830,175	451	1,514,550
Production of video programs	1,326,604	1,717	-	1,328,321
Equipment purchase and maintenance	1,317,644	-	-	1,317,644
Travel	1,254,878	23,426	-	1,278,304
Conferences, meetings and training	1,079,508	5,835	-	1,085,343
Payroll taxes and benefits	142,698	146,333	92	289,123
Rent	137,710	101,491	-	239,201
Office supplies and expenses	102,902	56,534	-	159,436
Telephone and internet	125,075	14,966	-	140,041
Insurance	-	76,335	-	76,335
Accounting fees	24,048	40,712	-	64,760
Legal fees	-	59,627	-	59,627
Postage and shipping	30,396	680	-	31,076
Dues and memberships	1,440	16,916	-	18,356
Bank fees	7,926	2,987	948	11,861
Printing, publications and website	6,320	509	-	6,829
Depreciation and amortization	-	2,052	-	2,052
Total expenses	$ 11,630,218	$ 1,474,039	$ 1,491	$ 13,105,748

Impact(Ed) International, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program services	General administration	Fundraising	Total expenses
Consultants	$ 5,499,183	$ 8,308	$ -	$ 5,507,491
Salaries	836,178	922,854	-	1,759,032
Travel	1,471,365	24,901	-	1,496,266
Conferences, meetings and training	1,316,531	3,487	-	1,320,018
Production of video programs	1,031,688	1,147	-	1,032,835
Equipment purchase and maintenance	655,161	-	-	655,161
Rent	366,417	198,068	-	564,485
Payroll taxes and benefits	174,034	160,168	-	334,202
Telephone and internet	94,036	55	-	94,091
Postage and shipping	90,358	836	-	91,194
Office supplies and expenses	82,592	59	-	82,651
Insurance	-	78,781	-	78,781
Accounting fees	29,985	40,192	-	70,177
Legal fees	-	47,417	-	47,417
Dues and memberships	1,413	17,294	-	18,707
Printing, publications and website	9,789	6,119	-	15,908
Bank fees	9,780	2,100	948	12,828
Depreciation and amortization	-	3,125	-	3,125
Total expenses	$ 11,668,510	$ 1,514,911	$ 948	$ 13,184,369

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (764,814)	$ (150,790)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,052	3,125
Unrealized (gain) loss on investments	(13,547)	620
Realized loss on investments	1,361	1,524
Amortization of bond premiums, net	4,702	7,025
Changes in:		
Accounts receivable	(58,062)	232
Contributions and grants receivable	550,546	173,304
Advances	(19,307)	(17,465)
Prepaid expenses	10,160	(18,103)
Deposits	91,834	134,368
Accounts payable and accrued expenses	(182,112)	109,189
Deferred revenue	711,577	-
Deferred rent	57,258	-
Refundable advance	(224,760)	(77,800)
Net cash provided by operating activities	166,888	165,229
Cash flows from investing activities		
Proceeds from redemptions/sales of investments	710,000	677,851
Purchases of furniture and equipment	(21,189)	-
Net cash provided by investing activities	688,811	677,851
Net increase in cash and cash equivalents	855,699	843,080
Cash and cash equivalents, beginning of year	2,562,869	1,719,789
Cash and cash equivalents, end of year	$ 3,418,568	$ 2,562,869

See Notes to Consolidated Financial Statements.

Note 1 - Summary of significant accounting policies

Organization

Impact(Ed) International, Inc. (“Impact(Ed)”) is a nonprofit organization organized in the State of Delaware in 1997 to provide technological resources and training to under-resourced schools and community centers in the developing world. Impact(Ed) was formerly known as Discovery Learning Alliance, Inc. The new name went info effect on October 1, 2019 and was approved by the State of Delaware on May 28, 2020. Impact(Ed) establishes learning centers in under-resourced schools and community centers through a comprehensive program on use of video in the classroom that includes televisions, DVD equipment, regionally tailored educational videos, access to information from a wide range of sources and long-term training. Impact(Ed) is supported principally by grants, contracts and contributions.

