

# **COOPERATIVE FOR EDUCATION AND AFFILIATES**

**Consolidated Financial Statements  
December 31, 2022 and 2021, and  
Independent Auditor's Report**

**COOPERATIVE FOR EDUCATION AND AFFILIATES**  
**December 31, 2022 and 2021**

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## Independent Auditor's Report

To the Board of Directors  
Cooperative for Education and Affiliates  
Cincinnati, Ohio

### **Opinion**

We have audited the accompanying consolidated financial statements of Cooperative for Education (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cooperative for Education and Affiliates as of December 31, 2022 and 2021, 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.

We did not audit the financial statements of Asociacion COED, an affiliate, which statements reflect total assets of \$3,223,485 and \$3,393,709 as of December 31, 2022 and 2021, respectively, and total revenues of \$198,136 and \$93,075, respectively, for the years then ended. Those statements, which were prepared in accordance with Income Tax Law of Guatemala as issued by the International Standards on Auditing, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Asociacion COED, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Asociacion COED, prior to these conversion adjustments, is based solely on the report of the other auditors.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cooperative for Education and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Notes 1 and 13 to the consolidated financial statements, Cooperation for Education and Affiliates has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management 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, and for 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.

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

***Responsibilities of Management for the Consolidated Financial Statements (Continued)***

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cooperative for Education and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cooperative for Education and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cooperative for Education and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



May 11, 2023  
Cincinnati, Ohio

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Consolidated Statements of Financial Position December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 2,925,070	\$ 2,666,607
Pledges and grants receivable, net	160,312	136,040
Inventories	86,804	39,111
Investments	424,959	322,480
Revolving fund asset	1,750,197	1,880,422
Other assets	154,609	195,780
Property and equipment, net	1,210,339	1,250,859
Operating lease right-of-use asset	110,453	-
Finance lease right-of-use asset	8,036	-
	<b>\$ 6,830,779</b>	<b>\$ 6,491,299</b>
Total assets	<b>\$ 6,830,779</b>	<b>\$ 6,491,299</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 562,517	\$ 551,459
Deferred tour revenue	89,775	21,534
Rotary global grant agency funds	237,763	103,597
Revolving fund liability	1,742,260	1,911,874
Operating lease liability	105,683	-
Finance lease liability	8,035	-
	2,746,033	2,588,464
Total liabilities	2,746,033	2,588,464
<b>Net Assets</b>		
Without donor restrictions	3,749,606	3,745,042
With donor restrictions	335,140	157,793
	4,084,746	3,902,835
Total net assets	4,084,746	3,902,835
Total liabilities and net assets	<b>\$ 6,830,779</b>	<b>\$ 6,491,299</b>

See accompanying notes to consolidated financial statements

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Consolidated Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and support</b>			
Contributions and grants:			
Contributions and grants	\$ 1,390,405	\$ 308,690	\$ 1,699,095
Sponsorships	668,677	-	668,677
Rotary International	547,225	-	547,225
Special events	55,424	-	55,424
In-kind donations	9,977	-	9,977
Employee retention credit	345,958	-	345,958
Released from restrictions	131,343	(131,343)	-
Total contributions and grants	3,149,009	177,347	3,326,356
Delivery tours income	64,714	-	64,714
Income from revolving school fund	80,399	-	80,399
Investment return and other	(5,571)	-	(5,571)
Total revenues and support	3,288,551	177,347	3,465,898
<b>Expenses</b>			
Program services	2,661,038	-	2,661,038
General and administrative	279,236	-	279,236
Fundraising	343,713	-	343,713
Total expenses	3,283,987	-	3,283,987
<b>Change in net assets</b>	4,564	177,347	181,911
<b>Net assets, beginning of year</b>	3,745,042	157,793	3,902,835
<b>Net assets, end of year</b>	\$ 3,749,606	\$ 335,140	\$ 4,084,746

