

**GCSSEN FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

GCSSEN FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GCSEN Foundation
New York, NY

We have audited the accompanying financial statements of GCSEN Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and cash flows for the years 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 misstatements 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 GCSEN Foundation as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on Page 8 and 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



LEONARD C. GREEN & CO., PA
DBA THE GREEN GROUP
Certified Public Accountants

Woodbridge, New Jersey
May 15, 2018

GCSSEN FOUNDATION
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash	\$ 374,005	\$ 504,795
Property and Equipment, net	49,554	58,483
Intellectual Property, net	167,073	-
	\$ 590,632	\$ 563,278

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued Expenses	\$ 31,865	\$ 31,471
Unrestricted Net Assets	558,767	531,807
	\$ 590,632	\$ 563,278

GCSSEN FOUNDATION
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets:		
Contributions	\$ 615,661	\$ 628,646
Grants	-	53,757
Intellectual property	114,671	-
Program revenue	30,144	31,271
Other revenue	883	5,000
	<u>761,359</u>	<u>718,674</u>
Expenses:		
Program	598,273	596,663
Management and General	115,165	94,823
Fundraising	20,961	17,815
	<u>734,399</u>	<u>709,301</u>
	26,960	9,373
(Decrease) Increase in Unrestricted Net Assets		
Net Assets at Beginning of Year	<u>531,807</u>	<u>522,434</u>
Net Assets at End of Year	<u>\$ 558,767</u>	<u>\$ 531,807</u>

GCSSEN FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Change in Net Assets	\$ 26,960	\$ 9,373
Adjustments to reconcile change in net assets provided by operating activities:		
Depreciation expense	13,413	4,097
Amortization expense	5,255	-
Donation of intellectual property	(114,673)	-
Net Changes in Assets and Liabilities:		
Increase in liabilities:		
Accrued expenses	394	24,444
Net cash provided by (used in) operating activities	(68,651)	37,914
Cash Flows From Investing Activities:		
Purchase of courseware	(57,657)	-
Purchase of property and equipment	(4,482)	(62,580)
Net cash used in investing activities	(62,139)	(62,580)
Net Decrease in Cash	(130,790)	(24,666)
Cash at Beginning of Year	504,795	529,461
Cash at End of Year	\$ 374,005	\$ 504,795

GCSSEN FOUNDATION
Notes to Financial Statements
For The Years Ended December 31, 2017 and 2016

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

GCSSEN Foundation (the Organization), mission is to accelerate social entrepreneurship in higher education through innovative programs and learning technologies. The Organization will build a global network of faculty, practitioner-academics, students and practicing social entrepreneurs and entrepreneurial philanthropists all connected and supported by our strategic cloud and higher education partners. The Organization seeks to increase the number of prosperous social entrepreneurs and by doing so will strengthen local economies while improving the rate of environmental stewardship necessary for a civil, prosperous, self-governing, free society.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash – Concentration of Credit Risk

The Organization maintains cash balances with one high credit quality financial institution. The account at the institution is insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2017 and 2016. As of December 31, 2017 and 2016, the Organization had cash deposits of \$124,005 and \$237,187, in excess of Federally insured amounts with this financial institution.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no promises to give as of December 31, 2017 and 2016.

GCSSEN FOUNDATION
Notes to Financial Statements
For The Years Ended December 31, 2017 and 2016

Note 1 - Nature of Activities and Summary of Significant Accounting Policies-(continued)

Contributed Services

During the year ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles in the United States of America, management is required to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Equipment, furniture and fixtures 3–10 years

Depreciation expense totaled \$13,413 and \$4,097 for the years ended December 31, 2017 and 2016, respectively. Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any result and gain or loss is then recorded as income or expense.

Intellectual Property

The Organization received a donation of an intellectual property recorded as an intangible asset consisting of a proprietary educational program and materials for the promotion of social entrepreneurship. The donations have been appraised at a limited restricted use valuation for the mission of the organization to promote the growth of Social Entrepreneurship in partnership with institutions of higher education. In addition to the donated program materials the Organization has invested in and acquired courseware to develop and provide the necessary course materials as defined in its mission. Intellectual property is recorded at appraised value at the time of the donation and amortized using the straight-line method of amortization over the useful life of the assets of fifteen years. For the years ending December 31, 2017 and 2016, amortization expense was calculated at \$5,255 and \$0 respectively.

