IMPACT NETWORK

Financial Statements & Audit Report
For the Year Ended December 31, 2017

JV CPA John Vazzana CPA PLLC

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Independent Auditor's Report

To the Board of Directors
Impact Network International, Inc.

We have audited the accompanying financial statements of Impact Network International, Inc., a Not-for-Profit Corporation, which comprise the 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 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 of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the organization 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.

John Vazzana CPA PLLC

Brooklyn, New York

November 12, 2018

Impact Network International, Inc.
Statement of Financial Position
December 31, 2017

ASSETS

Cash and cash equivalents	$ 165,290
Pledges receivable	23,451
Prepaid expenses	1,692
Security deposits	3,180
Total Assets	**$ 193,613**

LIABILITIES & NET ASSETS

Accrued expenses	$ 25,178
Deferred revenue	49,458
Total Liabilities	74,636
Net Assets	
Unrestricted	118,977
Temporarily restricted	-
Permanently restricted	-
Total Net Assets	**118,977**
Total Liabilities and Net Assets	**$ 193,613**

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Impact Network International, Inc.
Statement of Activities
For year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
General contributions	$ 90,001	$ -	$ -	$ 90,001
Grants - American Institutes for Research	697,502	-	-	697,502
Special events (net of direct costs)	85,178	-	-	85,178
Services (in-kind)	27,935	-	-	27,935
Other income	1,000	-	-	1,000
Total revenue and other support	901,616	-	-	901,616
Net assets released from restrictions				
Satisfaction of time and purpose restrictions	**44,965**	**(44,965)**	**-**	**-**
Total revenues, other support and net assets released from restrictions	**946,581**	**(44,965)**	**-**	**901,616**
Expenses				
Program services	816,049	-	-	816,049
Management and general	48,581	-	-	48,581
Fundraising	36,310	-	-	36,310
Total expenses	900,940	-	-	900,940
Changes in net assets	45,641	(44,965)	-	676
Net assets at beginning of year	73,336	44,965	-	118,301
Net assets at end of year	$ 118,977	$ -	$ -	$ 118,977

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Impact Network International, Inc.
Statement of Cash Flows
For year ended December 31, 2017

CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$	676
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Changes in operating assets and liabilities		
Decrease/(increase) in:		
Prepaid expenses		17,018
Pledges receivable		(23,451)
Security deposit		(1,630)
(Decrease)/increase in:		
Accrued expenses		16,809
Deferred revenue		49,458
Net cash provided by/(used in) operating activities		58,880
CASH FLOW FROM INVESTING ACTIVITIES:		
None		
Net cash provided by/(used in) investing activities		-
CASH FLOW FROM FINANCING ACTIVITIES:		
None		
Net cash provided by/(used in) financing activities		-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		58,880
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		106,410
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	165,290

SUPPLEMENTAL CASH FLOWS INFORMATION: None

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Impact Network International, Inc.
Statement of Functional Expenses
For year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Grants	$ 647,500	$ -	$ -	$ 647,500
Compensation and fringe	118,195	19,166	33,637	170,998
Professional fees	-	12,500	-	12,500
Advertising and promotion	-	90	682	772
Office expenses	23	426	253	702
Occupancy	5,390	5,750	-	11,140
Travel and transportation	15,785	2,689	200	18,674
Insurance	-	3,389	-	3,389
Other fees	1,221	4,571	1,538	7,330
Expenses before in-kind	788,114	48,581	36,310	873,005
Services (in-kind)	27,935	-	-	27,935
Total Expenses	$ 816,049	$ 48,581	$ 36,310	$ 900,940

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

Note 1 - Description of Organization

Impact Network International, Inc. ("Impact Network" or the "Organization") is a not-for-profit organization incorporated October 26, 2009 in New York State. The Organization was founded to promote cultural advancement to vulnerable communities in developing countries around the world, for example, by facilitating the provision of education services in rural Africa. Most schools built by the government in such regions lack basic supplies and skilled teachers. Impact Network has piloted the first eSchools in rural Zambia. This holistic solution delivers not just access, but quality education. Funding is derived mainly from foundation grants. The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

Note 2 - Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations on an accrual basis. The significant accounting and reporting policies used by the organization are described below.

