

Cooperative for Education (CoEd)

**Financial Statements
December 31, 2015 and 2014, and
Independent Auditor's Report**

COOPERATIVE FOR EDUCATION (CoEd)
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors
Cooperative for Education (CoEd)
Cincinnati, Ohio

We have audited the accompanying financial statements of Cooperative for Education (CoEd) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cooperative for Education (CoEd) as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 6, 2016
Cincinnati, Ohio

COOPERATIVE FOR EDUCATION (CoEd)

**Statements of Financial Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Cash and cash equivalents	\$ 1,695,673	\$ 953,648
Cash - school deposits held in trust	432,756	411,687
Pledges and grants receivable, net	1,094,450	1,226,422
Investments - operating	1,571	200,548
Investments - school deposits held in trust	1,001,987	999,453
Other assets	29,802	43,125
Property and equipment, net	1,082,155	129,102
Total assets	\$ 5,338,394	\$ 3,963,985
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 300,899	\$ 249,788
School deposits held in trust	1,381,437	1,307,408
Total liabilities	1,682,336	1,557,196
Net Assets		
Unrestricted:		
Undesignated	728,453	-
Designated as operating reserve	750,000	1,050,265
Designated for property and equipment	1,082,155	129,102
Total unrestricted	2,560,608	1,179,367
Temporarily restricted	1,094,450	1,226,422
Permanently restricted	1,000	1,000
Total net assets	3,656,058	2,406,789
Total liabilities and net assets	\$ 5,338,394	\$ 3,963,985

See accompanying notes to financial statements

COOPERATIVE FOR EDUCATION (CoEd)

**Statement of Activities
Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support				
Foundation grants	\$ 728,911	\$ 1,968,072	\$ -	\$ 2,696,983
Income from revolving school fund	449,807	-	-	449,807
Sponsorships	349,825	9,850	-	359,675
Special events	320,220	-	-	320,220
Individual contributions	167,951	43,252	-	211,203
Delivery tours income	157,507	25,395	-	182,902
Rotary International	74,372	80,000	-	154,372
Corporate grants and gifts	73,518	-	-	73,518
Churches and other community groups	37,150	-	-	37,150
Combined federal campaign	6,195	-	-	6,195
Miscellaneous income	3,808	-	-	3,808
Interest income	3,424	-	-	3,424
Special projects	2,000	-	-	2,000
Released from restrictions	<u>2,258,541</u>	<u>(2,258,541)</u>	<u>-</u>	<u>-</u>
 Total revenues and support	 <u>4,633,229</u>	 <u>(131,972)</u>	 <u>-</u>	 <u>4,501,257</u>
 Expenses				
Program services	2,797,407	-	-	2,797,407
General and administrative	196,705	-	-	196,705
Fundraising	<u>257,876</u>	<u>-</u>	<u>-</u>	<u>257,876</u>
 Total expenses	 <u>3,251,988</u>	 <u>-</u>	 <u>-</u>	 <u>3,251,988</u>
 Change in net assets	 1,381,241	 (131,972)	 -	 1,249,269
 Net assets, beginning of year	 <u>1,179,367</u>	 <u>1,226,422</u>	 <u>1,000</u>	 <u>2,406,789</u>
 Net assets, end of year	 <u>\$ 2,560,608</u>	 <u>\$ 1,094,450</u>	 <u>\$ 1,000</u>	 <u>\$ 3,656,058</u>

(Continued)

COOPERATIVE FOR EDUCATION (CoEd)

**Statement of Activities (Continued)
Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support				
Foundation grants	\$ 633,670	\$ 120,000	\$ -	\$ 753,670
Income from revolving school fund	477,361	-	-	477,361
Sponsorships	258,594	36,300	-	294,894
Special events	195,162	-	-	195,162
Individual contributions	78,696	110,353	-	189,049
Delivery tours income	181,757	-	-	181,757
Rotary International	138,082	177,219	-	315,301
Corporate grants and gifts	35,944	-	-	35,944
Churches and other community groups	9,082	-	-	9,082
Combined federal campaign	7,320	-	-	7,320
Miscellaneous income	5,383	-	-	5,383
Interest income	3,087	-	-	3,087
Special projects	11,110	-	-	11,110
Released from restrictions	644,133	(644,133)	-	-
	<u>2,679,381</u>	<u>(200,261)</u>	<u>-</u>	<u>2,479,120</u>
Total revenues and support				
Expenses				
Program services	2,494,251	-	-	2,494,251
General and administrative	170,544	-	-	170,544
Fundraising	205,493	-	-	205,493
	<u>2,870,288</u>	<u>-</u>	<u>-</u>	<u>2,870,288</u>
Total expenses				
Change in net assets	(190,907)	(200,261)	-	(391,168)
Net assets, beginning of year	<u>1,370,274</u>	<u>1,426,683</u>	<u>1,000</u>	<u>2,797,957</u>
Net assets, end of year	<u>\$ 1,179,367</u>	<u>\$ 1,226,422</u>	<u>\$ 1,000</u>	<u>\$ 2,406,789</u>

