

Impact(Ed) International, Inc. and Affiliate

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

December 31, 2020 and 2019

Impact(Ed) International, Inc. and Affiliate

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Independent Auditor's Report

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, 2020 and 2019, and 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 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 consolidated financial position of Impact(Ed) International, Inc. and Affiliate as of December 31, 2020 and 2019, 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.


Bethesda, Maryland
July 28, 2021

Impact(Ed) International, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 3,535,699	\$ 3,418,568
Investments	-	400,861
Accounts receivable	367	59,452
Contributions and grants receivable	953,469	2,222,019
Advances	236	48,404
Prepaid expenses	16,196	14,455
Deposits	118,692	66,955
Total current assets	4,624,659	6,230,714
Equipment and website, at cost		
Equipment and website	81,585	75,959
Less: accumulated depreciation and amortization	(61,448)	(56,822)
	20,137	19,137
	\$ 4,644,796	\$ 6,249,851
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 148,399	\$ 644,072
Note payable	258,300	-
Deferred revenue	-	711,577
Refundable advance	-	1,084,150
Total current liabilities	406,699	2,439,799
Long-term liabilities		
Deferred rent	58,230	57,258
Total liabilities	464,929	2,497,057
Commitments and contingencies		
Net assets		
Net assets without donor restrictions		
Operating	3,609,004	3,307,152
Board-designated - operating reserve	425,000	425,000
Total net assets without donor restrictions	4,034,004	3,732,152
Net assets with donor restrictions	145,863	20,642
Total net assets	4,179,867	3,752,794
	\$ 4,644,796	\$ 6,249,851

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, 2020 and 2019**

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support						
Contributions and grants	\$ 6,525,349	\$ 128,875	\$ 6,654,224	\$ 10,244,109	\$ 5,768	\$ 10,249,877
Subcontract revenue	1,227,000	-	1,227,000	560,000	-	560,000
In-kind contributions	183,680	-	183,680	1,621,998	-	1,621,998
Investment income	3,176	-	3,176	43,782	-	43,782
Other income (loss)	29,305	-	29,305	(38,304)	-	(38,304)
Return of restricted gift	-	-	-	-	(96,419)	(96,419)
Net assets released from restrictions	3,654	(3,654)	-	178,617	(178,617)	-
Total revenue and support	7,972,164	125,221	8,097,385	12,610,202	(269,268)	12,340,934
Expenses						
Program services	6,380,463	-	6,380,463	11,630,218	-	11,630,218
General administration	1,232,270	-	1,232,270	1,474,039	-	1,474,039
Fundraising	57,579	-	57,579	1,491	-	1,491
Total expenses	7,670,312	-	7,670,312	13,105,748	-	13,105,748
Change in net assets	301,852	125,221	427,073	(495,546)	(269,268)	(764,814)
Net assets, beginning of year	3,732,152	20,642	3,752,794	4,227,698	289,910	4,517,608
Net assets, end of year	<u>\$ 4,034,004</u>	<u>\$ 145,863</u>	<u>\$ 4,179,867</u>	<u>\$ 3,732,152</u>	<u>\$ 20,642</u>	<u>\$ 3,752,794</u>

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	Program services	General administration	Fundraising	Total expenses
Consultants	\$ 3,782,615	\$ 26,757	\$ 55,500	\$ 3,864,872
Salaries	693,709	744,636	676	1,439,021
Production of video programs	583,811	-	-	583,811
Equipment purchase and maintenance	92,838	566	-	93,404
Travel	465,864	1,778	-	467,642
Conferences, meetings and training	317,215	177	-	317,392
Payroll taxes and benefits	149,794	137,169	135	287,098
Rent and utilities	81,877	68,710	-	150,587
Office supplies and expenses	48,013	26,627	-	74,640
Telephone and internet	98,291	17,212	399	115,902
Insurance	-	75,375	-	75,375
Accounting fees	15,375	40,956	-	56,331
Legal fees	-	60,204	-	60,204
Postage and shipping	26,436	412	-	26,848
Dues and memberships	3,057	16,122	-	19,179
Bank fees	5,064	6,806	869	12,739
Printing, publications and website	16,504	4,137	-	20,641
Depreciation and amortization	-	4,626	-	4,626
Total expenses	\$ 6,380,463	\$ 1,232,270	\$ 57,579	\$ 7,670,312

