

# **Cooperative for Education (CoEd)**

**Consolidated Financial Statements  
December 31, 2017  
Independent Auditor's Report**

**COOPERATIVE FOR EDUCATION (CoEd)**  
December 31, 2017

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Cooperative for Education (CoEd) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 the 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 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 consolidated financial statements are free from 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 qualified audit opinion.

### **Basis for Qualified Opinion**

We did not observe the taking of the physical inventory at December 31, 2016 (valued at \$326,264), since we were not made aware of the physical inventory counts as of that date. We were unable to obtain sufficient appropriate audit evidence about inventory quantity by other auditing procedures.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cooperative for Education (CoEd) as of December 31, 2017, 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.

BARNES DENNIG

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**Independent Auditor's Report  
(Continued)**

**Prior Period Adjustment**

As described in Note 15 to the consolidated financial statements, certain errors resulting in the understatement of amounts previously reported for net assets as of December 31, 2016 were discovered by management of the Organization during the current year. Accordingly, amounts reported for net assets have been restated in the beginning net assets now presented to correct the error. Our opinion is not modified with respect to that matter.

*Barnes, Dennig & Co., Ltd.*

May 30, 2018  
Cincinnati, Ohio

## COOPERATIVE FOR EDUCATION (CoEd)

### Consolidated Statement of Financial Position December 31, 2017

#### Assets

Cash and cash equivalents	\$ 628,132
Cash - school deposits held in trust	345,009
Pledges and grants receivable, net	275,411
Inventories	342,844
Investments - operating	502,780
Investments - school deposits held in trust	1,417,452
Other assets	152,146
Property and equipment, net	<u>1,447,973</u>
Total assets	<u>\$ 5,111,747</u>

#### Liabilities and Net Assets

##### Liabilities

Accounts payable and accrued expenses	\$ 467,887
Deferred tour revenue	30,498
Rotary global grant agency funds	69,175
Revolving fund liability	<u>1,495,253</u>
Total liabilities	<u>2,062,813</u>

##### Net Assets

Unrestricted:	
Undesignated	562,457
Designated as operating reserve	750,000
Designated for property and equipment	<u>1,447,973</u>
Total unrestricted	2,760,430
Temporarily restricted	<u>288,504</u>
Total net assets	<u>3,048,934</u>
Total liabilities and net assets	<u>\$ 5,111,747</u>

See accompanying notes to consolidated financial statements

**COOPERATIVE FOR EDUCATION (CoEd)**

**Consolidated Statement of Activities  
Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and support</b>			
Contributions and grants:			
Individual contributions	\$ 901,713	\$ 141,005	\$ 1,042,718
Foundation grants	920,409	72,500	992,909
Rotary International	419,059	-	419,059
Special events	190,674	-	190,674
Corporate contributions	87,826	-	87,826
Other contributions	83,583	-	83,583
Released from restrictions	418,135	(418,135)	-
	<u>3,021,399</u>	<u>(204,630)</u>	<u>2,816,769</u>
Total contributions and grants			
Delivery tours income	205,852	-	205,852
Income from revolving school fund	187,658	-	187,658
Investment return	16,473	-	16,473
Miscellaneous income	4,434	-	4,434
	<u>3,435,816</u>	<u>(204,630)</u>	<u>3,231,186</u>
Total revenues and support			
<b>Expenses</b>			
Program services	3,039,476	-	3,039,476
General and administrative	171,980	-	171,980
Fundraising	352,565	-	352,565
	<u>3,564,021</u>	<u>-</u>	<u>3,564,021</u>
Total expenses			
<b>Change in net assets</b>	(128,205)	(204,630)	(332,835)
<b>Net assets, beginning of year</b>	2,778,399	493,134	3,271,533
<b>Prior period adjustment</b>	110,236	-	110,236
<b>Net assets, end of year</b>	<u>\$ 2,760,430</u>	<u>\$ 288,504</u>	<u>\$ 3,048,934</u>