See accompanying notes to financial statements

COOPERATIVE FOR EDUCATION (CoEd)

**Statement of Functional Expenses
Year Ended December 31, 2015**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,104,390	\$ 120,434	\$ 117,558	\$ 1,342,382
Books for schools	474,343	-	-	474,343
Fees for services - other	132,928	1,288	22,516	156,732
Educational tours	155,891	-	-	155,891
Employee benefits	140,353	8,384	4,273	153,010
Travel	126,515	2,315	9,036	137,866
Payroll taxes	95,275	9,909	9,248	114,432
Computer center equipment	110,923	-	-	110,923
Grants outside US	110,173	-	-	110,173
Office expenses	73,622	14,133	19,719	107,474
School supplies	95,278	-	-	95,278
Occupancy	68,659	6,816	6,014	81,489
Special events	-	-	59,755	59,755
Depreciation	37,840	732	647	39,219
Fees for services - management	32,067	-	-	32,067
Conference/conventions/mtgs	12,006	2,050	5,908	19,964
Information technology	11,046	1,198	1,057	13,301
Fees for services - accounting	-	12,950	-	12,950
Other	5,000	6,815	-	11,815
Advertising and promotion	6,842	86	2,145	9,073
Insurance	3,722	3,323	-	7,045
Fees for services - legal	534	6,272	-	6,806
	<u>\$ 2,797,407</u>	<u>\$ 196,705</u>	<u>\$ 257,876</u>	<u>\$ 3,251,988</u>

(Continued)

COOPERATIVE FOR EDUCATION (CoEd)

**Statement of Functional Expenses (Continued)
Year Ended December 31, 2014**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 944,544	\$ 108,013	\$ 102,199	\$ 1,154,756
Books for schools	448,305	-	-	448,305
Fees for services - other	66,625	2,784	18,736	88,145
Educational tours	151,501	-	-	151,501
Employee benefits	141,822	8,031	4,154	154,007
Travel	128,070	1,682	2,758	132,510
Payroll taxes	82,999	8,304	7,750	99,053
Computer center equipment	157,806	-	-	157,806
Grants outside US	50,002	-	-	50,002
Office expenses	72,288	11,316	17,610	101,214
School supplies	80,307	-	-	80,307
Occupancy	68,300	6,617	5,839	80,756
Special events	-	-	38,357	38,357
Depreciation	39,175	872	769	40,816
Fees for services - management	34,504	-	-	34,504
Conference/conventions/mtgs	9,449	1,306	2,785	13,540
Information technology	6,556	1,327	1,171	9,054
Fees for services - accounting	-	12,300	-	12,300
Other	633	-	-	633
Advertising and promotion	6,735	135	3,365	10,235
Insurance	3,939	3,271	-	7,210
Fees for services - legal	691	4,586	-	5,277
	<u>\$ 2,494,251</u>	<u>\$ 170,544</u>	<u>\$ 205,493</u>	<u>\$ 2,870,288</u>

See accompanying notes to financial statements

COOPERATIVE FOR EDUCATION (CoEd)

**Statements of Cash Flows
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 1,249,269	\$ (391,168)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	39,219	40,816
Gain on sale of investments	(3,557)	-
Changes in:		
School deposits held in trust	52,960	1,371,864
Pledges and grants receivable, net	131,972	200,261
Other assets	13,323	(22,332)
Accounts payable and accrued expenses	<u>51,111</u>	<u>56,734</u>
Net cash provided by operating activities	<u>1,534,297</u>	<u>1,256,175</u>
Cash flows from investing activities		
Purchase of property and equipment	(992,272)	(33,816)
Purchase of investments	-	(1,200,001)
Sale of investments	<u>200,000</u>	<u>-</u>
Net cash used in investing activities	<u>(792,272)</u>	<u>(1,233,817)</u>
Net change in cash	742,025	22,358
Cash and cash equivalents, beginning of year	<u>953,648</u>	<u>931,290</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,695,673</u></u>	<u><u>\$ 953,648</u></u>

See accompanying notes to financial statements

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cooperative for Education (CoEd) (the Organization) is a not-for-profit corporation established in June 1997, to provide textbooks and educational services to underprivileged children in Guatemala. The Organization receives donations and support from individuals, organizations, corporations, foundations and other nonprofit organizations in Cincinnati, Ohio and other areas of the U.S. as well as from other countries.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of depository money market accounts and certificates of deposit. The Organization maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments. The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

In accordance with GAAP, the Organization assess the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2015 and 2014.

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Guatemalan financial statements are reported in quetzals, which is the functional currency. Asset and liability accounts are translated at exchange rates in effect at the end of the year and revenue and expense accounts are translated at annual average exchange rates. Translation gains and losses are included in changes in unrestricted net assets. Foreign currency translation resulted in an aggregate exchange loss of \$7,562 in 2015 and an aggregate exchange gain of \$5,371 in 2014.

