SIKICH®

NURU INTERNATIONAL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2018

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1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
NURU International
Palo Alto, California

We have audited the accompanying financial statements of NURU International (the Organization), which comprise the statement of financial position as of December 31, 2018, 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 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 Organization'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 Organization'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 NURU International, as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance as issues by Financial Accounting Standards Board under Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Sikich LLP

Naperville, Illinois
March 15, 2019

FINANCIAL STATEMENTS

NURU INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS		
ASSETS		
Cash and cash equivalents	$	133,414
Grants receivable, net		1,889,876
Prepaid expenses		67,171
Fixed assets		41,685
Less accumulated depreciation		(28,521)
Total fixed assets		13,164
TOTAL ASSETS	$	2,103,625
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	121,380
Accrued liabilities		121,838
Total liabilities		243,218
NET ASSETS (DEFICIT)		
Without donor restrictions		(29,469)
With donor restrictions		1,889,876
Total net assets		1,860,407
TOTAL LIABILITIES AND NET ASSETS	$	2,103,625

See accompanying notes to financial statements.

NURU INTERNATIONAL

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND PUBLIC SUPPORT			
Grants and donations	$ 4,188,256	$ 321,324	$ 4,509,580
In-kind donations	317,245	-	317,245
Net investment return	11,980	-	11,980
Miscellaneous income	13,008	-	13,008
Net assets released from restriction	5,000	(5,000)	-
Total revenues and other support	4,535,489	316,324	4,851,813
EXPENSES			
Program services			
International development	5,002,579	-	5,002,579
International awareness	315,576	-	315,576
Management and general	752,975	-	752,975
Fundraising	190,847	-	190,847
Total expenses	6,261,977	-	6,261,977
CHANGE IN NET ASSETS	(1,726,488)	316,324	(1,410,164)
NET ASSETS, BEGINNING OF YEAR	1,697,019	1,573,552	3,270,571
NET ASSETS, END OF YEAR	$ (29,469)	$ 1,889,876	$ 1,860,407

See accompanying notes to financial statements.

NURU INTERNATIONAL

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,410,164)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	9,868
Change in receivable discount	(57,574)
Realized gain on investments	(10,723)
Gain on sale of property and equipment	(25)
Noncash contributions	(298,480)
Changes in assets and liabilities	
Prepaid expenses	7,030
Grants receivable	(13,750)
Accounts payable	94,100
Accrued liabilities	5,513
Net cash from operating activities	(1,674,205)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(5,488)
Proceeds from sale of property and equipment	399
Proceeds from sales of investments	450,362
Net cash from investing activities	445,273
CASH FLOWS FROM FINANCING ACTIVITIES	
None	-
Net cash from financing activities	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,228,932)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	1,362,346
CASH AND CASH EQUIVALENTS END OF YEAR	$ 133,414
SUPPLEMENTAL CASH FLOW INFORMATION	
Contributed investments	$ 298,480

See accompanying notes to financial statements.

NURU INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	International Development	International Awareness	Total Program Services	Management and General	Fundraising	Total
EXPENSES						
Accounting	$ -	$ -	$ -	$ 9,500	$ -	$ 9,500
Books, subscriptions, and references	17,006	1,500	18,506	4,372	2,850	25,728
Contractual services	500,129	180,079	680,208	83,341	59,355	822,904
Depreciation	7,401	-	7,401	2,056	411	9,868
Equipment rental and maintenance	7,310	-	7,310	-	-	7,310
Health insurance	141,995	-	141,995	48,663	10,554	201,212
Information technology	4,139	-	4,139	11,208	9,064	24,411
Insurance	19,370	-	19,370	5,765	1,863	26,998
Legal	114	-	114	18,264	-	18,378
Licenses and fees	3,755	-	3,755	13,368	1,220	18,343
Grants made	2,682,436	-	2,682,436	-	-	2,682,436
Payroll taxes	93,299	10,691	103,990	32,124	6,972	143,086
Postage	817	-	817	3,040	1,030	4,887
Printing and copying	366	-	366	-	2,316	2,682
Rent	-	-	-	7,892	255	8,147
Salaries	1,224,178	122,941	1,347,119	432,296	76,203	1,855,618
Supplies	1,307	-	1,307	1,105	71	2,483
Telecommunications	3,584	-	3,584	171	5	3,760
Training and development	53,960	-	53,960	12,867	445	67,272
Travel and meeting	241,413	365	241,778	66,943	18,233	326,954
TOTAL FUNCTIONAL EXPENSES	$ 5,002,579	$ 315,576	$ 5,318,155	$ 752,975	$ 190,847	$ 6,261,977

See accompanying notes to financial statements.

