

FINANCIAL STATEMENTS



**WORLD EDUCATION AND
DEVELOPMENT FUND
DBA EDUCANDO**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
World Education and Development Fund DBA Educando
Washington, D.C.

We have audited the accompanying financial statements of the World Education and Development Fund DBA Educando (Educando), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and change in net assets, functional expenses 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.

Auditor's 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 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 Educando as of September 30, 2018, and the change 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.

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Report on Summarized Comparative Information

We have previously audited Educando's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRF CPAs & Advisors

August 14, 2019

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,752,199	\$ 2,939,557
Grants and contributions receivable	1,636,554	2,086,660
Other receivables	36,739	11,521
Prepaid expenses	<u>27,445</u>	<u>33,005</u>
Total current assets	<u>4,452,937</u>	<u>5,070,743</u>
FIXED ASSETS		
Office equipment	56,346	45,927
Furniture	8,210	6,546
Website	28,461	28,461
Software	<u>53,195</u>	<u>53,195</u>
	146,212	134,129
Less: Accumulated depreciation and amortization	<u>(118,875)</u>	<u>(109,009)</u>
Net fixed assets	<u>27,337</u>	<u>25,120</u>
OTHER ASSETS		
Security deposits	<u>27,566</u>	<u>39,647</u>
TOTAL ASSETS	<u>\$ 4,507,840</u>	<u>\$ 5,135,510</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred revenue	\$ 284,223	\$ -
Accrued expenses	189,479	129,654
Accrued vacation	64,698	20,875
Other payroll liabilities	<u>26,291</u>	<u>16,916</u>
Total current liabilities	<u>564,691</u>	<u>167,445</u>
NET ASSETS		
Unrestricted	765,791	1,280,321
Temporarily restricted	<u>3,177,358</u>	<u>3,687,744</u>
Total net assets	<u>3,943,149</u>	<u>4,968,065</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,507,840</u>	<u>\$ 5,135,510</u>

See accompanying notes to financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions (net of direct benefit to donors of \$208,451):				
Individuals	\$ 291,587	\$ 251,865	\$ 543,452	\$ 332,644
Foundations	37,797	1,132,794	1,170,591	451,959
Government grants	-	553,784	553,784	94,184
Corporations	-	649,024	649,024	3,698,982
Interest income	72,907	2,597	75,504	40,816
Contributed services	68,012	-	68,012	94,094
Program service fees	-	-	-	1,587
Other	-	-	-	844
Net assets released from donor restrictions	<u>2,745,410</u>	<u>(2,745,410)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,215,713</u>	<u>(155,346)</u>	<u>3,060,367</u>	<u>4,715,110</u>
EXPENSES				
Program Services	<u>2,761,090</u>	<u>-</u>	<u>2,761,090</u>	<u>2,351,902</u>
Supporting Services:				
General and Administrative	301,000	-	301,000	385,523
Fundraising	<u>434,496</u>	<u>-</u>	<u>434,496</u>	<u>261,251</u>
Total supporting services	<u>735,496</u>	<u>-</u>	<u>735,496</u>	<u>646,774</u>
Total expenses	<u>3,496,586</u>	<u>-</u>	<u>3,496,586</u>	<u>2,998,676</u>
Change in net assets before other items	<u>(280,873)</u>	<u>(155,346)</u>	<u>(436,219)</u>	<u>1,716,434</u>
OTHER ITEMS				
Bad debt	(59,382)	(360,600)	(419,982)	-
(Loss) gain on currency translation	(172,646)	5,560	(167,086)	30,973
Recovery of amount previously written off due to unfulfilled match	-	-	-	238,000
Taxes paid by Brazil office	<u>(1,629)</u>	<u>-</u>	<u>(1,629)</u>	<u>(17,672)</u>
Total other items	<u>(233,657)</u>	<u>(355,040)</u>	<u>(588,697)</u>	<u>251,301</u>
Change in net assets	(514,530)	(510,386)	(1,024,916)	1,967,735
Net assets at beginning of year, as restated	<u>1,280,321</u>	<u>3,687,744</u>	<u>4,968,065</u>	<u>3,000,330</u>
NET ASSETS AT END OF YEAR	<u>\$ 765,791</u>	<u>\$ 3,177,358</u>	<u>\$ 3,943,149</u>	<u>\$ 4,968,065</u>

