

**PANGEA EDUCATIONAL DEVELOPMENT GROUP**

**YEAR ENDED DECEMBER 31, 2019**

# **PANGEA EDUCATIONAL DEVELOPMENT GROUP**

**YEAR ENDED DECEMBER 31, 2019**

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## **Independent Auditor's Report**

Board of Directors  
Pangea Educational Development Group  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pangea Educational Development Group (the Organization) (an Illinois nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, changes in net assets, cash flows, and functional expenses 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 audits. We conducted our audits 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 Pangea Educational Development Group as of December 31, 2019, 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.

*Ripple Tax & Financial Services, Inc.*

Chicago, Illinois  
March 25, 2021

# PANGEA EDUCATIONAL DEVELOPMENT GROUP

## STATEMENT OF FINANCIAL POSITION

December 31, 2019

### ASSETS

#### Current assets:

Cash	\$	28,646
Contributions receivable		6,000

Total assets	34,646
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### LIABILITIES AND NET ASSETS

#### Current liabilities:

Accounts payable	600
Accrued payroll	686

Total current liabilities	1,286
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#### Net assets:

##### Without donor restrictions:

Undesignated	33,360
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Total net assets without donor restrictions	33,360
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Total liabilities and net assets	\$ 34,646
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*See notes to financial statements.*

# PANGEA EDUCATIONAL DEVELOPMENT GROUP

## STATEMENT OF ACTIVITIES

Year ended December 31, 2019	Without donor restrictions
Revenues:	
Contributions	\$ 122,031
Special events:	
Gross revenue	8,402
Expenses	(4,854)
Total public support and revenues	125,579
Expenses:	
Program	83,992
Management and general	11,802
Fundraising	2,678
Total expenses	98,472
Increase in net assets	27,107
Net assets without donor restrictions, beginning of year	6,253
Net assets without donor restrictions, end of year	\$ 33,360

*See notes to financial statements.*

# PANGEA EDUCATIONAL DEVELOPMENT GROUP

## STATEMENT OF CASH FLOWS

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Year ended December 31, 2019

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Cash flows from operating activities:

Increase in net assets	\$	27,107
Adjustments to reconcile above to cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Contributions receivable		(6,000)
Increase (decrease) in operating liabilities:		
Accounts payable		600
Accrued payroll		686

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Cash provided by operating activities	22,393
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Increase in cash	22,393
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Cash, beginning of year	6,253
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Cash, end of year	\$ 28,646
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*See notes to financial statements.*

# PANGEA EDUCATIONAL DEVELOPMENT GROUP

## SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2019		Management and			
	Program	general	Fundraising	Total	
Salaries and payroll taxes	\$ 21,127	\$ 2,641	\$ 2,641	\$ 26,409	
Advertising			37	37	
Bank charges		386		386	
Information technology	1,491	1,491		2,982	
Insurance		686		686	
Licenses and permits		75		75	
Meals		1,515		1,515	
Meetings		476		476	
Miscellaneous expenses		826		826	
Office expense		16		16	
Postage and printing		151		151	
Program expenses	59,633			59,633	
Rent		542		542	
Office supplies		49		49	
Storage		1,209		1,209	
Travel	689	688		1,377	
Website	1,052	1,051		2,103	
Total functional expenses	\$ 83,992	\$ 11,802	\$ 2,678	\$ 98,472	

*See notes to financial statements.*



# **PANGEA EDUCATIONAL DEVELOPMENT GROUP**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. General**

Pangea Educational Development Group (the Organization) was incorporated on November 14, 2010 to create culturally relevant content and programs that teach and inspire children to read. The Organization is working to realize its vision of a 100% literate world by the year 2050.

The world is facing a global learning crisis. Although there are currently more children attending school, they are not learning effectively. An essential outcome of a meaningful education is the ability to read and write. It is also the cornerstone of all further learning. Today 103 million children, which represents 9% of the global youth population, lack the basic functional literacy. This includes one out of four children in sub-Saharan Africa. Refugee and migrant youth are 52% less likely to gain functional literacy and are even more vulnerable in these regions.