Unrestricted Net Assets: Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting, from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Board-designated funds represent unrestricted funds which may, from time to time, be designated by the board of directors for specific purposes.

Temporarily Restricted Net Assets: Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets: Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Cash Equivalents: Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Contributions (Pledges) Receivable: Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management’s evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Land, Buildings, Property and Equipment: Land, buildings, property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $2,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accounting for Contributions: Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are

reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind (Non-Cash Contributions): The organization periodically receives contributions in a form other than cash or investments. If the organization receives a non-cash contribution, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

Expense Recognition and Allocation: The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

Advertising: The Organization expenses advertising costs the first time the advertising occurs.

New Accounting Pronouncements:

Revenue: In May 2014, the Financial Accounting Standards Board (“FASB”) issued a standard on Revenue from Contracts with Customers. This Standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange

for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact this will have its financial statements.

***Leases**:* In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

***Financial Statement Presentation**:* In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not for Profit Entities (“ASU 2016-14”). The new standard looks to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provisions of this update, which amend the requirements for financial statements and notes, require not-for-profit entities to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. Other amendments include improved quantitative and qualitative disclosures in the footnotes. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Organization is evaluating the impact this will have on the financial statements.

Note 3 - American Institutes for Research Grant

In 2017, Impact Network entered into a cooperation agreement with American Institutes for Research ("AIR"). The ceiling amount of this contract is $2,225,000 for a four-year period ending March 22, 2021. The agreement had an initial performance period from March 23, 2017 to February 28, 2018, with an option to exercise three additional years thru March 22, 2021. In 2018, Impact Network and AIR executed the one-year option thru March 2019.

Based on the specifications, management has determined this agreement to be cost reimbursement contract recognized as a grant, with grant revenue being recognized as costs are incurred and funds received in excess of costs incurred are recorded as deferred revenue. For the year ending December 31, 2017, the organization recognized $527,952 of grant revenue from AIR under this agreement and an additional $169,550 from AIR under a prior agreement. At December 31, 2017 the organization recorded deferred revenue in the amount of $49,458 relating to this contract.

Note 4 - Operating Lease Commitments

On July 1, 2017 Impact Network entered into a lease through March 2019 for its administrative and program offices. Rent expense (including the prior lease), included in occupancy expenses, was $11,140 for the year ending December 31, 2017. The difference between rent expense incurred by the Organization on the straight-line basis and cash paid for rent was deemed immaterial by management and thus is reported on a cash paid basis.

The following is a schedule of future minimum rental payments for the years ending December 31:

2018	17,400
2019	4,350

Total future minimum rental payments under the office lease is $ 21,750.

Note 5 - Special Events

The details of Special events are as follows:

Special events income	$ 128,500
Special events direct costs	(43,322)
Total	$ 85,178

Note 6 - In-Kind Support

For the year ending December 31, 2017, the Organization received Pro Bono legal services in the amount of $27,935. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Note 7 - Donated Services

Through the commitment and dedication of its founders, board members and others, the organization receives significant amounts of volunteer services. Although substantial, these donated services do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America.

Note 8 - Concentrations of Risk

The Organization maintains its cash deposits with quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to limits set by law. As of December 31, 2017, there were no uninsured balances.

During 2017, the Organization had one major contributor that accounted for approximately 83% of the Organization's total revenues. Due to the concentration of revenue, there is a risk that the Organization would not be able to continue its current service level if this source of contributions were lost. Management believes that the Organization is not exposed to any significant concentration risk in the near term.

Currently, all the organization's program activity, facilitated though its grantmaking, is concentrated in rural areas of Zambia, in south-central Africa.

Note 9 - Subsequent Events

See subsequent event information included in *Note 3*, regarding a funding contract option executed in 2018. Subsequent events have been evaluated through November 12, 2018, which is the date the financial statements were available to be issued.