

FINANCIAL STATEMENTS

TOSTAN, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

TOSTAN, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Tostan, Inc. (Tostan), which comprise the statements of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tostan as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tostan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tostan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tostan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tostan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Tostan's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

July 20, 2022

TOSTAN, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,443,450	\$ 4,055,208
Investments	-	24,468
Grants receivable	407,632	333,333
Employee receivables	51,504	32,881
Other receivables and advances	98,888	106,280
Prepaid expenses and other assets	<u>68,714</u>	<u>22,128</u>
Total current assets	<u>24,070,188</u>	<u>4,574,298</u>
PROPERTY AND EQUIPMENT		
Land	271,433	271,433
Buildings and improvements	533,030	533,030
Furniture and equipment	190,250	190,250
Computer equipment and software	310,416	310,416
Vehicles	<u>802,517</u>	<u>502,868</u>
	2,107,646	1,807,997
Less: Accumulated depreciation and amortization	<u>(1,223,335)</u>	<u>(1,128,522)</u>
Net property and equipment	<u>884,311</u>	<u>679,475</u>
NONCURRENT ASSETS		
Grants receivable, net of current portion	<u>478,568</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 25,433,067</u>	<u>\$ 5,253,773</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>518,643</u>	\$ <u>215,538</u>
NET ASSETS		
Without donor restrictions	22,576,928	2,784,384
With donor restrictions	<u>2,337,496</u>	<u>2,253,851</u>
Total net assets	<u>24,914,424</u>	<u>5,038,235</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,433,067</u>	<u>\$ 5,253,773</u>

TOSTAN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 24,753,438	\$ 7,467,687	\$ 32,221,125	\$ 8,518,561
Program services revenue	575,459	-	575,459	444,898
Other revenue	-	-	-	5,252
In-kind contributions	750	-	750	1,250
Interest and investment loss	(508)	-	(508)	(122,120)
Net assets released from donor restrictions	<u>7,171,759</u>	<u>(7,171,759)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>32,500,898</u>	<u>295,928</u>	<u>32,796,826</u>	<u>8,847,841</u>
EXPENSES				
Program Services	<u>9,967,142</u>	<u>-</u>	<u>9,967,142</u>	<u>5,820,166</u>
Supporting Services:				
General and Administrative	1,419,964	-	1,419,964	964,812
Fundraising	<u>1,151,856</u>	<u>-</u>	<u>1,151,856</u>	<u>773,601</u>
Total supporting services	<u>2,571,820</u>	<u>-</u>	<u>2,571,820</u>	<u>1,738,413</u>
Total expenses	<u>12,538,962</u>	<u>-</u>	<u>12,538,962</u>	<u>7,558,579</u>
Change in net assets before other item	19,961,936	295,928	20,257,864	1,289,262
OTHER ITEM				
Foreign exchange (loss) gain	<u>(169,392)</u>	<u>(212,283)</u>	<u>(381,675)</u>	<u>175,979</u>
Change in net assets	19,792,544	83,645	19,876,189	1,465,241
Net assets at beginning of year	<u>2,784,384</u>	<u>2,253,851</u>	<u>5,038,235</u>	<u>3,572,994</u>
NET ASSETS AT END OF YEAR	<u>\$ 22,576,928</u>	<u>\$ 2,337,496</u>	<u>\$ 24,914,424</u>	<u>\$ 5,038,235</u>

TOSTAN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Program Services	Support Services		Total Supporting Services	Total Expenses	Total Expenses
		General and Administrative	Fundraising			
Salaries and related benefits	\$ 4,046,389	\$ 793,865	\$ 644,168	\$ 1,438,033	\$ 5,484,422	\$ 4,077,536
Contract services	824,249	414,109	347,637	761,746	1,585,995	858,364
Grants and other assistance	207,369	-	-	-	207,369	181,479
Program training costs	2,956,501	35,486	-	35,486	2,991,987	1,221,282
Supplies	161,030	24,311	12,156	36,467	197,497	360,018
Facilities and equipment	1,250,681	125,841	78,053	203,894	1,454,575	737,578
Travel and meetings	520,923	26,352	69,842	96,194	617,117	122,322
TOTAL	\$ 9,967,142	\$ 1,419,964	\$ 1,151,856	\$ 2,571,820	\$ 12,538,962	\$ 7,558,579

See accompanying notes to financial statements.