The Organization is addressing this crisis by publishing culturally relevant books through Pangea Publishing, increasing access to books through their Mobile Library service, and improving instructional practice in the classroom through their Literacy Instruction Training program. The goal of these programs is to improve literacy in a sustainable manner.

The organization has invested heavily in East Africa, the United States, and has expanded its reach to impact children in more than 54 countries since its founding.

### **2. Summary of significant accounting policies**

#### **Basis of accounting:**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Contributions receivable:**

Contributions receivable is stated at the amount management expects to be collected within one year and are recorded at net realizable value. The Organization regularly monitors collectability of contributions receivable, and in the event that circumstances indicate that a receivable may not be fully realizable, an allowance to reduce the receivable to the net realizable value would be recorded. Based on management's assessment of the year-end receivables and current relationships with major funders and donors, management has concluded that realization losses on remaining balances outstanding at year-end will be immaterial. An allowance for uncollectible accounts is considered unnecessary and is not provided.

# **PANGAEA EDUCATIONAL DEVELOPMENT GROUP**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Net assets:**

The Organization's net assets are classified into two classes: net assets without donor restrictions and net assets with donor restrictions, according to the existence of donor-imposed restrictions.

**Net assets without donor restrictions** - Net assets available to fund the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization and the environment in which it operates.

**Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income from net assets held in perpetuity is expended primarily to support projects consistent with donor-designated guidelines. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There were no donor-imposed restrictions that are temporary or perpetual in nature at December 31, 2019.

#### **Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Functional allocation of expenses:**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include various operating expenses which are allocated on the basis of estimates of time and effort.

# **PANGEA EDUCATIONAL DEVELOPMENT GROUP**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Income tax status:**

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2019.

#### **Revenue recognition:**

Contributions are recognized when the donor makes a promise to give to Pangea Educational Development Group that is, in substance, unconditional. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

**Grant Awards that are Contributions:** Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when grants are considered unconditional.

**Grant Awards that are Exchange Transactions:** Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. There were no exchange transactions during the year ended December 31, 2019.

# PANGAEA EDUCATIONAL DEVELOPMENT GROUP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Revenue recognition

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

This ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. When adopted, the amendments in the ASU must be applied using one of two retrospective methods.

The Organization adopted ASC 958 during 2019. There were no changes to previously reported net assets to reflect the effect of the new guidance.

### 4. Liquidity and availability

The following represents the Organization's financial assets:

December 31, 2019		
Financial assets at year-end:		
Cash	\$	28,646
Contributions receivable		6,000
Financial assets available to meet general expenditures within one year		
	\$	34,646

The Organization manages available cash to meet general expenditures following these principles:

- Meet operating needs and contractual commitments
- Maintain adequate liquid assets
- Maintain sufficient reserves to fund program spending

The sources of liquidity available to the Organization are cash and contributions receivable. The Organization prepares monthly budgetary projections for the upcoming cash outflows. Program and other known expenses are considered when preparing the budget. Management monitors the bank account to maintain the reserve.

### 5. Related party transactions

The Organization receives contributions from members of the Board of Directors as part of the Organization's fundraising events. The Organization received approximately \$18,507 from members of the Board of Directors for the year ended December 31, 2019.

## **PANGEA EDUCATIONAL DEVELOPMENT GROUP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **6. Lease commitments**

The Organization entered into a lease for their office space on September 2019. The lease expired on September 30, 2020 and was renewed through September 30, 2021. The annual rent is approximately \$500.

Total rent expense was \$542 for the year ended December 31, 2019.

#### **7. Subsequent events**

Management of the Organization has reviewed and evaluated subsequent events from December 31, 2019, the financial statement date, through March 25, 2021, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.