In October 2015, Impact(Ed) became a 49 percent owner of a special purpose entity, Inside TB (PTY) Ltd ("Inside TB"), a for-profit, South African Company originally organized in August 2013 under the name Lampoquest (PTY) Ltd, whose sole purpose is to produce, test and distribute The Lucky Specials (the "Movie"). Inside TB changed its name to The Lucky Specials Productions (PTY) LTD ("TLSP"). Impact(Ed) had a controlling financial interest in TLSP through an agreement to manage TLSP and the requirement to fund all costs of the Movie and losses of TLSP. The 51 percent owner had not made and had no requirement to make any capital contributions and had no obligation to fund any costs associated with the Movie or losses of TLSP. There was no expectation that the Movie will generate net income and the ownership agreement was silent as to any allocation of net income to the members. The 51 percent owner received fees for services provided to TLSP, which were funded by Impact(Ed). As a result, the 51 percent owner had no capital at risk or obligation to fund losses throughout the life of TLSP. Therefore, 100 percent of all financial activity related to the Movie was consolidated by Impact(Ed) without allocating a share of the losses to the 51 percent owner. TLSP was deregistered in South Africa on May 31, 2018.

In October 2018, Impact(Ed) became a 49 percent owner of a special purpose entity, Amberaw (PTY) Ltd ("Amberaw"), a for-profit, South African Company originally organized in July 2018, whose sole purpose is to produce, test and distribute the movie Shaina for Impact(Ed). Impact(Ed) has a controlling financial interest in Amberaw through an agreement to manage Amberaw and the requirement to fund all costs of the Shaina movie production and losses of Amberaw. The 51 percent owner has not made and has no requirement to make any capital contributions and has no obligation to fund any costs associated with Shaina movie production or losses of Amberaw. There is no expectation that the production of Shaina will generate net income and the ownership agreement is silent as to any allocation of net income to the members. The 51 percent owner receives fees for services provided to Amberaw, which are funded by Impact(Ed). As a result, the 51 percent owner has no capital at risk or obligation to fund losses throughout the life of Amberaw. Therefore, 100 percent of all financial activity related to Shaina movie production is consolidated by Impact(Ed) without allocating a share of the losses to the 51 percent owner.

Principles of consolidation

The consolidated financial statements include the accounts of Impact(Ed) and Amberaw (collectively, the "Organization"). All significant intercompany accounts and transactions between the organizations have been eliminated.

Basis of presentation
The accompanying consolidated financial statements have been prepared using the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Functional and presentation currency
Items included in the consolidated financial statements of the Organization are measured using the currency of the primary economic environment in which the Organization operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars, which is the Organization's functional and presentation currency. Transactions in a currency other than the functional and presentation currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the date of significant transactions or an exchange rate at the date the Organization made a cash transfer to the foreign entity using the first-in, first-out method to account for transactions. Currency translation gains and losses for the years ended December 31, 2019 and 2018, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies was a loss of $54,064 in 2019 and a gain of $80,429 in 2018, and are recognized in the consolidated statements of activities and change in net assets and are included in other income (loss).

Cash and cash equivalents
For consolidated financial statements purposes, the Organization considers cash in operating bank accounts and cash on hand to be cash and cash equivalents. Money market funds held in investment accounts with investment institutions are classified as cash and cash equivalents on the consolidated statements of financial position.

Investments
Investments are recorded at fair value. The Organization invests in corporate bonds, and government and agency bonds that are considered debt securities and therefore are recorded at fair value. Interest and dividend income and realized and unrealized gains and losses are included in investment income on the consolidated statements of activities and change in net assets. Investment income earned on net assets with donor restrictions is classified as net assets with donor restrictions if specified by the donor. Upon appropriation for expenditure, subject to any purpose restrictions, the amounts for current year expenditures are reclassified from net assets with donor restrictions to net assets without donor restrictions. Any other investment income is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Investments are available to be used to fund Organization operations. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could result in a change in fair value of the investment balances and amounts reported in the accompanying consolidated financial statements, which could be material.