See accompanying notes to consolidated financial statements

## COOPERATIVE FOR EDUCATION (CoEd)

### Consolidated Statement of Functional Expenses Year Ended December 31, 2017

	Textbooks	Technology	CORP	Scholarships	Bridges	Early Childhood Development and Other	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 185,983	\$ 198,653	\$ 204,988	\$ 169,245	\$ 512,736	\$ 76,820	\$ 1,348,425	\$ 80,554	\$ 211,455	\$ 1,640,434
Educational tours	-	-	-	-	237,970	-	237,970	-	-	237,970
Employee benefits	35,623	38,476	39,902	28,416	60,731	6,118	209,266	5,630	21,582	236,478
Books for schools	93,068	-	118,222	-	-	-	211,290	-	-	211,290
Office expenses	29,720	33,693	36,341	24,265	46,424	7,154	177,597	3,866	14,630	196,093
Travel	46,980	31,791	20,059	16,849	31,526	390	147,595	1,640	318	149,553
Payroll taxes	17,270	18,503	19,120	14,803	40,706	6,013	116,415	6,168	16,190	138,773
Grants and other assistance	6,403	4,831	-	111,876	-	-	123,110	-	-	123,110
Other fees	852	31,544	8,765	1,662	12,653	4,336	59,812	12,771	13,029	85,612
School supplies	11,031	18,182	36,660	17,014	-	-	82,887	-	-	82,887
Occupancy	6,811	7,553	8,049	8,300	28,747	3,428	62,888	3,222	12,351	78,461
Computer lab equipment	-	61,376	-	-	-	-	61,376	-	-	61,376
Depreciation expenses	17,722	14,676	11,353	5,815	4,984	831	55,381	-	-	55,381
Special events expense	-	-	-	-	-	-	-	-	54,770	54,770
Currency valuation expense	7,111	7,327	7,954	6,314	15,248	1,700	45,654	3,318	-	48,972
Management fees	7,702	8,802	9,536	5,135	4,400	1,100	36,675	-	-	36,675
Accounting fees	-	-	-	-	-	-	-	34,296	-	34,296
Conferences, conventions, mt	1,744	1,887	1,982	2,900	12,482	1,384	22,379	1,489	5,707	29,575
Legal fees	317	363	393	211	181	45	1,510	18,579	-	20,089
Advertising and promotion	4,006	4,578	4,959	2,670	2,289	572	19,074	-	817	19,891
Insurance	954	3,666	1,156	883	2,176	297	9,132	211	811	10,154
Information technology	118	1,887	118	4,028	1,889	197	8,237	236	905	9,378
Special projects expense	-	-	-	-	-	2,803	2,803	-	-	2,803
	<u>\$ 473,415</u>	<u>\$ 487,788</u>	<u>\$ 529,557</u>	<u>\$ 420,386</u>	<u>\$ 1,015,142</u>	<u>\$ 113,188</u>	<u>\$ 3,039,476</u>	<u>\$ 171,980</u>	<u>\$ 352,565</u>	<u>\$ 3,564,021</u>

See accompanying notes to consolidated financial statements

**COOPERATIVE FOR EDUCATION (CoEd)**

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2017**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (332,835)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	55,381
Changes in:	
Pledges and grants receivable, net	25,723
Inventories (unaudited)	(16,580)
Other assets	(80,928)
Accounts payable and accrued expenses	19,288
Revolving fund liability	76,478
Deferred tour revenue	(43,447)
Rotary global grant agency funds	<u>69,175</u>
Net cash provided by operating activities	<u>(227,745)</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	(92,549)
Purchase of investments	<u>(909,216)</u>
Net cash used in investing activities	<u>(1,001,765)</u>
<b>Net change in cash</b>	(1,229,510)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,202,651</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 973,141</u></u>

See accompanying notes to consolidated financial statements



## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Organization***

Cooperative for Education is a nonprofit corporation founded in June 1997 to provide underprivileged children in Guatemala better access to education through implementation of sustainable textbook, technology, reading and scholarship programs in impoverished schools. Through these programs, Cooperative for Education strives to address the root causes of poverty in Guatemala. Cooperative for Education receives donations and support from individuals, corporations, foundations and other nonprofit organizations both domestically and internationally.

Asociación COED is a Guatemalan nonprofit corporation founded in July 2000 to help further the mission of Cooperative for Education by establishing an operating base in-country. Asociación COED is funded through donations by Cooperative for Education and works to help plan and implement its program strategies. Cooperative for Education is the sole member of this organization.

Canadian Friends of Cooperative for Education is a Canadian nonprofit corporation founded in May 2015 to advance education by providing publicly available scholarships, bursaries and other forms of financial assistance to students who are impoverished, as well as to provide literacy programs and computer training to elementary and secondary school educators. Cooperative for Education is the sole member of this organization.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Cooperative for Education, Asociación COED and Canadian Friends of Cooperative for Education and all figures are reported in United States Dollars (USD). All significant intercompany accounts and transactions have been eliminated. Unless otherwise noted, these consolidated entities are hereinafter referred to collectively as "CoEd."

