

SUMMITS EDUCATION, INC.

Financial Statements

Year Ended July 31, 2018

(With Independent Auditors' Report Thereon)

SUMMITS EDUCATION, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Summits Education, Inc.:

We have audited the accompanying financial statements of Summits Education, Inc. (a non-profit Organization) (the Organization), which comprise the statement of financial position as of July 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Summits Education, Inc. as of July 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kahn, Litwin, Renya & Co., Ltd.

April 24, 2019

SUMMITS EDUCATION, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2018



Assets

Cash and cash equivalents	\$ 574,150
Grants receivable	27,601
Equipment, net	<u>2,065</u>

Total Assets	<u>\$ 603,816</u>
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Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 52,577
Deferred revenue	<u>502,935</u>
Total liabilities	<u>555,512</u>

Net Assets:

Cumulative deficit	(52,775)
Temporarily restricted	<u>101,079</u>
Total net assets	<u>48,304</u>

Total Liabilities and Net Assets	<u>\$ 603,816</u>
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SUMMITS EDUCATION, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2018



Change in Unrestricted Net Assets:	
Revenue and support:	
Contribution and grant income	\$ 724,422
Other income	8,399
Net assets released from restrictions	639,931
Total revenue and support	<u>1,372,752</u>
Expenses:	
Program expenses	1,592,585
Management and general	29,923
Fundraising	7,488
Total expenses	<u>1,629,996</u>
Change in unrestricted net assets	(257,244)
Change in Temporarily Restricted Net Assets:	
Contributions	84,354
Net assets released from restrictions	(639,931)
Change in temporarily restricted net assets	<u>(555,577)</u>
Change in Net Assets	(812,821)
Net Assets, beginning of year, as previously stated	1,339,125
Prior period adjustment (Note 3)	(478,000)
Net Assets, beginning of year, as restated	<u>861,125</u>
Net Assets, end of year	<u><u>\$ 48,304</u></u>

SUMMITS EDUCATION, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2018



Cash Flows from Operating Activities:	
Change in net assets	\$ (812,821)
Adjustments to reconcile total change in net assets to net cash used by operating activities:	
Depreciation	734
Changes in operating assets and liabilities	
Grants receivable	(27,601)
Accounts payable and accrued expenses	46,733
Deferred revenue	24,935
Net cash used by operating activities	<u>(768,020)</u>
 Net Decrease in Cash and Cash Equivalents	 (768,020)
 Cash and Cash Equivalents, beginning of year	 <u>1,342,170</u>
 Cash and Cash Equivalents, end of year	 <u><u>\$ 574,150</u></u>

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2018



1. Nature of Operations

Summits Education, Inc. (the Organization) is a not-for-profit organization whose mission is to deliver high quality education to the people of rural Haiti. The Organization looks to maximize the impact and address key challenges of the communities it serves by investing in teachers and administrators by providing competitive wages, intensive trainings and professional support and assembles partners to address the additional obstacles to student learning within Haiti's education system.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Organization had no permanently restricted net assets as of and for the year ended July 31, 2018.

Cash and Cash Equivalents

The Organization considers all cash balances and highly liquid investments with maturities of three months or less to be cash equivalents.

Grants Receivable

The Organization carries its grants receivable at net realizable value. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on the history of collections and current credit conditions.

A receivable is considered past due if payment has not been received within the stated terms. The Organization does not accrue interest on past due or long-term receivables. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against an allowance. At year end, management has determined that no allowance for doubtful accounts is deemed necessary.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2018



Deferred Revenue

Advanced funds are recorded in the accounting records by the Organization as deferred revenue until such time as the Organization incurs expenditures related to the specific program for which the funds have been received.

Support and Revenue Recognition

Contributions and Grant Income - The Organization recognizes contributions and grant income in the fiscal year in which the contribution or grant is made. Contributions and grant income are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor imposed restrictions.

Allocation of Expenses

Certain costs of the Organization benefit more than one program and/or support service. Accordingly, these costs are allocated in a systematic and rational manner among the programs benefited.

Income Taxes

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with their tax-exempt status at both the state and federal levels.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2018



In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted and will be applied retrospectively to all periods presented upon adoption. This standard will be effective for the Organization's year ending July 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for the Organization's year ending July 31, 2020, with early adoption permitted.

Subsequent Events

Management of the Organization has evaluated subsequent events through April 24, 2019, which is the date these financial statements were available to be issued.

3. Prior Period Adjustment

During the year ending July 31, 2018, the Organization reviewed a grant agreement and determined that funds received during July 31, 2017, were conditional and should have been recorded as deferred revenue in the statement of financial position. Therefore, the Organization recorded a prior period adjustment, which resulted in an increase to deferred revenue of \$478,000, a reduction in their unrestricted net assets of \$142,562, and a reduction in their temporarily restricted net assets of \$335,438 as of July 31, 2017.

4. Equipment

Equipment consisted of the following:

Equipment	\$ 3,671
Less accumulated depreciation	(1,606)
	<hr/>
Total	<u>\$ 2,065</u>

SUMMITS EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2018



5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following:

Scholarships	\$ 40,562
School project	35,729
Children's program	19,991
Library	3,500
Orphanage	<u>1,297</u>
Total	<u><u>\$ 101,079</u></u>

6. Concentrations of Credit and Business Risk

The financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents.

The Organization maintains its cash and cash equivalents in one financial institution. The balances are insured by the Federal Deposit Insurance Company up to specified limits. As of year end, the uninsured portion of these balances was \$324,151. Management believes that the Organization is not exposed to any significant credit risk related to these accounts.

During the year ended July 31, 2018, the Organization received approximately \$669,900 (82% of total revenue and support) from two funding sources. The Organization received 61% of its revenue and support from a Board Member. At year end, management does not believe that significant business risk exists with respect to the continuation of this funding.