Equipment
Equipment in excess of $5,000 with estimated useful lives of greater than one year are capitalized. Equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

Website development costs

The Organization has capitalized certain website development costs incurred during the application development stage. Subsequent costs to maintain and operate the website are expensed as incurred. Capitalized website development costs are being amortized using the straight-line method over three years, and amortization begins once the website is placed in service. Additionally, the Organization capitalized the purchase of their website domain name, which is being amortized using the straight-line method over 15 years. At December 31, 2019 and 2018, capitalized website development costs totaled $52,500 and $37,500, respectively. Amortization expense was $333 and $3,125 for the years ended December 31, 2019 and 2018, respectively. Total accumulated amortization at December 31, 2019 and 2018 was $37,833 and $37,500, respectively.

Income tax status

Impact(Ed) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Impact(Ed)'s tax-exempt purpose is subject to taxation as unrelated business income. There has been no unrelated business income or income tax expense reported for the years ended December 31, 2019 and 2018. Amberaw is subject to tax laws of South Africa and had no taxable income to report in accordance with South African tax laws for the years ended December 31, 2019 and 2018.

The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expense on the consolidated statements of activities and change in net assets and in accounts payable and accrued expenses in the consolidated statements of financial position. The Organization reported no penalties or interest on income taxes related to uncertain tax positions for the years ended December 31, 2019 and 2018. Tax years prior to 2016 for the Organization are no longer subject to examination by the IRS or the tax jurisdictions of Maryland and Delaware.

Contributions and grants receivable

Contributions and grants receivable represent unconditional promises to give and are recorded when the promise is made. Unconditional promises that are expected to be collected within one year are reflected as current contributions and grants receivable and recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reflected as long-term contributions and grants receivable with donor restrictions and recorded at the present value of their estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in revenue and support in the consolidated statements of activities and change in net assets. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines a pledge, or a portion thereof, to be uncollectible. At December 31, 2019 and 2018, contributions and grants receivable are considered to be fully collectible, and, as such, no allowance for doubtful accounts has been provided for in these consolidated financial statements. At December 31, 2019 and 2018, all contributions and grants receivable are expected to be collected within one year and are reflected as current assets on the consolidated statements of financial position.

Accounts receivable

The Organization records accounts receivable, net of an allowance for doubtful accounts when necessary. The need for an allowance is determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Management considers all receivables to be fully collectible.

Revenue recognition
The Organization recognizes revenue through the five-step model prescribed by the Financial Accounting Standards Board (“FASB”) in the Accounting Standards Codification (“ASC”), Revenue from Contracts with Customers: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when a performance obligation is met. The Organization applies the practical expedient in ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Revenue from governmental and other grant funding sources is recognized when the related expenses are incurred. Contract/subcontract expenses incurred before the related contract/subcontract revenue is received are reported as accounts receivable. Contract revenue received before the expenses are incurred is recorded as refundable advance. Revenue from fixed-price contracts is recognized by allocating the transaction price to satisfied and unsatisfied performance obligations based on their estimated values.

The Organization records contributions as revenue when they are pledged by the donor or when received in cash if not pledged. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Net assets with donor restrictions represent resources with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period.

Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or the funds are used for their restricted purposes, and are reported in the consolidated statements of activities and change in net assets as net assets released from restriction.

Use of estimates
Management uses estimates and assumptions in preparing these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Functional allocation of expenses
The direct costs of supporting the various programs and other activities have been summarized on a functional basis on the consolidated statements of activities and change in net assets. Certain costs have been allocated among program and supporting service classifications on the basis of an analysis made by the Organization's management. The Organization reports costs specifically incurred on programmatic activities as "program service" expenses on the statement of functional expenses. The Organization's general administration costs represent those costs incurred for common or joint objectives and therefore are not identified readily and specifically with a particular project or cost objective. These joint costs include such charges as executive management salaries, accounting staff salaries, audit fees, general office equipment and supplies, IT services, payroll processing fees, state registration and filing fees, and insurance costs.