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 and utilities	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

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

**Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 427,073	\$ (764,814)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,626	2,052
Unrealized gain on investments	-	(13,547)
Realized loss on investments	861	1,361
Amortization of bond premiums, net	-	4,702
Changes in:		
Accounts receivable	59,085	(58,062)
Contributions and grants receivable	1,268,550	550,546
Advances	48,168	(19,307)
Prepaid expenses	(1,741)	10,160
Deposits	(51,737)	91,834
Accounts payable and accrued expenses	(495,673)	(182,112)
Deferred revenue	(711,577)	711,577
Deferred rent	972	57,258
Refundable advance	(1,084,150)	(224,760)
Net cash provided by (used in) operating activities	<u>(535,543)</u>	<u>166,888</u>
Cash flows from investing activities		
Proceeds from redemptions/sales of investments	400,000	710,000
Purchases of furniture and equipment	<u>(5,626)</u>	<u>(21,189)</u>
Net cash provided by investing activities	<u>394,374</u>	<u>688,811</u>
Cash flows from financing activities		
Proceeds from note payable	<u>258,300</u>	<u>-</u>
Net cash provided by financing activities	<u>258,300</u>	<u>-</u>
Net increase in cash and cash equivalents	117,131	855,699
Cash and cash equivalents, beginning of year	<u>3,418,568</u>	<u>2,562,869</u>
Cash and cash equivalents, end of year	<u>\$ 3,535,699</u>	<u>\$ 3,418,568</u>

See Notes to Consolidated Financial Statements.

Impact(Ed) International, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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 into 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 that includes teacher professional development, community development as well as production and distribution of media for positive social impact. Impact(Ed) is supported principally by grants, contracts and contributions.

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, 2020 and 2019, 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 gain of \$20,140 in 2020 and a loss of \$54,064 in 2019, and are recognized in the consolidated statements of activities and change in net assets and are included in other income (loss).

Impact(Ed) International, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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, 2020 and 2019, capitalized website development costs totaled \$52,500. Amortization expense was \$1,000 and \$333 for the years ended December 31, 2020 and 2019, respectively. Total accumulated amortization at December 31, 2020 and 2019 was \$38,833 and \$37,833, 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, 2020 and 2019. 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, 2020 and 2019.

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

Impact(Ed) International, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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, 2020 and 2019. Tax years prior to 2017 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, 2020 and 2019, 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, 2020 and 2019, 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 collectability 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

Impact(Ed) International, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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 standard did not have a material effect on the timing of the Organization's revenue recognition for the year ended December 31, 2020.

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 standard did not have a material effect on the Organization's revenue recognition for the year ended December 31, 2020.

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.

Concentration of credit risk

Impact(Ed) has cash deposits at its bank of approximately \$640,000 in excess of FDIC insurance limitations as of December 31, 2020.

Impact(Ed) International, Inc. and Affiliate

**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

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, 2020 and 2019, 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,	
	2020	2019
Financial assets		
Cash and cash equivalents	\$ 3,535,699	\$ 3,418,568
Accounts receivable	367	59,452
Contributions and grants receivable	953,469	2,222,019
Deposits	118,692	66,955
Investments	-	400,861
	<u>4,608,227</u>	<u>6,167,855</u>
Less those unavailable for general expenditure within one year due to donor restrictions or board designations		
Contractual or donor-imposed restrictions	(145,863)	(20,642)
Board designations	(425,000)	(425,000)
	<u>(570,863)</u>	<u>(445,642)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,037,364</u>	<u>\$ 5,722,213</u>

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 \$155,000 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 11).

