

**FINANCIAL STATEMENTS**

**TOSTAN, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

**TOSTAN, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	7
NOTES TO FINANCIAL STATEMENTS	8 - 14



**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tostan, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of Tostan, Inc. (Tostan), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, 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 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tostan as of December 31, 2020, and the change 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.

## Report on Summarized Comparative Information

We have previously audited Tostan's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

September 8, 2021

## TOSTAN, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,055,208	\$ 2,337,272
Investments	24,468	508
Grants receivable	333,333	333,333
Employee receivables	32,881	29,055
Other receivables and advances	106,280	229,340
Prepaid expenses and other assets	<u>22,128</u>	<u>25,041</u>
Total current assets	<u>4,574,298</u>	<u>2,954,549</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	271,433	271,433
Buildings and improvements	533,030	458,372
Furniture and equipment	190,250	96,567
Computer equipment and software	310,416	289,674
Vehicles	<u>502,868</u>	<u>467,247</u>
	1,807,997	1,583,293
Less: Accumulated depreciation and amortization	<u>(1,128,522)</u>	<u>(991,551)</u>
Net property and equipment	<u>679,475</u>	<u>591,742</u>
<b>NONCURRENT ASSETS</b>		
Grants receivable, net of current portion	<u>-</u>	<u>328,145</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,253,773</u></b>	<b><u>\$ 3,874,436</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>215,538</u>	\$ <u>301,442</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,784,384	1,699,871
With donor restrictions	<u>2,253,851</u>	<u>1,873,123</u>
Total net assets	<u>5,038,235</u>	<u>3,572,994</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,253,773</u></b>	<b><u>\$ 3,874,436</u></b>

## TOSTAN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 3,631,818	\$ 4,886,743	\$ 8,518,561	\$ 6,974,190
Program services revenue	21,701	-	21,701	323,532
Other revenue	5,252	-	5,252	-
In-kind contributions	1,250	-	1,250	-
Interest and investment (loss) income	(122,120)	-	(122,120)	1,022
Net assets released from donor restrictions	<u>4,649,977</u>	<u>(4,649,977)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,187,878</u>	<u>236,766</u>	<u>8,424,644</u>	<u>7,298,744</u>
<b>EXPENSES</b>				
Program Services	<u>5,364,952</u>	<u>-</u>	<u>5,364,952</u>	<u>6,391,804</u>
Supporting Services:				
General and Administrative	964,812	-	964,812	1,044,174
Fundraising	<u>773,601</u>	<u>-</u>	<u>773,601</u>	<u>413,101</u>
Total supporting services	<u>1,738,413</u>	<u>-</u>	<u>1,738,413</u>	<u>1,457,275</u>
Total expenses	<u>7,103,365</u>	<u>-</u>	<u>7,103,365</u>	<u>7,849,079</u>
Change in net assets before other item	1,084,513	236,766	1,321,279	(550,335)
<b>OTHER ITEM</b>				
Foreign exchange gain (loss)	<u>-</u>	<u>143,962</u>	<u>143,962</u>	<u>(3,349)</u>
Change in net assets	1,084,513	380,728	1,465,241	(553,684)
Net assets at beginning of year	<u>1,699,871</u>	<u>1,873,123</u>	<u>3,572,994</u>	<u>4,126,678</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,784,384</u></b>	<b><u>\$ 2,253,851</u></b>	<b><u>\$ 5,038,235</u></b>	<b><u>\$ 3,572,994</u></b>

## TOSTAN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>			<b>2019</b>		
	<b>Supporting Services</b>					
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 3,037,768	\$ 577,067	\$ 462,701	\$ 1,039,768	\$ 4,077,536	\$ 3,418,072
Contract services	462,159	219,892	176,313	396,205	858,364	1,216,490
Grants and other assistance	125,428	31,108	24,943	56,051	181,479	162,001
Program training costs	713,055	29,422	23,591	53,013	766,068	357,090
Supplies	309,262	28,170	22,586	50,756	360,018	381,774
Facilities and equipment	613,463	68,883	55,232	124,115	737,578	556,096
Travel and meetings	103,817	10,270	8,235	18,505	122,322	1,757,556
<b>TOTAL</b>	<b>\$ 5,364,952</b>	<b>\$ 964,812</b>	<b>\$ 773,601</b>	<b>\$ 1,738,413</b>	<b>\$ 7,103,365</b>	<b>\$ 7,849,079</b>

See accompanying notes to financial statements.