Adoption of new accounting principles

During the year ended December 31, 2019, the Organization adopted FASB's Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 under a full retrospective approach, and the new standard did not have a material effect on the timing of the Organization's revenue recognition for the years ended December 31, 2019 and 2018.

During the year ended December 31, 2019, the Organization adopted FASB's ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 under a modified prospective basis, and the new standard did not have a material effect on the Organization's revenue recognition for the year ended December 31, 2019.

During the year ended December 31, 2018, the Organization adopted the provisions of FASB's ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). Accordingly, amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. ASU 2016-14 also requires additional disclosures in the area of liquidity and availability of resources, as well as a presentation of expenses on a functional basis.

In-kind contributions

Donated goods and services are recorded at their estimated fair value at the time of donation. Donated professional services include services rendered in connection with the Organization's programs and general administration. These services are recorded at their fair value at the time the service is performed.

Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statements. Although not directly impacted by ASU 2018-08 the Organization believes certain contracts previously recorded as contract and subcontract revenue are better categorized as contributions and grants revenue, therefore $11,349,299 previously classified as contract revenue and $194,001 previously classified as subcontract revenue have been moved to contributions and grants revenue.

Note 2 - Liquidity and availability of resources

Financial assets in excess of daily cash requirements are invested in corporate bonds and government and agency bonds, and are invested according to the Organization's Board-approved Investment Policy Statement. The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position. Amounts not available include net assets with donor-imposed restrictions or board designations:

	December 31, 2019	December 31, 2018
Financial assets		
Cash and cash equivalents	$ 3,418,568	$ 2,562,869
Accounts receivable	59,452	1,390
Contributions and grants receivable	2,222,019	2,772,565
Deposits	66,955	158,789
Investments	400,861	1,103,377
	6,167,855	6,598,990
Less those unavailable for general expenditure within one year due to donor restrictions or board designations		
Contractual or donor-imposed restrictions	(20,642)	(289,910)
Board designations	(425,000)	(425,000)
	(445,642)	(714,910)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,722,213	$ 5,884,080

The Organization is substantially supported by a cost-reimbursable grant with the UK Department for International Development. To meet the cash needs of this grant, the Organization's goal is to maintain financial assets (which consist of cash, short-term investments, and short-term receivables) on-hand to meet 150 days of normal operational expenses, which are approximately $485,000 per month. There is a Board-designated fund of $425,000 that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization also could draw upon a $500,000 line of credit with the bank (see note 10).

Note 3 - Investments

Investments at December 31, 2019 and 2018, consist of fixed income securities as follows:

	2019	2018
Corporate bonds	$ 225,849	$ 681,453
Government and agency bonds	175,012	421,924
	$ 400,861	$ 1,103,377

Investment income consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividend income	$ 39,826	$ 31,270
Realized loss on investments	(1,361)	(1,524)
Unrealized gain (loss) on investments	13,547	(620)
Less: Investment fees	(8,230)	(10,342)
	$ 43,782	$ 18,784

Note 4 - Net assets

Net assets with donor restrictions consist of the unexpended portion of restricted contributions received by the Organization. These contributions are restricted for the following programs at December 31, 2019 and 2018:

	2019	2018
Chevron Nigeria Limited	$ -	$ 160,134
Shell Petroleum Development Nigeria	-	96,419
Standard Chartered: Goal Employability Programme	20,642	33,357
	$ 20,642	$ 289,910

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes specified by the donors or by the passage of time as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Program Restrictions:		
Chevron Nigeria Limited	$ 160,134	$ 135,307
Shell Petroleum Development Nigeria	-	133,376
The Lucky Specials	-	564
Standard Chartered: Goal Employability Programme	12,715	46,643
DIME Project	5,768	17,303
	$ 178,617	$ 333,193

Board-designated net assets consist of an operating reserve fund of $425,000 at December 31, 2019 and 2018.