Note 3 - Investments

Investments at December 31, 2020 and 2019, consist of fixed income securities as follows:

	2020	2019
Corporate bonds	\$ -	\$ 225,849
Government and agency bonds	-	175,012
	<u>\$ -</u>	<u>\$ 400,861</u>

Impact(Ed) International, Inc. and Affiliate

**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

Investment income consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 11,286	\$ 39,826
Realized loss on investments	(861)	(1,361)
Unrealized gain on investments	-	13,547
Less: Investment fees	<u>(7,249)</u>	<u>(8,230)</u>
	<u>\$ 3,176</u>	<u>\$ 43,782</u>

Note 4 - Note payable

On May 1, 2020, Impact(Ed) obtained an unsecured 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 has a maturity date of May 1, 2022. Under the CARES Act, PPP loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. As of December 31, 2020, Impact(Ed) had not yet applied for PPP loan forgiveness, and management believes it will qualify for full or partial forgiveness. However, there is no assurance Impact(Ed)'s PPP loan or any portion thereof will be forgiven.

The PPP loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against Impact(Ed).

Note 5 - 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Coca-Cola Bottling Company- Ghana PSA's	\$ 10,558	\$ -
GECT Payment-by-Results	102,851	-
Girls Education Fund	12,024	-
Standard Chartered: Goal Employability Programme	<u>20,430</u>	<u>20,642</u>
	<u>\$ 145,863</u>	<u>\$ 20,642</u>

Impact(Ed) International, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program Restrictions:		
Coca-Cola Bottling Company- Ghana PSA's	\$ 3,442	\$ -
Standard Chartered: Goal Employability Programme	212	12,715
Chevron Nigeria Limited	-	160,134
DIME Project	-	5,768
	<u>\$ 3,654</u>	<u>\$ 178,617</u>

Board-designated net assets consist of an operating reserve fund of \$425,000 at December 31, 2020 and 2019.

Note 6 - GECT Award

In 2017, Impact(Ed) received a grant from the UK Department for International Development ("DFID") for the Girls Education Challenge-Transition ("GECT") to support education projects in Ghana, Kenya and Nigeria. Impact (Ed) invoices DFID for direct costs incurred on the project as well as a negotiated overhead fee. Revenue related to the grant was \$6,218,557 and \$9,952,997 for the years ended December 31, 2020 and 2019, respectively, and is included in contributions and grants and on the statement of activities and change in net assets.

Note 7 - 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 \$0 and \$7,059 for the years ended December 31, 2020 and 2019, respectively.

The Organization received \$0 and \$97,847 in in-kind contributions from Discovery, Inc. for the years ended December 31, 2020 and 2019, respectively.

Note 8 - In-kind contributions

In addition to the in-kind contributions that were received from Discovery, Inc. (see Note 7), the Organization received in-kind contributions for services from various vendors. For the years ended December 31, 2020 and 2019, these contributions totaled \$183,680 and \$1,524,151, respectively. The majority of these contributions are reflected as part of program and general administration expenses for the years ended December 31, 2020 and 2019.

Note 9 - 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

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**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

Organization made contributions of \$65,833 and \$69,762 for the years ended December 31, 2020 and 2019, respectively.

Note 10 - 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 for the Silver Spring office space was \$68,710 and \$57,258 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments required under the operating lease are as follows:

<u>Years ending December 31,</u>	
2021	\$ 104,401
2022	<u>62,619</u>
Total	<u>\$ 167,020</u>

Note 11 - Line of credit

The Organization has a \$500,000 line of credit with a financial institution secured by the Organization's money market funds held in their investment portfolio. The line of credit bears interest at the financial institution's prime rate. The line of credit has a maturity date of July 20, 2021. There is no outstanding balance on the line of credit at December 31, 2020 or 2019.

Note 12 - 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, 2020 and 2019 is as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets/liabilities (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<u>December 31, 2020</u>				
Assets:				
Corporate bonds	\$ -	\$ -	\$ -	\$ -
Government and agency	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Impact(Ed) International, Inc. and Affiliate

**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

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

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 13 - Risks and uncertainties

The spread of a novel strain of coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects 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.

Note 14 - Subsequent events

The Organization has evaluated subsequent events for potential recognition or disclosure through July 28, 2021, the date the consolidated financial statements were available to be issued, and determined the following events require disclosure.

