

**GCSSEN FOUNDATION  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

# 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, 2018 and 2017 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, 2018 and 2017, 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 6 and 7 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 14, 2019

**GCSSEN FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Assets		
Cash and cash equivalents	\$ 3,972	\$ 374,005
Grant receivable	500,000	-
Property and Equipment, net	42,049	49,554
Intellectual Property, net	224,431	167,073
	\$ 770,452	\$ 590,632
Total assets	\$ 770,452	\$ 590,632

**LIABILITIES AND NET ASSETS**

Liabilities		
Accrued Expenses	\$ 24,068	\$ 31,865
Net Assets		
Without donor restrictions	246,384	188,767
With donor restrictions	500,000	370,000
	746,384	558,767
Total net assets	746,384	558,767
Total liabilities and net assets	\$ 770,452	\$ 590,632

**GCSSEN FOUNDATION**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenues and Other Support			
Contributions	\$ 31	\$ -	\$ 31
Grants	-	650,000	650,000
Intellectual property	68,847	-	68,847
Program revenue	34,984	-	34,984
Donations in-kind	-	3,297	3,297
Other revenue	163	-	163
Net assets released from restrictions	523,297	(523,297)	-
	627,322	130,000	757,322
Expenses:			
Program	465,430	-	465,430
Supporting services:			
Management and General	86,500	-	86,500
Fundraising	17,775	-	17,775
	104,275	-	104,275
Total support services	104,275	-	104,275
Total expenses	569,705	-	569,705
Change in net assets from operations	57,617	130,000	187,617
Net assets at beginning of year	188,767	370,000	558,767
Net assets at end of year	\$ 246,384	\$ 500,000	\$ 746,384

**GCSSEN FOUNDATION**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and Other Support			
Contributions	\$ 15,661	\$ -	\$ 15,661
Grants	-	600,000	600,000
Intellectual property	114,671	-	114,671
Program revenue	30,144	-	30,144
Other revenue	883	-	883
Net assets released from restrictions	230,000	(230,000)	-
Total revenues and other support	391,359	370,000	761,359
Expenses:			
Program	598,273	-	598,273
Supporting services:			
Management and General	115,165	-	115,165
Fundraising	20,961	-	20,961
Total support services	136,126	-	136,126
Total expenses	734,399	-	734,399
Change in net assets from operations	(343,040)	370,000	26,960
Net assets at beginning of year	531,807	-	531,807
Net assets at end of year	\$ 188,767	\$ 370,000	\$ 558,767

**GCSEN FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	Program	Management and General	Fundraising	Total
Officer's and Employee Salaries	292,008	\$ 16,500	\$ 10,000	\$ 318,508
Program Expense	69,263	-	-	69,263
Professional Fees	12,998	11,698	1,300	25,996
Travel and Entertainment	7,868	7,081	787	15,736
Occupancy and Utilities	20,150	18,135	2,012	40,297
Meetings and Conventions	10,376	9,338	1,038	20,752
Payroll Taxes	11,935	10,741	1,193	23,869
Office and Administration	2,593	2,333	259	5,185
Depreciation	14,889	-	-	14,889
Insurance	1,897	1,707	190	3,794
Amortization	11,489	-	-	11,489
Marketing and Promotion	9,744	8,769	974	19,487
Postage and Mailings	220	198	22	440
	<u>\$ 465,430</u>	<u>\$ 86,500</u>	<u>\$ 17,775</u>	<u>\$ 569,705</u>



**GCSEN FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
	<u>\$ 598,273</u>	<u>\$ 115,165</u>	<u>\$ 20,961</u>	<u>\$ 734,399</u>

**GCSSEN FOUNDATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 187,617	\$ 26,960
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	13,413	13,413
Amortization expense	11,489	5,255
Donation of intellectual property	(68,847)	(114,673)
Donations in-kind	1,476	-
Increase in grant receivable	(500,000)	-
(Decrease) increase in accrued expenses	(7,797)	394
Net cash used in operating activities	(362,649)	(68,651)
Cash Flows From Investing Activities:		
Purchase of courseware	-	(57,657)
Purchase of property and equipment	(7,384)	(4,482)
Net cash used in investing activities	(7,384)	(62,139)
Net Decrease in cash and cash equivalents	(370,033)	(130,790)
Cash and cash equivalents, at beginning of year	374,005	504,795
Cash and cash equivalents, at end of year	\$ 3,972	\$ 374,005

**GCSSEN FOUNDATION**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

**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 Presentation*

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which require GCSSEN Foundation to report information regarding its financial position and activities according to the following net asset classifications.