##### ***Financial Statement Presentation***

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). CoEd 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***

CoEd considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017, cash equivalents consisted primarily of depository money market accounts and certificates of deposit. CoEd maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. CoEd has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

##### ***Inventories***

Inventory consists of books to be used for the textbook and reading programs and balances are stated at the lower of cost or market. Valuation is determined by the first-in, first-out (FIFO) method.

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***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. CoEd'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. The cost of property and equipment greater than \$3,500 is capitalized. 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, CoEd assesses 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, CoEd believes no impairments existed at December 31, 2017.

##### ***Foreign Currency Translation***

The financial statements of Asociación COED and Canadian Friends of Cooperative for Education are reported in their functional currencies, Guatemalan Quetzales (GTQ) and Canadian Dollars (CAD), respectively. During consolidation, assets and liabilities are translated into United States Dollars (USD) at exchange rates in effect at the end of the year; revenues and expenses are translated at exchange rates in effect at the end of each month during monthly fiscal closing procedures. Translation gains and losses are included in changes in unrestricted net assets.

##### ***Beneficial Interest in Charitable Trust***

CoEd has been named as an irrevocable beneficiary of a charitable remainder unitrust held and administered by an independent trustee. This trust was created independently by a generous donor and is administered by an outside agent designated by the donor. This beneficial interest is \$75,277, which is recorded at fair value as of December 31, 2017.

##### ***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.

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***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, CoEd 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.

##### ***Income Taxes***

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

CoEd'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 statement 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 CoEd'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.

**COOPERATIVE FOR EDUCATION (CoEd)**

**Notes to Consolidated Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Subsequent Event Evaluation***

CoEd has evaluated subsequent events through May 30, 2018, which is the date the financial statements were available to be issued.

**NOTE 2 FAIR VALUE MEASUREMENTS**

Assets measured at fair value as of December 31, 2017 consisted of the following:

<b>Level 1</b>	
Fixed income mutual funds	
Revolving Fund	\$ 1,017,066
<b>Level 2</b>	
Money market mutual funds	
Revolving Fund	400,386
Operating Fund	502,780
<b>Level 3</b>	
Beneficial interest in trust	<u>75,277</u>
	<u><u>\$ 1,995,509</u></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.

Assets valued using Level 2 inputs use valuations of quoted prices for similar assets or liabilities in active markets.

Assets valued using Level 3 inputs are determined by calculating the present value of the future distributions expected to be received.

**NOTE 3 PLEDGES AND GRANTS RECEIVABLE**

Pledges and grants receivable consisted of the following:

	<u>2017</u>
Due within one year	\$ 230,411
Due in one to five years	<u>45,000</u>
	<u><u>\$ 275,411</u></u>

No amounts have been recorded as an allowance for doubtful accounts as CoEd 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, 2017, as the amount would be considered immaterial.

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2017</u>
Buildings	\$ 640,000
Building improvements	542,386
Motor vehicles	378,087
Land and land improvements	222,584
Office furniture and equipment	96,975
Leasehold improvements	2,175
Less accumulated depreciation	<u>(434,234)</u>
	<u><u>\$ 1,447,973</u></u>

#### NOTE 5 LINE OF CREDIT

CoEd has a \$500,000 revolving line of credit that is due on demand. As of December 31, 2017 no amounts were borrowed against this line. The line is collateralized by CoEd's investment balances. Interest accrues at the prime rate (4.50% at December 31, 2017) and is payable monthly. The line of credit expires in September 2018.

#### NOTE 6 ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits of \$431,698 as of December 31, 2017, consisted of government mandated employee benefits of Asociación COED employees.

#### NOTE 7 ROTARY GLOBAL GRANT AGENCY FUNDS

CoEd provides administrative support for Rotary global grant funds by temporarily housing fundraising collections in a separate cash account owned by CoEd. Once fundraising is completed, all funds are remitted to the Rotary Club for further processing. The amount of funds raised and due to be remitted to Rotary Clubs as of December 31, 2017 was \$69,175.

#### NOTE 8 REVOLVING FUND LIABILITY

The Revolving Fund Liability consists of deposits received from students and families for the renewal of textbooks and computer lab equipment as old books and equipment become outdated at participating schools. The balance of these deposits was \$1,495,253 as of December 31, 2017.