See accompanying notes to consolidated financial statements

**COOPERATIVE FOR EDUCATION AND AFFILIATES**

**Consolidated Statement of Activities  
Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Contributions and grants:			
Contributions and grants	\$ 1,416,647	\$ 118,593	\$ 1,535,240
Sponsorships	633,062	-	633,062
Rotary International	614,259	-	614,259
Special events	120,322	-	120,322
In-kind donations	26,690	-	26,690
Paycheck Protection Program (PPP) grant	174,009	-	174,009
Released from restrictions	134,158	(134,158)	-
	3,119,147	(15,565)	3,103,582
Total contributions and grants			
Income from revolving school fund	26,525	-	26,525
Investment return and other	76,787	-	76,787
	3,222,459	(15,565)	3,206,894
Total revenues and support			
<b>Expenses</b>			
Program services	2,156,160	-	2,156,160
General and administrative	214,799	-	214,799
Fundraising	295,748	-	295,748
	2,666,707	-	2,666,707
Total expenses			
<b>Change in net assets</b>	555,752	(15,565)	540,187
<b>Net assets, beginning of year</b>	3,189,290	173,358	3,362,648
<b>Net assets, end of year</b>	\$ 3,745,042	\$ 157,793	\$ 3,902,835

See accompanying notes to consolidated financial statements

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Textbooks	Technology	Spark	Rise	Bridges	Total Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 159,829	\$ 159,829	\$ 171,866	\$ 321,030	\$ 383,498	\$ 1,196,052	\$ 73,134	\$ 246,828	\$ 1,516,014
Program materials	37,424	48,724	215,791	573	2,305	304,817	-	-	304,817
Payroll taxes	53,476	53,476	58,155	72,897	39,532	277,536	5,368	18,116	301,020
Scholarships and grants	-	-	-	263,437	-	263,437	-	-	263,437
Professional fees	6,072	5,732	16,757	30,272	17,003	75,836	149,670	3,867	229,373
Employee benefits	29,606	28,916	34,570	55,697	31,252	180,041	3,455	13,362	196,858
Travel	14,427	15,429	54,971	22,469	31,495	138,791	232	6,279	145,302
Occupancy	12,542	11,880	15,854	37,373	32,190	109,839	5,641	16,673	132,153
Office supplies and other	12,047	1,989	4,191	11,257	4,756	34,240	29,982	9,248	73,470
Information technology	1,158	1,143	1,232	8,726	20,002	32,261	2,715	11,767	46,743
Depreciation	9,218	7,753	6,288	11,912	3,562	38,733	186	807	39,726
Special events	-	-	-	-	-	-	-	15,023	15,023
Conferences and meetings	1,544	1,453	1,998	3,580	880	9,455	69	1,743	11,267
Insurance	-	-	-	-	-	-	8,784	-	8,784
	<u>\$ 337,343</u>	<u>\$ 336,324</u>	<u>\$ 581,673</u>	<u>\$ 839,223</u>	<u>\$ 566,475</u>	<u>\$ 2,661,038</u>	<u>\$ 279,236</u>	<u>\$ 343,713</u>	<u>\$ 3,283,987</u>

See accompanying notes to consolidated financial statements



## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Textbooks	Technology	Spark	Rise	Bridges	Total Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 163,971	\$ 157,812	\$ 170,130	\$ 336,080	\$ 271,353	\$ 1,099,346	\$ 59,500	\$ 200,813	\$ 1,359,659
Program materials	43,951	36,748	190,313	4,955	-	275,967	-	-	275,967
Payroll taxes	15,386	14,789	15,983	28,833	20,510	95,501	4,404	14,865	114,770
Scholarships and grants	-	-	-	242,593	-	242,593	-	-	242,593
Professional fees	5,814	4,523	6,094	14,688	11,912	43,031	104,664	4,368	152,063
Employee benefits	23,235	22,127	26,754	52,282	26,173	150,571	3,916	15,365	169,852
Travel	9,247	7,786	10,044	11,748	1,465	40,290	94	986	41,370
Occupancy	2,768	2,676	3,229	17,089	24,310	50,072	3,605	15,622	69,299
Office supplies and other	10,351	10,138	13,646	29,694	10,210	74,039	26,904	9,524	110,467
Information technology	1,092	1,092	1,092	12,012	22,735	38,023	3,276	14,196	55,495
Depreciation	10,849	9,122	7,395	14,002	3,714	45,082	169	731	45,982
Special events	-	-	-	-	-	-	-	17,034	17,034
Conferences and meetings	280	263	362	691	49	1,645	120	2,244	4,009
Insurance	-	-	-	-	-	-	8,147	-	8,147
	<u>\$ 286,944</u>	<u>\$ 267,076</u>	<u>\$ 445,042</u>	<u>\$ 764,667</u>	<u>\$ 392,431</u>	<u>\$ 2,156,160</u>	<u>\$ 214,799</u>	<u>\$ 295,748</u>	<u>\$ 2,666,707</u>