Second draw Paycheck Protection Program Loan

On April 1, 2021, Impact(Ed) entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$258,300 pursuant to the second round of the Paycheck Protection Program (the "Second PPP Loan"), which was established under the Consolidated Appropriations Act, 2021 (the "Appropriations Act") and is administered by the SBA. The outstanding borrowings under the Second PPP Loan bear interest at a rate of 1% per year and have a maturity of April 1, 2026. Under the Appropriations Act, Second PPP Loan recipients meeting

Impact(Ed) International, Inc. and Affiliate

**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. Impact(Ed) believes it will qualify for full or partial Second PPP Loan forgiveness. However, there is no assurance Impact(Ed)'s Second PPP Loan or any portion thereof will be forgiven. The Second PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against Impact(Ed).

GECT award closeout

In January 2021, the DFID award was completed and closed out with additional costs of \$206,508 incurred. Total activity under the GECT program, including overhead for 2020 through closeout is as follows:

	Year Ended <u>December 31, 2020</u>	Month Ended <u>January 31, 2021</u>	<u>Total</u>
Direct Expenses	\$ 5,579,679	\$ 185,291	\$ 5,764,970
Overhead	638,878	21,217	660,095
LP Match	<u>125,577</u>	<u>-</u>	<u>125,577</u>
	<u>\$ 6,344,134</u>	<u>\$ 206,508</u>	<u>\$ 6,550,642</u>

A supplemental schedule of expenses is included on page 20 and includes the closeout costs incurred in 2021.

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, 2020 and 2019, and have issued our report thereon dated July 28, 2021, 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
July 28, 2021

Impact(Ed) International, Inc. and Affiliate

**Schedule of Activity for Girls Education Challenge Transition ("GECT")
January 1, 2020 through January 31, 2021**

	DFID Spend Ghana	DFID Spend Kenya	DFID Spend Nigeria	Total DFID Spend	LP Match Ghana	LP Match Kenya	LP Match Nigeria	Total LP Match	Total
Fees local									
Management fees	\$ 29,778	\$ 132,934	\$ 66,714	\$ 229,426	\$ -	\$ -	\$ -	\$ -	\$ 229,426
Project Directors	110,117	85,091	97,259	292,467	-	-	-	-	292,467
Training and Outreach Managers	52,638	48,945	179,109	280,692	-	-	-	-	280,692
Girls' Club Coordinators	7,224	26,466	27,382	61,072	-	-	-	-	61,072
Community Action Mobilizers	53,616	116,114	84,046	253,776	-	-	-	-	253,776
Procurement and Logistics Coordinators	7,257	22,319	18,893	48,469	-	-	-	-	48,469
MEL Officer	13,814	15,030	19,376	48,220	-	-	-	-	48,220
Office administrators	9,116	19,784	25,233	54,133	-	-	-	-	54,133
Trainers	126,862	299,110	202,891	628,863	-	-	-	-	628,863
Contracted staff	22,249	57,536	61,505	141,290	-	-	-	-	141,290
Drivers	8,643	9,826	21,635	40,104	-	-	-	-	40,104
Total fees local	441,314	833,155	804,043	2,078,512	-	-	-	-	2,078,512
Fees international									
Wages, taxes and benefits	293,361	193,413	324,538	811,312	-	-	-	-	811,312
Regional management	82,746	269,318	103,559	455,623	-	-	-	-	455,623
Consulting	72,080	72,080	73,207	217,367	-	-	-	-	217,367
Evaluators	227,334	227,334	227,334	682,002	-	-	-	-	682,002
Security	3,300	3,300	3,300	9,900	-	-	-	-	9,900
Total fees international	678,821	765,445	731,938	2,176,204	-	-	-	-	2,176,204
IT and office equipment									
Office equipment	1,027	-	-	1,027	-	-	-	-	1,027
Travel - local									
Domestic travel	1,917	6,719	2,655	11,291	-	-	-	-	11,291
Auto lease expense	5,642	29,012	24,948	59,602	-	-	-	-	59,602
Auto fuel expense	7,210	2,910	2,417	12,537	-	-	-	-	12,537
Auto repair expense	6,630	-	469	7,099	-	-	-	-	7,099
Total travel - local	21,399	38,641	30,489	90,529	-	-	-	-	90,529
Travel - international									
International travel	1,632	3,354	3,836	8,822	-	-	-	-	8,822
Hotel and sustenance									
Hotel and accommodation - domestic	2,192	937	5,637	8,766	-	-	-	-	8,766
Hotel and accommodation - international	307	2,962	2,362	5,631	-	-	-	-	5,631
Meals and per diem - domestic	1,125	375	1,187	2,687	-	-	-	-	2,687
Meals and per diem - international	201	1,355	1,764	3,320	-	-	-	-	3,320
Total hotel and sustenance	3,825	5,629	10,950	20,404	-	-	-	-	20,404