Note 5 - Transactions with Discovery, Inc.

Discovery, Inc., which founded Impact(Ed) in 1997, provided office space and office support for Impact(Ed) through March 15, 2019. The office support provided included telecommunications, computer software and hardware, copying services, and other office expenses. In addition, Discovery, Inc. provided production services to the Impact(Ed). At times, contributions from Discovery, Inc. have been a major source of Impact(Ed)'s revenue. Payments received from Discovery, Inc. were $7,059 and $50,000 for the years ended December 31, 2019 and 2018, respectively.

The Organization received $97,847 and $469,667 in in-kind contributions from Discovery, Inc. for the years ended December 31, 2019 and 2018, respectively.

Note 6 - In-kind contributions

In addition to the in-kind contributions that were received from Discovery, Inc. (see Note 5), the Organization received in-kind contributions for services from various vendors. For the years ended December 31, 2019 and 2018, these contributions totaled $1,524,151 and $610,519, respectively. The majority of these contributions are reflected as part of program and general administration expenses for the years ended December 31, 2019 and 2018.

Note 7 - Pension plan

The Organization maintains a 401(k) plan that covers all Organization employees. The Plan provides for a discretionary profit-sharing contribution, as well as an employer match equal to 100 percent of employee contributions, not to exceed 5 percent of the participant's annual compensation. The Organization made contributions of $69,762 and $74,449 for the years ended December 31, 2019 and 2018, respectively.

Note 8 - Leases and license agreements

In March 2019, Impact(Ed) signed a license agreement for temporary space in Silver Spring, Maryland. The lease provided for free rent on the temporary space, and terminated upon the landlord delivering Impact(Ed)'s new space or upon termination of negotiations for the new lease. On February 18, 2020, Impact(Ed) entered into a lease agreement for permanent office space beginning on February 1, 2020 and terminating July 31, 2022. Monthly rent is $8,467 plus Impact(Ed)'s share of operating expenses. The lease includes three months of free rent and calls for an increase of 3 percent each year. Rent expense was $57,258 for the year ended December 31, 2019. Future minimum lease payments required under the operating lease are as follows:

Years ending December 31,		
2020	$	67,738
2021		104,401
2022		62,619
Total	$	234,758

Note 9 - Line of credit

The Organization has a $500,000 line of credit with a financial institution secured by the Organization’s investment holdings. The line of credit bears interest at the financial institutions prime rate. The line of credit had an original maturity date of June 21, 2019 and was extended through June 21, 2020. There is no outstanding balance on the line of credit at December 31, 2019 or 2018.

Note 10 - Fair value measurements

The Organization has determined the fair value of certain assets through *Fair Value Measurement* ("Topic 820") of the FASB Accounting Standards Codification. Fair value of assets measured on a recurring basis at December 31, 2019 and 2018 is as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2019				
Assets:				
Corporate bonds	$ 225,849	$ -	$ 225,849	$ -
Government and agency bonds	175,012	-	175,012	-
	$ 400,861	$ -	$ 400,861	$ -
December 31, 2018				
Assets:				
Corporate bonds	$ 681,453	$ -	$ 681,453	$ -
Government and agency bonds	421,924	-	421,924	-
	$ 1,103,377	$ -	$ 1,103,377	$ -

Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets or liabilities in active or inactive markets as significant other observable inputs. Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 investments consist of corporate bonds, and government and agency bonds, and are valued using a market approach from pricing sources utilized by investment managers. There were no changes in the valuation techniques during the current year.

Note 11 - Subsequent events

The Organization has evaluated subsequent events for potential recognition or disclosure through September 14, 2020, the date the consolidated financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally, and this pandemic is leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization’s financial position, results of operations, and cash flows. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects that these disruptions may have on the operations and financial position of the Organization will depend on future developments, which cannot be determined at this time.