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of GCSSEN Foundation’s management and the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of GCSSEN Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

*Measure of Operations*

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to GCSSEN Foundation’s ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be more unusual or nonrecurring nature.

*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.

**GCSSEN FOUNDATION**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

*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, 2018 and 2017. As of December 31, 2018 and 2017, the Organization had cash deposits of \$0 and \$124,005, 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. Promises to give as of December 31, 2018 and 2017, were \$500,000 and \$0, respectively.

*Contributions*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

*In-kind Donations*

The organization received donated services of \$3,297 and \$0 for the years ended December 31, 2018 and 2017. The organization received donated intellectual property of \$68,847 and \$114,671 for the years ended December 31, 2018 and 2017. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of financial position, statements of activities and statements of functional expenses.

Volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accounting statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

**GCSSEN FOUNDATION**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

*Use of Estimates*

In preparing financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*Functional expenses*

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Officer's and Employee Salaries	Time and effort
Program Expense	Time and effort
Professional Fees	Full time equivalent
Travel and Entertainment	Time and effort
Occupancy and Utilities	Square footage
Meetings and Conventions	Time and effort
Payroll Taxes	Time and effort
Office and Administration	Time and effort
Depreciation	Square footage
Telephone and Computer	Time and effort
Insurance	Time and effort
Amortization	Time and effort
Marketing and Promotion	Full time equivalent
Postage and Mailings	Time and effort

*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, 2018 and 2017 amortization expense was calculated at \$11,489 and \$5,255 respectively.

**GCSSEN FOUNDATION**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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

*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 \$14,889 and \$13,413 for the years ended December 31, 2018 and 2017, 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.

*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, 2018 and 2017, 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 that requires recognition or disclosure in the financial statements. The Organization is not a private foundation.

The Organization Exempt from Income Tax for the years ended December 31, 2018 and 2017 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 14, 2019, 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, 2018 and 2017**

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

*Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

*New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Small Charity, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Note 2 – Availability and Liquidity**

The following represents Small Charity’s financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,972	\$ 374,005
Grant receivable	<u>500,000</u>	<u>-</u>
Total financial assets	503,972	374,005
Less amounts not available to be used within one year:		
Net assets with donor restrictions	500,000	370,000
Less net assets with purpose restrictions to be met in less than a year	<u>(500,000)</u>	<u>(370,000)</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 503,972</u>	<u>\$ 374,005</u>

The Organizations’ goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$150,000).

**Note 3 – Risk Concentrations**

*Credit Risk*

The Organization had one donor that accounted for 86% and 79% of revenue for the years ended December 31, 2018 and 2017. The Organization received an restricted contributions from one donor of \$650,000 and \$600,000 for the years ended December 31, 2018 and 2017 general and program support.

**GCSSEN FOUNDATION**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

**Note 4 – Property and Equipment**

Property and equipment consist of the following at December 31:

	2018	2017
Property and equipment	\$ 74,447	\$ 67,063
Less: accumulated depreciation	(32,398)	(17,509)
Property and equipment, net	\$ 42,049	\$ 49,554

For the years ended December 31, 2018 and 2017, depreciation expense totaled \$14,889 and \$13,413, respectively.

**Note 5 – Intellectual Property**

Intellectual property consists of the following at December 31:

	2018	2017
Intellectual property	\$ 183,518	\$ 114,671
Courseware	57,657	57,657
	241,175	172,328
Less: accumulated amortization	(16,744)	(5,255)
Intellectual property, net	\$ 224,431	\$ 167,073

For the years ended December 31, 2018 and 2017, amortization expense totaled \$11,489 and \$5,255, respectively.

**Note 6 – 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, 2018 and 2017**

**Note 6 – Program Expenses – (concluded)**

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

	<u>2018</u>		<u>2017</u>	
Program	\$ 465,430	82%	\$ 598,273	81%
Management and general	86,500	15%	115,165	16%
Fundraising	<u>17,775</u>	<u>3%</u>	<u>20,961</u>	<u>3%</u>
Total	<u>\$ 569,705</u>	<u>100%</u>	<u>\$ 734,399</u>	<u>100%</u>

**Note 7 – Net Assets**

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Specific Purpose		
Program services	\$ -	\$ 370,000
Passage of Time		
Grant receivable	<u>500,000</u>	<u>-</u>
	<u>\$ 500,000</u>	<u>\$ 370,000</u>

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	<u>\$ 246,384</u>	<u>\$ 188,767</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restrictions		
Program services	<u>\$ 523,297</u>	<u>\$ 230,000</u>