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

NURU International (the Organization) is a California not-for-profit organization that was incorporated in October 2007. The mission of the Organization is to end extreme poverty in fragile rural areas, and build communities resilient to violent extremism. The Organization envisions a world in which violent extremist groups can no longer exploit the conditions of extreme poverty to further their cause. The Organization is committed to restoring hope and meaning to the lives of those people living in extreme poverty by creating sustainable, measurable solutions that result in significant lasting changes in families and communities. The following is a summary of the Organization's program services:

International Development - Focuses on addressing the areas of hunger, the ability to cope with financial shocks, reduction of preventable disease and death, and improving education opportunities through programs in agriculture, financial inclusion, healthcare, and education. The Organization offers development programs in Kenya, Ethiopia, and Nigeria.

International Awareness - Provides events and presentations throughout the country and publishes videos and educational information through social media. This program builds empathy for people living in extreme poverty by showing glimpses of what people living in extreme poverty experience: chronic hunger, sickness, and disease, illiteracy, high child mortality rates, contaminated water, and lack of access to resources, as well as what can be done to improve the lives of our global neighbors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP). Transactions are classified according to the existence or absence of donor-imposed restrictions.

Classification of Net Assets

Net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that 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 Organization reports 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.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization has cash in financial institutions that is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution for the interest-bearing accounts. At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. Management does not believe this concentration of cash results in a high level of risk for the Organization.

Investments

Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Grants Receivable

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 initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and is reported as contribution revenue. The Organization believes that all pledges receivable at December 31, 2018 will be fully collected. Accordingly, no allowance for doubtful accounts is necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable (Continued)

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Fixed Assets

Property and equipment are stated at cost if purchased or fair market value at the date the gift is donated. All acquisitions or property and equipment in excess of $1,000 and all expenditures for repairs, maintenance improvements, and betterments that prolong the useful lives of the assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair market value as of the date received, unless restricted by the donor.

Depreciation is determined using the straight-line method over the estimated useful life of three years. Depreciation expense for the year ended December 31, 2018 is $9,868.

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2018.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting policies. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (Note 4).

Estimates

The preparation of financial statements in conformity with USGAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of expenses are directly allocated to the relevant department. Salaries are allocated to the awareness program based on estimated time spent on awareness functions by staff. Overhead costs such as insurance are allocated based on headcount.

Income Taxes

The Organization is a not-for profit organization which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

New Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled *net assets without donor restriction* and *net assets with donor restrictions*, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiting the use of the placed-in-service approach to recognize the expirations of restrictions on gits used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU for the year ended December 31, 2018.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earning in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

3. GRANTS RECEIVABLE

Pledges receivable at December 31, 2018 consisted of the following:

Due within one year	$ 1,745,158
Due in one to five years	152,500
Less	1,897,658
Present value discount at 4%	(7,782)
TOTAL	$ 1,889,876

4. IN-KIND DONATIONS

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the year ended December 31, 2018, donated professional services amount to $18,028. This amount is included within in-kind donations revenue on the statements of activities and also allocated between the categories of functional expenses on the statement of functional expenses.

Donated investments are recorded at their estimated fair value on the date of the donation and are included within in-kind donations revenue on the statements of activities. During the year ended December 31, 2018, the Organization, received shares of corporate stocks with a fair market value of $298,480. The Organization's policy is to sell any donated securities soon after their receipt.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following items at December 31, 2018:

Restricted as to time	
Multi-year grants	$ 1,889,876
TOTAL	$ 1,889,876

6. RELATED PARTIES

In October 2008, Nuru Kenya was established as a separate not-for-profit organization registered in the Republic of Kenya, which conducts agricultural, health care, educational, and economic development projects in rural areas of that country. In August of 2012, an additional organization, Nuru Ethiopia, was put into operation in Ethiopia. In 2017, Nuru Nigeria was launched. For the year ended December 31, 2018, the Organization was the primary grantor, shared resources, and collaborated on projects with Nuru Kenya, Nuru Ethiopia, and Nuru Nigeria. For the year ended December 31, 2018, the Organization contributed directly, or incurred expenses on behalf of Nuru Kenya totaling $828,397. The Organization also contributed directly, or incurred expenses on behalf of Nuru Ethiopia totaling $1,498,943 for the year ended December 31, 2018. Additionally, the Organization commenced program services in Nigeria during 2017. The Organization contributed $355,096 for program support in Nigeria during the year ended December 31, 2018.

7. EMPLOYEE BENEFIT PLAN

The Organization maintains a defined contribution 401(k) plan. The Organization has made no employer matching contributions to the plan for the year ended December 31, 2018.

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalents	$ 133,414
Current grant receivable	1,745,158
Total financial assets and liquidity resources available within one year	$ 1,878,572

The Organization manages its liquidity guided by the goal of operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization has set a goal of building sufficient reserves to cover three months of operating expenses. The majority of the Organization's funding is unrestricted and allows sufficient flexibility to adjust as needed. To maintain adequate cash for operations, the entity forecasts its future cash flows and monitors its liquidity and reserves quarterly.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 15, 2019, which was the date that these financial statements were available for issuance, and determined there were no significant subsequent events that require adjustment or disclosure in the financial statements through that date.