Revenue Recognition of Multi-Year Pledges and Grants

Multi-year pledge and grant receivables (see Note 3) are recognized as revenue in their entirety in the period the pledge (promise to pay) is made, regardless of when the cash is received. Contributions not related to a donor pledge are recognized as revenue when the cash (or other asset) is received.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program services, general and administrative and fundraising categories based upon estimates of the time spent by the Organization's personnel.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Event Evaluation

The Organization has evaluated subsequent events through May 6, 2016, which is the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AT FAIR VALUE

Investments as of December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Level 1		
Fixed income mutual funds		
School deposits held in trust	\$ 1,001,987	\$ 999,453
Operating	<u>1,571</u>	<u>200,548</u>
Total	<u>\$ 1,003,558</u>	<u>\$ 1,200,001</u>

Assets valued using Level 1 inputs have consistent observable prices; therefore, reliable fair market values for these assets are readily available. Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded and these values are categorized as using Level 1 inputs.

There were no valuations using Level 2 or Level 3 inputs.

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements (Continued)

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consisted of the following:

	2015	2014
Due within one year	\$ 1,046,997	\$ 741,872
Due in one to five years	47,453	484,550
	\$ 1,094,450	\$ 1,226,422

No amounts have been recorded as an allowance for doubtful accounts as the Organization considers all pledges and grants receivable to be fully collectible. Additionally, no discount on pledges and grants receivable has been recognized as of December 31, 2015 or 2014, as the amount would be considered immaterial.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2015	2014
Buildings	\$ 640,000	\$ -
Motor vehicles	314,080	314,080
Land and land improvements	222,584	62,584
Office furniture and equipment	137,240	132,929
Leasehold improvements	20,477	20,477
	1,334,381	530,070
Less accumulated depreciation	(440,187)	(400,968)
	894,194	129,102
Construction in progress	187,961	-
	\$ 1,082,155	\$ 129,102

NOTE 5 ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits of \$287,513 and \$234,184, as of December 31, 2015 and 2014, respectively, consisted of government mandated employee benefits for the Guatemalan employees.

NOTE 6 SCHOOL DEPOSITS HELD IN TRUST

Proceeds for book rental and computer usage fees received from program participants are deposited in a separate account for use in replacing books or computer equipment as they become worn out or outdated. Deposits received from students for the purchase of textbooks and computers, as of December 31, 2015 and 2014, were \$1,381,437 and \$1,307,408, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 consisted of pledges and grants receivable due to be collected in future period without any purpose restrictions.

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements (Continued)

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during 2015 and 2014 consisted of payments on pledges and grants receivable.

NOTE 9 PROGRAM EXPENSES

Program expenses were used for the following purposes:

	<u>2015</u>	<u>2014</u>
Bridges	\$ 731,389	\$ 595,734
Textbooks	682,024	604,616
Computer centers	616,752	614,456
CORP	515,978	501,022
Scholarships	152,539	119,793
Special projects	98,725	58,630
	<u>\$ 2,797,407</u>	<u>\$ 2,494,251</u>

NOTE 10 OPERATING LEASES

The Organization has a lease agreement to rent its office space in the United States that expires on April 30, 2017. The Organization has two leases on different offices in Guatemala which also expire on April 30, 2017. Rent expense for these leases included in the statements of activities for the years ended December 31, 2015 and 2014 was \$69,271 and \$66,954, respectively.

Future minimum lease payments are as follows:

2016	\$ 61,373
2017	<u>20,592</u>
	<u>\$ 81,965</u>

NOTE 11 RELATED PARTY TRANSACTIONS

In 2015, CoEd entered into a strategic partnership alliance with Idea Global ONG to form a collaborative effort to place early childhood development programs in communities where CoEd runs CORP literacy programs. This initial agreement will be effective through December 31, 2016, when future collaborative endeavors will be re-evaluated. Idea Global ONG is considered a related party, as the organization is managed and directed by relatives of CoEd corporate officers. CoEd made grants of approximately \$42,000 to Idea Global ONG in 2015.

Grant management, human resources, and other professional services were purchased from relatives of corporate officers in the amount of \$47,952 and \$46,445 in 2015 and 2014, respectively. Additionally, consulting services totaling \$8,000 were purchased from a board member of the Organization 2014. No amounts were due to these parties as of December 31, 2015 and 2014. The Organization believes the services received and amounts paid are comparable to what could be purchased from an unrelated party.

COOPERATIVE FOR EDUCATION (CoEd)

Notes to Financial Statements (Continued)

NOTE 12 RETIREMENT PLAN

The Organization sponsors a voluntary defined-contribution 401(k) plan offered to all employees in the United States. The plan provides that there will be no employer contribution.

NOTE 13 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Approximately 43% of all revenues were generated from one donor in 2015.

There were no significant concentrations in 2014.