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018				2017	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	General and Administrative	Fundraising			
Salaries and wages	\$ 1,033,460	\$ 113,433	\$ 182,155	\$ 295,588	\$ 1,329,048	\$ 1,001,185
Payroll taxes and other benefits	274,881	23,193	36,728	59,921	334,802	241,226
Grants to schools	6,759	-	-	-	6,759	18,725
Program instructors and curriculum development	373,385	641	-	641	374,026	427,590
Program instructors' and participants' travel	310,574	-	-	-	310,574	249,067
Program evaluations	15,837	-	-	-	15,837	5,731
Books and class supplies	166,380	-	-	-	166,380	255,597
Consulting fees	159,040	2,315	44,127	46,442	205,482	154,618
Accounting and audit services	123,192	38,165	38,150	76,315	199,507	160,681
IT expenses	9,770	1,968	1,704	3,672	13,442	24,777
Occupancy	103,718	22,113	18,570	40,683	144,401	116,001
Travel	90,910	7,679	32,550	40,229	131,139	102,184
Telephone	10,640	1,584	928	2,512	13,152	8,074
Insurance	6,935	2,204	2,204	4,408	11,343	11,382
Office and general expense	17,416	1,621	34,571	36,192	53,608	16,409
Postage and shipping	1,836	726	1,880	2,606	4,442	3,524
Registration fees	599	362	2,262	2,624	3,223	(16,673)
Bank and credit card fees	3,855	4,125	793	4,918	8,773	26,056
Payroll processing fees	225	2,317	75	2,392	2,617	2,288
Printing and printed materials	6,969	1,543	5,024	6,567	13,536	6,510
Depreciation and amortization	5,919	1,974	1,973	3,947	9,866	13,319
Gala expenses	-	-	-	-	-	28,435
Events	-	-	-	-	-	10,506
Legal expenses	3,074	69,045	178	69,223	72,297	95,530
Furniture and equipment rental	17,508	586	680	1,266	18,774	5,241
Marketing and communication	3,075	-	22,000	22,000	25,075	16,102
Fundraising	9,686	2,604	6,621	9,225	18,911	5,199
Other	5,447	2,802	1,323	4,125	9,572	9,392
TOTAL	\$ 2,761,090	\$ 301,000	\$ 434,496	\$ 735,496	\$ 3,496,586	\$ 2,998,676

See accompanying notes to financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,024,916)	\$ 1,967,735
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	9,866	13,319
Unfulfilled match	-	(238,000)
Decrease (increase) in:		
Grants and contributions receivable	450,106	(815,402)
Other receivables	(25,218)	55,479
Prepaid expenses	5,560	(10,008)
Security deposits	12,081	(24,188)
Increase (decrease) in:		
Deferred revenue	284,223	-
Accrued expenses	59,825	(30,169)
Accrued vacation	43,823	(652)
Other payroll liabilities	<u>9,375</u>	<u>16,916</u>
Net cash (used) provided by operating activities	<u>(175,275)</u>	<u>935,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(12,083)</u>	<u>(15,401)</u>
Net cash used by investing activities	<u>(12,083)</u>	<u>(15,401)</u>
Net (decrease) increase in cash and cash equivalents	(187,358)	919,629
Cash and cash equivalents at beginning of year	<u>2,939,557</u>	<u>2,019,928</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,752,199</u>	<u>\$ 2,939,557</u>

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The World Education and Development Fund DBA Educando (Educando) is a non-profit organization, incorporated in 2002. Educando was located in New York, New York during the period under audit, and has re-located to Washington, D.C. subsequent to year-end. Educando's mission is to support high-quality and results-driven education in Latin America. Its vision is for every child in Latin America to have access to a high-quality education and the tools to become a productive member of his or her local community. Through its teacher and principal training programs, Educando has trained nearly 13,000 educators, reaching more than 5.5 million students in Mexico and Brazil.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Educando's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Cash and cash equivalents -

Educando considers all cash and other highly liquid investments with initial maturities of six months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Educando maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Educando had approximately \$1,318,523 of cash and cash equivalents held in Mexico and Brazil at September 30, 2018. The majority of the funds held in Mexico and Brazil are uninsured. Such amounts are included in cash and cash equivalents in the accompanying Statement of Financial Position.