On May 1, 2020, Impact(Ed) obtained a promissory note of $258,300 from its bank under the Small Business Administration ("SBA")'s Paycheck Protection Program ("PPP") that is part of the CARES Act stimulus relief. The note bears interest at 1 percent and requires monthly payments of principal and interest on the outstanding principal balance, unless otherwise forgiven in whole or part by SBA under the CARES Act. The terms of the promissory note are subject to change based on final regulations issued.

Supplementary Information

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Impact(Ed) International, Inc. and Affiliate
Silver Spring, Maryland

We have audited the consolidated financial statements of Impact(Ed) International, Inc. and Affiliate as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated September 14, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The schedule of activity for Girls Education Challenge Transition ("GECT") is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland
September 14, 2020

Impact(Ed) International, Inc. and Affiliate

Schedule of Activity for Girls Education Challenge Transition ("GECT")
Year Ended December 31, 2019

	DFID Spend Ghana	DFID Spend Kenya	DFID Spend Nigeria	Total DFID Spend	LP Match Ghana	LP Match Kenya	LP Match Nigeria	Total LP Match	2019 Total
Fees local									
Management fees	$ 28,764	$ 139,509	$ 62,719	$ 230,992	$ -	$ -	$ -	$ -	$ 230,992
Project Directors	86,603	64,386	62,330	213,319	-	-	-	-	213,319
Training and Outreach Managers	47,327	39,235	152,564	239,126	-	-	-	-	239,126
Girls' Club Coordinators	12,337	21,069	21,881	55,287	-	-	-	-	55,287
Community Action Mobilizers	89,718	182,396	124,737	396,851	-	-	-	-	396,851
Procurement and Logistics Coordinators	9,258	20,217	15,285	44,760	-	-	-	-	44,760
MEL Officer	13,309	11,380	17,273	41,962	-	-	-	-	41,962
Office administrators	9,314	17,851	25,483	52,648	-	-	-	-	52,648
Trainers	203,590	366,052	309,486	879,128	-	-	-	-	879,128
Contracted staff	36,909	67,909	32,995	137,813	-	-	-	-	137,813
Drivers	9,710	10,160	17,935	37,805	-	-	-	-	37,805
Total fees local	546,839	940,164	842,688	2,329,691	-	-	-	-	2,329,691
Fees international									
Wages, taxes and benefits	270,147	189,384	302,368	761,899	-	-	-	-	761,899
Regional management	118,751	231,445	107,195	457,391	-	-	-	-	457,391
Consulting	64,436	64,279	64,122	192,837	-	-	-	-	192,837
Evaluators	255,137	255,137	255,137	765,411	-	-	-	-	765,411
Security	2,850	2,850	2,850	8,550	-	-	-	-	8,550
Total fees international	711,321	743,095	731,672	2,186,088	-	-	-	-	2,186,088
IT and office equipment									
Office equipment	4,644	22,834	7,458	34,936	-	-	-	-	34,936
Travel - local									
Domestic travel	4,793	3,406	17,397	25,596	-	-	-	-	25,596
Auto lease expense	5,319	38,611	25,216	69,146	-	-	-	-	69,146
Auto fuel expense	14,538	5,057	9,071	28,666	-	-	-	-	28,666
Auto repair expense	12,856	1,446	1,065	15,367	-	-	-	-	15,367
Total travel - local	37,506	48,520	52,749	138,775	-	-	-	-	138,775
Travel - international									
International travel	16,839	17,882	12,830	47,551	-	-	-	-	47,551
Hotel and sustenance									
Hotel and accommodation - domestic	6,450	2,653	13,385	22,488	-	-	-	-	22,488
Hotel and accommodation - international	13,111	26,694	10,103	49,908	-	-	-	-	49,908
Meals and per diem - domestic	3,503	1,487	2,938	7,928	-	-	-	-	7,928
Meals and per diem - international	13,984	13,799	10,679	38,462	-	-	-	-	38,462
Total hotel and sustenance	37,048	44,633	37,105	118,786	-	-	-	-	118,786