See accompanying notes to consolidated financial statements

**COOPERATIVE FOR EDUCATION AND AFFILIATES**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 181,911	\$ 540,187
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	39,726	45,982
Net realized and unrealized (gains) losses on investments	31,144	(14,362)
Loss on disposal of property and equipment	794	-
Non-cash lease expense	(4,771)	-
Changes in:		
Pledges and grants receivable, net	(24,272)	3,005
Inventories	(47,693)	(6,014)
Other assets	41,171	(47,882)
Accounts payable and accrued expenses	11,058	21,641
Deferred tour revenue	(39,389)	184,428
Rotary global grant agency funds	68,241	9,362
Revolving fund asset (liability)	134,166	(10,224)
	<u>392,086</u>	<u>726,123</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(2,373)
Purchase of investments	(204,917)	(111,497)
Proceeds from sale of investments	71,294	12,219
	<u>(133,623)</u>	<u>(101,651)</u>
<b>Net cash used in investing activities</b>		
<b>Net change in cash and cash equivalents</b>	258,463	624,472
<b>Cash and cash equivalents, beginning of year</b>	<u>2,666,607</u>	<u>2,042,135</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,925,070</u>	<u>\$ 2,666,607</u>

See Note 13 for supplemental cash flow information related to leases.

See accompanying notes to consolidated financial statements

# COOPERATIVE FOR EDUCATION AND AFFILIATES

## 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. 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 association founded in July 2000 to help further the mission of Cooperative for Education by establishing an operating base in-country and working to plan and implement its program strategies. Asociación COED is primarily funded through donations by Cooperative for Education but also receives contributions locally. 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 two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Cash and Cash Equivalents***

CoEd considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, 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.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

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

##### ***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.

##### ***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, 2022 and 2021.

##### ***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 net assets without donor restriction.

##### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions 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 revenue without donor restrictions.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

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

##### *Contributions (Continued)*

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 support with donor restrictions. 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.

##### *Revenue Recognition*

CoEd identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. CoEd evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, CoEd evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

Revenue from contracts with customers is primarily recognized from delivery tours income. These contracts consist of a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized by CoEd over the time its services are provided to the participant. CoEd generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which CoEd measures its progress towards the satisfaction of its performance obligations requires judgment.

The transaction price is stated in the contracts and is known at time of contract inception. There is no variable consideration associated with CoEd's contracts with customers and payment is due in advance of participating in the delivery tour.

##### *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. CoEd 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.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

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

##### ***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.

##### ***Effect of Adopting New Accounting Standards***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. CoEd adopted the standard effective January 1, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. This new standard, as amended, is to be applied retrospectively. CoEd adopted the standard on January 1, 2022. The standard did not have a material impact on the consolidated financial statements. CoEd has updated disclosures as necessary.

##### ***Leases***

CoEd leases their office space and a copier machine. CoEd determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, CoEd uses a risk-free rate based on the information available at commencement dates in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease term includes an option to extend or terminate the lease when it is reasonably certain that CoEd will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease terms.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

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

##### *Leases (Continued)*

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, CoEd considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

##### *Reclassifications*

Certain 2021 figures have been reclassified to conform to the 2022 presentation.

##### *Subsequent Event Evaluation*

CoEd has evaluated subsequent events through May 11, 2023, which is the date the financial statements were available to be issued.