GCSSEN FOUNDATION
Notes to Financial Statements
For The Years Ended December 31, 2017 and 2016

Note 1 - Nature of Activities and Summary of Significant Accounting Policies-(concluded)

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets—Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets—Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets—Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service, except to the extent of unrelated business taxable income. For the years ended December 31, 2017 and 2016, no provision for unrelated business taxes is required. The Organization believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization Exempt from Income Tax for the years ended December 31, 2017 and 2016 are subject to examination by the Internal Revenue Service generally three to four years after the returns were filed.

Subsequent Events

Subsequent events were considered by the Organization for recognition or disclosures through May 15, 2018, which is the date the financial statements were available to be issued.

Compensated Absences

While employed by the Organization employees are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

GCSSEN FOUNDATION
Notes to Financial Statements
For The Years Ended December 31, 2017 and 2016

Note 2 – Risk Concentrations

Credit Risk

The Organization had one donor that accounted for 79% and 83% of revenue for the years ended December 31, 2017 and 2016. The Organization received an unrestricted contribution for \$600,000 for the years ended December 31, 2017 and 2016 general and program support.

Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 62,967	\$ 62,580
Less: accumulated depreciation	<u>(13,413)</u>	<u>(4,097)</u>
Property and equipment, net	<u>\$ 49,554</u>	<u>\$ 58,483</u>

Note 4 – Intellectual Property

Intellectual property consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Intellectual property	\$ 114,671	\$ -
Courseware	<u>57,657</u>	<u>-</u>
	172,328	-
Less: accumulated amortization	<u>(5,255)</u>	<u>-</u>
Intellectual property, net	<u>\$ 167,073</u>	<u>\$ -</u>

Note 5 – Program Expenses

GCSSEN Foundation Board and Management strives to be both efficient and effective in its stewardship of all foundation resources. GCSSEN Foundation strives to achieve the following expense allocation of expenses during the year: Program - 80%, Management and general- 15%, Fundraising- 5%. Actual results may fluctuate based upon management and Board discretion.

GCSSEN FOUNDATION
Notes to Financial Statements
For The Years Ended December 31, 2017 and 2016

Note 5 – Program Expenses -(concluded)

Program expense ratios for the years ending December 31, are as follows:

	2017		2016	
Program	\$ 598,273	81%	\$ 596,663	84%
Management and general	115,165	16%	94,823	13%
Fundraising	20,961	3%	17,815	3%
Total	\$ 734,399	100%	\$ 709,301	100%

SUPPLEMENTARY INFORMATION

GCSSEN FOUNDATION
Schedule I
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Officer's and Employee Salaries	\$ 417,492	\$ 16,500	\$ 10,000	\$ 443,992
Program Expense	52,483	-	-	52,483
Professional Fees	19,276	17,348	1,928	38,552
Travel and Entertainment	21,297	19,167	2,130	42,594
Occupancy and Utilities	18,217	16,395	1,819	36,431
Meetings and Conventions	16,366	14,729	1,637	32,732
Payroll Taxes	15,919	14,327	1,592	31,838
Office and Administration	11,380	10,242	1,138	22,760
Depreciation	13,413	-	-	13,413
Telephone and Computer	2,780	2,502	278	5,560
Insurance	2,393	2,153	239	4,785
Amortization	5,255	-	-	5,255
Marketing and Promotion	1,638	1,474	164	3,276
Postage and Mailings	364	328	36	728
Total Functional Expenses	\$ 598,273	\$ 115,165	\$ 20,961	\$ 734,399

GCSSEN FOUNDATION
Schedule II
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Officer's Salaries	\$ 450,303	\$ 16,500	\$ 10,000	\$ 476,803
Program Expense	53,815	-	-	53,815
Professional Fees	17,316	15,584	1,732	34,632
Office and Administration	14,994	13,493	1,499	29,986
Occupancy and Utilities	14,928	13,435	1,490	29,853
Travel and Entertainment	14,649	13,184	744	28,577
Payroll Taxes	14,273	12,846	1,427	28,546
Meetings and Conventions	9,225	8,303	923	18,451
Depreciation	4,097	-	-	4,097
Marketing and Promotion	3,063	-	-	3,063
Insurance	-	1,478	-	1,478
Total Functional Expenses	<u>\$ 596,663</u>	<u>\$ 94,823</u>	<u>\$ 17,815</u>	<u>\$ 709,301</u>