Impact(Ed) International, Inc. and Affiliate

Schedule of Activity for Girls Education Challenge Transition ("GECT")
Year Ended December 31, 2019

	DFID Spend Ghana	DFID Spend Kenya	DFID Spend Nigeria	Total DFID Spend	LP Match Ghana	LP Match Kenya	LP Match Nigeria	Total LP Match	2019 Total
Education Supplies									
LC Equipment Purchase	101,014	8,196	-	109,210	402,271	402,271	402,271	1,206,813	1,316,023
LC Equipment Delivery and Installation	-	1,620	-	1,620	-	-	-	-	1,620
Program Duplication and Replication	7,243	5,047	5,889	18,179	136,476	-	-	136,476	154,655
Distribution/Shipping	10,408	7,510	7,741	25,659	-	-	-	-	25,659
Video & Audio Production	110,998	116,806	110,998	338,802	-	-	-	-	338,802
Program Customization	-	151,117	30,095	181,212	-	-	-	-	181,212
Script & Content Review Committees	1,658	2,608	564	4,830	-	-	-	-	4,830
Total education supplies	231,321	292,904	155,287	679,512	538,747	402,271	402,271	1,343,289	2,022,801
Training material costs									
Workshop Venue and Catering	230,818	238,548	89,899	559,265	-	-	-	-	559,265
Workshop Materials and Supplies	90,824	84,129	112,911	287,864	-	-	-	-	287,864
Staff Workshop Travel	86,677	223,485	54,500	364,662	-	-	-	-	364,662
Participant Workshop Travel	165,735	271,633	37,875	475,243	-	-	-	-	475,243
Subcontractor: Cell-Ed	101,080	101,080	101,080	303,240	-	-	-	-	303,240
Subcontractor: Camfed	578,542	-	-	578,542	-	-	-	-	578,542
Subcontractor: Avanti iMlango	-	317,050	-	317,050	-	260,147	-	260,147	577,197
Volunteer Incentives	-	13	31,829	31,842	-	-	-	-	31,842
Remedial Teacher Incentives	76,032	46,999	39,516	162,547	-	-	-	-	162,547
Total training material costs	1,329,708	1,282,937	467,610	3,080,255	-	260,147	-	260,147	3,340,402
Support costs									
Audit fees	7,781	9,576	6,691	24,048	-	-	-	-	24,048
Office supplies and expenses	6,834	17,842	23,546	48,222	-	-	-	-	48,222
Rent and utilities	5,552	65,200	13,344	84,096	-	-	-	-	84,096
Bank fees	2,444	2,634	2,652	7,730	-	-	-	-	7,730
Postage/shipping and courier	1,086	2,423	957	4,466	-	-	-	-	4,466
Telephone/fax/internet	31,299	52,224	37,370	120,893	-	-	-	-	120,893
Dues and memberships	785	35	35	855	-	-	-	-	855
Recruiting	527	1,956	78	2,561	-	-	-	-	2,561
Photography	1,130	33	33	1,196				-	1,196
Photocopy and printing	1,424	3,554	2	4,980	-	-	-	-	4,980
Office repairs and mintenance	1,616	1,026	13,160	15,802	-	-	-	-	15,802
In-kind rent/shared services	-	-	-	-	18,167	17,534	17,914	53,615	53,615
Total support costs	60,478	156,503	97,868	314,849	18,167	17,534	17,914	53,615	368,464
Total direct expenses	2,975,704	3,549,472	2,405,267	8,930,443	556,914	679,952	420,185	1,657,051	10,587,494
Overhead (11.45%)	340,733	406,418	275,403	1,022,554	-	-	-	-	1,022,554
Total expenses	$ 3,316,437	$ 3,955,890	$ 2,680,670	$ 9,952,997	$ 556,914	$ 679,952	$ 420,185	$ 1,657,051	$ 11,610,048

This schedule represents total costs of the GECT Project, not of Impact(Ed)'s share of project costs.

See Independent Auditor's Report on Supplementary Information.

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