#### NOTE 2 LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,925,070	\$ 2,666,607
Pledges and grants receivable	160,312	136,040
Investments	424,959	322,480
Revolving fund asset	<u>1,750,197</u>	<u>1,880,422</u>
Total financial assets	5,260,538	5,005,549
Less amounts not available to be used within one year:		
Pledges and grants receivable due in one to five years	(24,000)	(15,000)
Revolving fund liability	(1,742,260)	(1,911,874)
Rotary global grant agency funds	<u>(237,763)</u>	<u>(103,597)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,256,515</u>	<u>\$ 2,975,078</u>

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 6, CoEd also has a line of credit in the amount of \$100,000, which may be drawn upon in the event of an unanticipated liquidity need.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 136,312	\$ 121,040
Due in one to five years	<u>24,000</u>	<u>15,000</u>
	<u>\$ 160,312</u>	<u>\$ 136,040</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, 2022 and 2021, as the amounts would be considered immaterial.

#### NOTE 4 FAIR VALUE MEASUREMENTS

Investments at fair value as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
<b>Level 1</b>		
Fixed income mutual funds	\$ 238,553	\$ 182,690
Equity exchange traded funds	178,486	135,490
<b>Level 2</b>		
Money market funds and depository accounts	<u>7,920</u>	<u>4,300</u>
	<u>\$ 424,959</u>	<u>\$ 322,480</u>

Revolving fund assets at fair value as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
<b>Level 2</b>		
Money market funds and depository accounts	<u>\$ 1,750,197</u>	<u>\$ 1,880,422</u>

Assets valued using Level 1 inputs have consistent observable prices; therefore, reliable fair market values for these assets are readily available. Exchange traded and 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. Level 2 securities include money market funds.



## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings	560,000	560,000
Building improvements	554,085	554,085
Motor vehicles	239,784	382,377
Land and land improvements	302,584	302,584
Office furniture and equipment	113,395	115,752
Less accumulated depreciation	<u>(559,509)</u>	<u>(663,939)</u>
	<u>\$ 1,210,339</u>	<u>\$ 1,250,859</u>

#### NOTE 6 LINE OF CREDIT

CoEd has a \$100,000 line of credit that is due on demand and is collateralized by revolving fund assets. As of December 31, 2022 and 2021 no amounts were borrowed against this line. Interest accrues at the prime rate, plus .52% (8.02% at December 31, 2022) and is payable monthly. The line of credit expires in August 2023.

#### NOTE 7 ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits of \$508,115 and \$517,854 as of December 31, 2022 and 2021, respectively, consisted of government mandated employee benefits of Asociación COED employees.

#### NOTE 8 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, 2022 and 2021 was \$237,763 and \$103,597, respectively.

#### NOTE 9 REVOLVING FUND ASSET AND LIABILITY

The revolving fund asset and 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. As of December 31, 2022 and 2021, the balance of the revolving fund liability was \$1,742,260 and \$1,911,874, respectively, which was off-set by the revolving fund asset balance of \$1,750,197 and \$1,880,422, respectively.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 consisted of the following:

	2022	2021
Spark program	\$ 149,804	\$ 16,727
Time restricted	78,336	51,866
Other programs	45,000	50,000
Rise program	62,000	39,200
	\$ 335,140	\$ 157,793

#### NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

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

	2022	2021
Expiration of time restricted	\$ 89,616	\$ 81,412
Rise program	25,000	14,200
Spark program	16,727	-
Technology program	-	36,046
Guatemala Education Center - capital	-	2,500
	\$ 131,343	\$ 134,158

#### NOTE 12 PAYROLL PROTECTION PROGRAM (PPP) GRANT

On February 4, 2021, CoEd entered into a term note pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act as part of the Program for \$174,009 (PPP loan). The note had a term of five years and was unsecured and guaranteed by the SBA. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance would accrue based on the term of the note at a fixed rate of 1.00%, but neither principal or interest were due and payable during the covered period. After the covered period expired, loan payments would be deferred for borrowers who applied for loan forgiveness until the SBA remitted CoEd's forgiveness amounts to the lender.