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 consisted of the following:

	<u>2017</u>
Time-restricted	\$ 143,504
Guatemala Education Center - capital	77,500
Guatemala Education Center - other	22,500
Bridges program	15,000
Technology program	15,000
Other programs or periods	15,000
	<u>\$ 288,504</u>

#### NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended December 31 consisted of the following:

	<u>2017</u>
Guatemala Education Center	\$ 318,135
Other programs and periods	35,000
Bridges program	30,000
Thousand girls initiative	25,000
Time restricted	10,000
	<u>\$ 418,135</u>

#### NOTE 11 OPERATING LEASES

CoEd has a lease agreement for its office space in the United States that expired on April 30, 2017 and was renewed through April 30, 2020. CoEd has two leases on different offices in Guatemala, one of which expired in January 2017 and was not renewed and the other that expires on May 31, 2019. Rent expense for these leases included in the statements of activities for the year ended December 31, 2017 was \$78,461.

Future minimum lease payments, including lease renewals, are as follows:

2018	\$ 60,887
2019	54,618
2020	16,533
	<u>\$ 132,038</u>

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 12 RELATED PARTY TRANSACTIONS

Grant management, human resources, and other professional services were purchased from relatives of corporate officers in the amount of \$46,204 in 2017. No amounts were due to these parties as of December 31, 2017. CoEd believes the services received and amounts paid are comparable to what could be purchased from an unrelated party.

#### NOTE 13 RETIREMENT PLAN

CoEd sponsors a voluntary defined-contribution 401(k) plan offered to all employees in the United States. Employer contributions to the Plan were approximately \$14,000 in 2017.

#### NOTE 14 LIQUIDITY AND AVAILABILITY

The following financial assets are available for use within one year as of December 31, 2017:

Financial assets at year end:	
Cash	\$ 973,141
Pledges receivable (collectible in 2018)	230,411
Interest receivable	1,860
Investments	1,920,232
Charitable remainder trust	<u>75,277</u>
Total financial assets	3,200,921
Less amounts not available to be used within one year:	
School deposits held in trust	(1,495,253)
Board designated for operating reserve	(750,000)
Charitable remainder trust	<u>(75,277)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 880,391</u>

CoEd has \$880,391 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditure. None of these financial assets are subject to donor or other contractual restriction that make them unavailable for general expenditure within one year of the date of the statement of financial position. The Board designated funds can be made available to meet operating needs if necessary.

CoEd has a goal to maintain financial assets, consisting of cash and short-term investments, on hand to meet 60 days of normal operating expenses. CoEd's cash management policy structures availability of cash as necessary for general expenditures, liabilities and other obligations as they become due. Additionally, as part of its liquidity management, CoEd invests cash in excess of daily requirements in short-term investments, primarily consisting of short-term fixed income securities. As more fully described in Note 5, CoEd also has a line of credit in the amount of \$500,000, which may be drawn upon in the event of an unanticipated liquidity need.

## COOPERATIVE FOR EDUCATION (CoEd)

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 15 PRIOR PERIOD ADJUSTMENT

CoEd's beginning net assets have been restated to properly account for the following items:

##### **Textbook renewals for participating Guatemala schools**

CoEd's textbook and technology programs allow partnering schools to participate in a sustainable plan to ensure updated educational materials and equipment are constantly available to current students. Families of schools in the program contribute to their own community revolving fund balances which later enable these materials to be renewed on a regular basis. These renewals are the result of a fulfillment of an obligation by CoEd to maintain and use these funds as intended by the contributing families rather than being considered an expense to CoEd. The resulting effect on beginning net assets from this adjustment is an increase of \$207,205.

##### **Rotary Global Grant agency funds**

CoEd regularly assists Rotary Clubs with administration of global grant funds leading up to the eventual release of funding to CoEd by Rotary. During the fundraising phase of global grant administration, CoEd temporarily houses collected funds in a separate bank account owned by CoEd and records an accompanying liability. When this phase has been completed, CoEd remits all collected funds to the hosting Rotary Club for further processing. Revenue is not recognized by CoEd until the final release of funds has been approved by Rotary International. The resulting effect on beginning net assets from this adjustment is a decrease of \$91,582.

##### **Elimination of unaffiliated project funds**

CoEd is party to an on-going agreement with an unaffiliated organization for certain administrative accounting and reporting functions. In fulfillment of this agreement, CoEd had commingled a small amount of accounting information into its own records. This information is being omitted from CoEd's beginning net assets. The resulting effect on beginning net assets from this adjustment is a decrease of \$5,387.

The net effect of all adjustments on the beginning net assets is an increase of \$110,236, as follows:

Textbook renewals for participating Guatemala schools	\$	207,205
Rotary Global Grant agency funds		(91,582)
Elimination of unaffiliated project funds		(5,387)
Total	\$	<u>110,236</u>