TOSTAN, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,876,189	\$ 1,465,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	88,754	58,888
Unrealized loss on investments	-	136
Realized loss on sales of investments	1,869	122,973
Receipt of donated investments	(757,241)	(793,023)
Proceeds from sales of donated investments	779,840	645,954
Change in discount on noncurrent grants receivable	21,432	(5,188)
(Increase) decrease in:		
Grants receivable	(574,298)	333,333
Employee receivables	(18,623)	(3,826)
Other receivables and advances	7,392	123,060
Prepaid expenses and other assets	(46,586)	2,913
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>303,104</u>	<u>(85,904)</u>
Net cash provided by operating activities	<u>19,681,832</u>	<u>1,864,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(396,381)</u>	<u>(244,838)</u>
Net cash used by investing activities	<u>(396,381)</u>	<u>(244,838)</u>
Net increase in cash and cash equivalents	19,285,451	1,619,719
Effect of foreign currency exchange fluctuations on property and equipment revaluation	102,791	98,217
Cash and cash equivalents at beginning of year	<u>4,055,208</u>	<u>2,337,272</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,443,450</u>	<u>\$ 4,055,208</u>

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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.

In 2021, Tostan put in place its Resilience Fund policy which was defined as a designated cash reserve fund set aside by action of the Board of Directors. The Tostan Resilience Fund can be used:

- For the purposes of emergency operations to allow Tostan to continue paying its contractual obligations, and unforeseen shortfall or severe economic downturn, not covered by insurance, negatively affecting the Organization's revenue stream;
- To provide resources for the long-term repair, maintenance and renewal of Tostan's facilities as well as for capital expenditure projects intended to enhance or replace Tostan's physical infrastructure;
- To support other specific purposes as designated by the Board.

During the year, the Board approved a transfer of \$2 million into the Resilience Fund from the unrestricted revenues. This transfer allowed Tostan to get closer to its \$3 million goal as stated in the Resilience Fund policy. On December 31, 2021, the total amount of the Board designated net assets aggregated \$2,316,219.

- **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.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - 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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Tostan's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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. 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 \$1,442,784 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", 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 -

Receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectable. 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.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Property and equipment (continued) -

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, 2021, 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.

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.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Revenue recognition (continued) -

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, 2021, Tostan had approximately \$4,600,000 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.

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.

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of 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. 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. GRANTS RECEIVABLE

Tostan has received commitments of support from its donors, of which \$1,407,632 had not been collected as of December 31, 2021. Payments expected to be collected more than one year from the Statement of Financial Position date are recorded at their net present value of the estimated cash flows, using a discount rate of 3.00%. Payments are expected to be collected as follows:

Less than one year	\$ 407,632
One to five years	<u>500,000</u>
Total	907,632
Less: Present value discount (noncurrent receivables)	<u>(21,432)</u>
GRANTS RECEIVABLE, NET	<u>\$ 886,200</u>

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. 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	\$ 23,443,450
Grants receivable, current portion	407,632
Other receivables and advances	<u>98,888</u>
Subtotal financial assets available within one year	23,949,970
Less: Donor restricted funds	(2,087,496)
Less: Board designated funds	<u>(2,316,219)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 19,546,255</u>

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.

Additionally, Tostan's Board of Directors has designated a portion of its operating surplus to its liquidity reserve, and as of December 31, 2021, the aggregate amount in the reserve totaled \$2,316,219. 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.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2021:

Program Services	\$ 1,608,928
Time Restricted	<u>728,568</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,337,496</u>

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	\$ 6,838,425
Passage of Time	<u>333,334</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 7,171,759</u>

5. 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, 2021, rent expense (under all worldwide leases) totaled approximately \$81,899.

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. 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, 2021 totaled \$26,189.

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, 2021 totaled \$234,706.

7. CONCENTRATION OF REVENUE

Approximately 63% of Tostan's revenue for the year ended December 31, 2021 was derived from grants awarded by one donor. Tostan has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Tostan's ability to finance ongoing operations.

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, 2021, Tostan held cash, property and equipment and other assets in overseas offices totaling approximately \$2,500,000, representing 10% 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 July 20, 2022, the date the financial statements were issued.