Grants, contributions and other receivables -

Grants, contributions and other receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Deferred revenue consists of amounts received but not yet earned.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency -

The U.S. Dollar is the functional currency of Educando. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction.

Property and equipment purchases with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position. The net exchange losses from foreign currency totaled \$167,086 for the year ended September 30, 2018.

Income taxes -

Educando is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Educando is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2018, Educando has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Educando and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Educando and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Program service fees -

Program service fees represent fees submitted by the Mexican Government for each state that participates in the IAPE program.

Use of estimates -

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements not yet adopted -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Educando's financial statements, it is not expected to alter Educando's reported financial position.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Educando has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements not yet adopted (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. Educando has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Educando plans to adopt the new ASUs at the respective required implementation dates.

2. BAD DEBT

\$360,600 of bad debt for the year ended September 30, 2018, relates to a contractual adjustment by the funder. No expenses were incurred against the activities that were not funded. The related program is a two year program and certain adjustments are made at the beginning of each school year due to the changes with the states and schools we operate.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2018:

Inter-American Partnership for Education (IAPE)	\$ 122,210
Principal Training Program (LISTO)	1,211,717
STEM Brasil	1,747,575
STEM Mexico	<u>95,856</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 3,177,358</u>

4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Inter-American Partnership for Education (IAPE)	\$ 847,062
Principal Training Program (LISTO)	698,052
STEM Brasil	1,117,727
STEM Mexico	<u>82,569</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,745,410</u>

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

5. CONTRIBUTED SERVICES

During the year ended September 30, 2018, Educando was the beneficiary of donated legal services. The value of the donated legal services, \$68,012, was based upon the fair value at the date the services were provided.

6. OCCUPANCY

Educando entered into a five year lease agreement for office space in New York on July 1, 2015. Base rent is \$45,630 per year, plus a proportionate share of expenses, increasing by a factor of 2.9% per year. Educando closed its New York office subsequent to year-end, and was released from the lease.

During fiscal year 2018, Educando had a one year lease for office space in Mexico City, which expired on April 30, 2018 and was extended through April 30, 2019. Subsequent to year-end a new lease was signed through April 30, 2021. In addition, Educando rents office space in Tlaxcala under a lease that expired February 2018 and was extended through August 2019. Educando also leases classroom space in Sonora, which expires in November 2019.

In October 2014, Educando entered into a one-year lease agreement for office space in Brazil, which has been extended on an annual basis (currently extended through October 30, 2019). In addition, Educando entered into a one year lease for office space in another location in Brazil, which commenced on July 20, 2017. This was extended subsequent to year-end for another year. Educando also leases warehouse space in Brazil under a lease that ends in August 2019.

Educando also currently leases office space in Washington, D.C. under a month to month agreement.

The following is a schedule of the future minimum lease payments:

Year Ending September 30,

2019	\$	54,541
2020		23,290
2021		<u>14,286</u>
	\$	<u>92,117</u>

Rent expense, excluding real estate taxes and utilities, under the aforementioned lease agreements, was approximately \$144,401 for the year ended September 30, 2018.

7. RETIREMENT PLAN

Educando has adopted a defined contribution plan for all eligible employees, effective January 1, 2009, covering all full-time employees with six months of eligible experience and a minimum age requirement of 21 years. Matching employer contributions to the Plan are on a discretionary basis. During the year ended September 30, 2018, no matching contributions were made.

WORLD EDUCATION AND DEVELOPMENT FUND DBA EDUCANDO

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

8. CONTINGENCIES

• **Income Tax Status-Mexico**

In October of 2018, Educando's authorization to receive tax deductible donations was revoked in Mexico. The organization now will continue to remain a non-profit legal entity as a non-grantee for a period of twelve months to recover the authorization. In the event that the authorization is not recovered before November 1, 2019, Educando must allocate all of its assets to another authorized grantee. Donations made prior to the publication of this information will be tax deductible to the donors as long as the authorization is recovered within twelve months of being revoked. The organization is currently working on recovering their tax exempt status.

• **Political and Economic Conditions**

At the present time, Educando conducts programmatic activities in Brazil and Mexico and maintains certain assets within each respective country. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations, changes in local tax laws or changes in the political climate.

9. SUBSEQUENT EVENTS

In preparing these financial statements, Educando has evaluated events and transactions for potential recognition or disclosure through August 14, 2019, the date the financial statements were issued.