## TOSTAN, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,465,241	\$ (553,684)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	58,888	56,317
Unrealized loss on investments	136	-
Realized loss on sales of investments	122,973	180
Receipt of donated investments	(793,023)	(2,455)
Proceeds from sales of donated investments	645,954	1,767
Change in discount on noncurrent grants receivable	(5,188)	5,188
Decrease (increase) in:		
Grants receivable	333,333	(666,666)
Employee receivables	(3,826)	311
Other receivables and advances	123,060	(20,668)
Prepaid expenses and other assets	2,913	(4,669)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(85,904)</u>	<u>27,990</u>
Net cash provided (used) by operating activities	<u>1,864,557</u>	<u>(1,156,389)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(244,838)</u>	<u>(163,308)</u>
Net cash used by investing activities	<u>(244,838)</u>	<u>(163,308)</u>
Net increase (decrease) in cash and cash equivalents	1,619,719	(1,319,697)
Effect of foreign currency exchange fluctuations on property and equipment revaluation	98,217	21,020
Cash and cash equivalents at beginning of year	<u>2,337,272</u>	<u>3,635,949</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 4,055,208</u></b>	<b><u>\$ 2,337,272</u></b>



## TOSTAN, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Tostan, Inc. (Tostan) is a U.S. non-governmental organization, incorporated in Delaware and based in Senegal, West Africa. Tostan's mission is to empower African communities to bring about sustainable development and positive social transformation based on respect for human rights. Working primarily in remote regions, Tostan provides holistic, participatory education to adults and adolescents who have not had access to formal schooling.

For over two decades, Tostan has demonstrated that providing such an education transforms learners and their communities, leading to meaningful and sustainable social change. Tostan's unique 30-month education program, known as the Community Empowerment Program (CEP), includes modules on human rights, hygiene and health, literacy, and project management. It also employs community-led outreach strategies that engage program participants in their own and neighboring villages. Through this approach, Tostan has transformed the lives of thousands of people in Africa.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

During 2018, Tostan created a reserve fund that allocated 20% of all unrestricted contributions (pursuant to the "Molly Melching Fund" gift appeal) into the fund during that initial year, to be used in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities; such funds can only be used with the express approval from the Board of Directors. The total amount of the Board Designated net assets aggregated \$316,219.

- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported 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 Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

##### Cash and cash equivalents -

Tostan considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Tostan maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Additionally, Tostan maintained \$1,878,817 of cash on hand and in banks in several countries within Africa; all such funds are not insured. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in "Interest and investment (loss) income", which is presented net of investment expenses (paid to external investment advisors) in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. Tostan's policy is to liquidate all gifts of investments as soon as possible after the gift.

Receivables -

All receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Furniture, equipment and vehicle purchases in excess of \$5,000 are capitalized and stated at cost. Furniture, equipment and vehicles are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Land that is purchased with undesignated funds is capitalized at original acquisition value and is not amortized. Buildings (and improvements that are fixed and enhance the value of the building) are capitalized and amortized over 20 years.

Donations of computer equipment and software with a unit value of \$5,000 or more are recorded as contributions "with donor restrictions" and as capital assets in the year the contribution is received; those net assets are subsequently released from restrictions at the time those assets are placed in service.

Income taxes -

Tostan is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a school under Section 170(b)(1)(A)(ii). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions -

For the year ended December 31, 2020, Tostan has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Revenue recognition -

The majority of Tostan's revenue is received through individual contributions as well as grants from foreign governments, international organizations and other entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. Tostan performs an analysis of the individual gift to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized as revenue until the condition on which they depend are substantially met.

Grants and contributions that are deemed to be unconditional but include specific donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and/or satisfaction of time restrictions; such funds in excess of expenses incurred are presented as "net assets with donor restrictions" in the accompanying financial statements.

Grants and contributions that are deemed to be conditional contain a right of return and a barrier. Revenue is recognized when the condition(s) are satisfied. Tostan receives awards from the United States Government, foreign governments, multilateral entities and other similar donors. Awards from the aforementioned donors generally include a right of return or a right of release from the obligation provision, and Tostan has limited discretion over how funds transferred should be spent.

These awards are deemed to be nonreciprocal. As such, Tostan recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying direct and indirect expenditures are incurred and programmatic delivery has been successful). Funds received in advance of meeting donor conditions are recorded as refundable advances. As of December 31, 2020, Tostan had approximately \$5,161,000 of unrecognized conditional grants and contributions revenue (and related receivables); such revenue will be recognized in future years as donor conditions are met.