Impact(Ed) International, Inc. and Affiliate

**Schedule of Activity for Girls Education Challenge Transition ("GECT")
January 1, 2020 through January 31, 2021**

	DFID Spend Ghana	DFID Spend Kenya	DFID Spend Nigeria	Total DFID Spend	LP Match Ghana	LP Match Kenya	LP Match Nigeria	Total LP Match	Total
Education supplies									
LC equipment purchase	-	-	-	-	29,782	31,811	31,811	93,404	93,404
Program duplication and replication	16,498	386	6,612	23,496	-	-	-	-	23,496
Distribution/Shipping	7,136	624	3,315	11,075	-	-	-	-	11,075
Video and audio production	46,973	41,501	62,010	150,484	-	-	-	-	150,484
Curriculum mapping	-	-	6,913	6,913	-	-	-	-	6,913
Program customization	-	1,392	696	2,088	-	-	-	-	2,088
Script and content review committees	191	1,066	-	1,257	-	-	-	-	1,257
Total education supplies	70,798	44,969	79,546	195,313	29,782	31,811	31,811	93,404	288,717
Training material costs									
Workshop venue and catering	31,683	30,292	52,270	114,245	-	-	-	-	114,245
Workshop materials and supplies	31,653	31,058	15,662	78,373	-	-	-	-	78,373
Staff workshop travel	29,654	96,898	45,893	172,445	-	-	-	-	172,445
Participant workshop travel	20,197	96,537	22,288	139,022	-	-	-	-	139,022
Subcontractor: Cell-ed	48,080	59,529	59,529	167,138	-	-	-	-	167,138
Subcontractor: Camfed	92,954	-	-	92,954	-	-	-	-	92,954
Subcontractor: Avanti iMlango	-	37,294	-	37,294	-	32,173	-	32,173	69,467
Club Microenterprise Support	-	7,144	-	7,144	-	-	-	-	7,144
Mentor incentives	-	258	2,580	2,838	-	-	-	-	2,838
Remedial teacher incentives	31,245	50,150	23,414	104,809	-	-	-	-	104,809
Total training material costs	285,466	409,160	221,636	916,262	-	32,173	-	32,173	948,435
Support costs									
Audit fees	10,251	10,250	10,249	30,750	-	-	-	-	30,750
Office supplies and expenses	3,933	16,354	12,373	32,660	-	-	-	-	32,660
Rent and utilities	6,500	68,996	6,435	81,931	-	-	-	-	81,931
Bank fees	1,743	1,766	1,343	4,852	-	-	-	-	4,852
Postage/shipping and courier	75	1,575	887	2,537	-	-	-	-	2,537
Telephone/fax/internet	28,320	37,398	27,632	93,350	-	-	-	-	93,350
Dues and memberships	1,193	302	939	2,434	-	-	-	-	2,434
Recruitment	92	3,006	92	3,190	-	-	-	-	3,190
Photography	4,621	5,352	5,187	15,160	-	-	-	-	15,160
Photocopy and printing	311	1,967	-	2,278	-	-	-	-	2,278
Office repairs and maintenance	2,746	339	5,670	8,755	-	-	-	-	8,755
Total support costs	59,785	147,305	70,807	277,897	-	-	-	-	277,897
Total direct expenses	1,564,067	2,247,658	1,953,245	5,764,970	29,782	63,984	31,811	125,577	5,890,547
Overhead (11.45%)	179,087	257,359	223,649	660,095	-	-	-	-	660,095
Total expenses	\$ 1,743,154	\$ 2,505,017	\$ 2,176,894	\$ 6,425,065	\$ 29,782	\$ 63,984	\$ 31,811	\$ 125,577	\$ 6,550,642

This schedule represents total costs of the GECT Project, not of Impact(Ed)'s share of project costs. This schedule also includes project closeout costs incurred in January 2021, see notes 6 and 14.

See Independent Auditor's Report on Supplementary Information.



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