CoEd elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the PPP loan. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Program are "substantially met" and occur on or before the statement of financial position date. On October 29, 2021, CoEd received notification from the SBA that the PPP loan were fully forgiven, and the SBA remitted payment to the lender for the full outstanding principal and accrued interest amount. As such, \$174,009 was recognized as grant revenue in 2021.

## COOPERATIVE FOR EDUCATION AND AFFILIATES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 13 LEASES

##### *Year Ended December 31, 2022*

CoEd has an operating lease and a finance lease for their office space and office equipment in the United States. The leases have remaining lease terms of approximately 2 years, both of which include options to extend the leases for up to 1 year. As of December 31, 2022, assets recorded under the operating and finance lease were \$270,588 and \$18,926, respectively, and accumulated depreciation associated with the operating lease and finance lease was \$160,135 and \$10,890, respectively.

CoEd has elected the following practical expedients: (1) not to separate lease components from non-leases components, (2) to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, and (3) to apply a risk-free rate to measure lease liabilities for all existing classes of underlying assets. CoEd's short-term lease expense is not material.

The components of lease expense was as follows at December 31, 2022:

Operating lease expense	<u>\$ 55,131</u>
Finance lease expense	
Amortization of right-of-use asset	\$ 3,776
Interest on lease liability	<u>139</u>
Total finance lease expense	<u>\$ 3,915</u>

Other information related to leases was as follows at December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating lease	\$ 55,131
Operating cash flows from finance lease	3,915
ROU assets obtained in exchange for lease liabilities:	
Operating	270,588
Finance	18,926
Weighted average remaining lease term in years	2.00
Weighted average discount rate	1.39%

**COOPERATIVE FOR EDUCATION AND AFFILIATES**

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

**NOTE 13 LEASES(CONTINUED)**

***Year Ended December 31, 2022 (Continued)***

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

	Operating Lease	Finance Lease
2023	\$ 55,683	\$ 3,915
2024	56,193	3,915
2025	-	326
	111,876	8,156
Total future minimum lease payments	111,876	8,156
Less present value discount	(1,602)	(121)
Less prepaid rent	(4,591)	-
Lease liabilities	\$ 105,683	\$ 8,035

***Year ended December 31, 2021***

CoEd has a lease agreement for its office space in the United States that expires on December 31, 2024. Additionally, CoEd leases minor office equipment under a noncancellable operating lease through January 2025. Rent expense for these leases included in the statement of activities for the years ended December 31, 2021 and 2020 was \$55,350 and \$53,818, respectively.

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

2022	\$ 58,995
2023	59,546
2024	60,103
2025	326
	178,970
	\$ 178,970

**NOTE 14 IN-KIND DONATIONS**

In-kind donations of \$9,977 and \$26,690 relating to proceeds from donated auction items for CoEd's Fall Fiesta special event have been recorded as revenue for December 31, 2022 and 2021, respectively. CoEd estimated the fair value based on the cash proceeds from the sale of the items through the auction. The in-kind donations were used for fundraising purposes and are without donor restrictions.

## **COOPERATIVE FOR EDUCATION AND AFFILIATES**

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

#### **NOTE 15 RELATED PARTY TRANSACTIONS**

During 2022 and 2021, CoEd received professional services from a relative of a corporate officer, as well as a business where a board member is a shareholder. Total amounts paid to these related parties in 2022 and 2021 was \$127,593 and \$103,293, respectively. As of both December 31, 2022 and 2021, CoEd owed these related parties \$5,500. CoEd believes the services received and amounts paid are comparable to what could be purchased from an unrelated party.

#### **NOTE 16 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 \$15,206 and \$11,915 in 2022 and 2021, respectively.

#### **NOTE 17 RISKS AND UNCERTAINTIES**

CoEd's investments consist of fixed income mutual funds and equity exchange traded funds that invest in common stocks. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at 2022 and 2021. However, the diversification of CoEd's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Directors with advice and assistance from investment professionals.