In addition, Tostan receives fees from customers that participate in the educational program activities administered through its Training Center. Fees are charged based on educational content received, usage of space, meals/lodging and other incidentals. Program service fee income is recognized on a daily basis, when the performance obligation is deemed satisfied. Accordingly, revenue is recognized immediately (at the time of billing), when the service is provided.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## TOSTAN, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Functional currency -

Tostan maintains offices in several countries within Africa. All assets and liabilities held in overseas offices are reported in the accompanying Statement of Financial Position and have been translated into U.S. Dollars using the spot exchange rate in effect as of fiscal year-end. All revenues and expenses transacted abroad are reported in the accompanying Statement of Activities and Change in Net Assets and have been translated into U.S. Dollars using the average annual exchange rate. As the year-end assets and liabilities (held abroad) have been revalued at the current spot rates, exchange rate variances have been reflected as a currency gain or loss in the accompanying Statement of Activities and Change in Net Assets.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Tostan are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

##### Investment risks and uncertainties -

Tostan invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

##### Fair value measurement -

Tostan adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Tostan accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

##### Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact Tostan's operations. The overall potential impact is unknown at this time.

##### New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

New accounting pronouncement (not yet adopted) (continued) -

Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. Tostan plans to adopt the new ASU at the required implementation date, and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ <u>24,604</u>	\$ <u>24,468</u>
<b>TOTAL INVESTMENTS</b>	<b>\$ <u>24,604</u></b>	<b>\$ <u>24,468</u></b>

Included in interest and investment loss are the following at December 31, 2020:

Interest and dividends	\$ 1,169
Unrealized loss on investments	(136)
Realized loss on sales of investments	(122,973)
Investment fees	<u>(180)</u>
<b>TOTAL INTEREST AND INVESTMENT LOSS</b>	<b>\$ <u>(122,120)</u></b>

3. **FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, Tostan has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market Tostan has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**3. FAIR VALUE MEASUREMENT (Continued)**

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

*Common stock* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, Tostan's investments as of December 31, 2020:

<b>Asset Category:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Common stock</b>	<b>\$ <u>24,468</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>24,468</u></b>

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020.

**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 4,055,208
Investments	24,468
Grants receivable, current portion	<u>333,333</u>
 Subtotal financial assets available within one year	 4,413,009
Less: Donor restricted funds	(1,920,518)
Less: Board designated funds	<u>(316,219)</u>
 <b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	 <b>\$ <u>2,176,272</u></b>

As part of Tostan's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2020, Tostan maintained financial assets equal to approximately three months of operating expenses.

Additionally, Tostan's Board of Directors has designated a portion of its operating surplus to its liquidity reserve, and as of December 31, 2020, the aggregate amount in the reserve totaled \$316,219. The reserve was established in order to ensure Tostan maintained liquidity in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2020:

Program Services	\$ 1,920,518
Time restricted	<u>333,333</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 2,253,851</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses or through the passage of time which satisfied the restricted purposes specified by the donors:

Program Services	\$ 4,316,643
Passage of time	<u>333,334</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 4,649,977</u></b>

**6. LEASES**

Tostan rents office space under various short-term (and month-to-month) lease agreements within several African countries where it operates and administers its programs. Tostan also leases office space in Washington, D.C. under a month-to-month agreement. During the year ended December 31, 2020, rent expense (under all worldwide leases) totaled approximately \$67,452.

**7. RETIREMENT PLAN**

Tostan provides retirement benefits to qualifying employees under a 403(b) plan. Tostan matches 100% of contributions, up to 4% of gross wages. Contributions to the Plan during the year ended December 31, 2020 totaled \$9,360.

All Senegalese staff (national and international) are registered in the pension plan called IPRES. Contributions are matched by the employee in accordance with the national pension law in Senegal. Contributions to IPRES during the year ended December 31, 2020 totaled \$313,614.

**8. CONTINGENCY**

Tostan delivers sustainable development and creates positive social change in communities within several African countries. Accordingly, Tostan maintains a significant portion of its assets within these countries. The future results of its programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of December 31, 2020, Tostan held cash, property and equipment and other assets in overseas offices totaling approximately \$2,080,000, representing 40% of Tostan's total assets.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, Tostan has evaluated events and transactions for potential recognition or disclosure through September 8, 2021, the date the financial statements were issued.