

FINANCIAL STATEMENTS

TOSTAN, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

TOSTAN, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2023, with Summarized Financial Information for 2022	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	7
NOTES TO FINANCIAL STATEMENTS	8 - 17



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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 21, 2024

TOSTAN, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,196,878	\$ 8,586,617
Grants receivable	3,787,139	331,646
Employee receivables	65,880	56,710
Accounts receivable	43,527	228,687
Prepaid expenses and other assets	<u>37,893</u>	<u>320,370</u>
Total current assets	<u>8,131,317</u>	<u>9,524,030</u>
PROPERTY AND EQUIPMENT		
Land	249,064	249,064
Buildings and improvements	475,492	535,960
Furniture and equipment	248,195	248,361
Computer equipment and software	364,656	338,337
Vehicles	<u>631,117</u>	<u>643,144</u>
	1,968,524	2,014,866
Less: Accumulated depreciation and amortization	<u>(1,231,587)</u>	<u>(1,201,399)</u>
Net property and equipment	<u>736,937</u>	<u>813,467</u>
NONCURRENT ASSETS		
Investments	11,714,349	10,086,751
Grants receivable, net of current portion	<u>3,000,000</u>	<u>242,718</u>
Total noncurrent assets	<u>14,714,349</u>	<u>10,329,469</u>
TOTAL ASSETS	<u>\$ 23,582,603</u>	<u>\$ 20,666,966</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>547,544</u>	\$ <u>674,940</u>
NET ASSETS		
Without donor restrictions	14,579,402	18,092,018
With donor restrictions	<u>8,455,657</u>	<u>1,900,008</u>
Total net assets	<u>23,035,059</u>	<u>19,992,026</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,582,603</u>	<u>\$ 20,666,966</u>

TOSTAN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,299,175	\$ 10,909,835	\$ 12,209,010	\$ 8,035,049
Program services revenue	459,139	-	459,139	453,210
Net investment return	1,751,511	-	1,751,511	92,228
Net assets released from donor restrictions	<u>4,457,016</u>	<u>(4,457,016)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,966,841</u>	<u>6,452,819</u>	<u>14,419,660</u>	<u>8,580,487</u>
EXPENSES				
Program Services	<u>9,111,447</u>	<u>-</u>	<u>9,111,447</u>	<u>9,837,948</u>
Supporting Services:				
General and Administrative	1,112,104	-	1,112,104	1,427,800
Fundraising	<u>1,333,744</u>	<u>-</u>	<u>1,333,744</u>	<u>1,501,748</u>
Total supporting services	<u>2,445,848</u>	<u>-</u>	<u>2,445,848</u>	<u>2,929,548</u>
Total expenses	<u>11,557,295</u>	<u>-</u>	<u>11,557,295</u>	<u>12,767,496</u>
Change in net assets before other item	(3,590,454)	6,452,819	2,862,365	(4,187,009)
OTHER ITEM				
Foreign exchange gain (loss)	<u>77,838</u>	<u>102,830</u>	<u>180,668</u>	<u>(735,389)</u>
Change in net assets	(3,512,616)	6,555,649	3,043,033	(4,922,398)
Net assets at beginning of year	<u>18,092,018</u>	<u>1,900,008</u>	<u>19,992,026</u>	<u>24,914,424</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,579,402</u>	<u>\$ 8,455,657</u>	<u>\$ 23,035,059</u>	<u>\$ 19,992,026</u>

TOSTAN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023				2022	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	General and Administrative	Fundraising			
Salaries and related benefits	\$ 4,792,667	\$ 493,525	\$ 673,706	\$ 1,167,231	\$ 5,959,898	\$ 6,211,140
Contract services	980,179	273,282	531,250	804,532	1,784,711	2,077,472
Grants and other assistance	142,483	1,634	2,492	4,126	146,609	266,047
Program training costs	2,295,656	238,633	-	238,633	2,534,289	2,853,798
Supplies	107,486	29,730	11,438	41,168	148,654	155,534
Facilities and equipment	444,448	22,438	34,227	56,665	501,113	720,755
Travel and meetings	348,528	52,862	80,631	133,493	482,021	482,750
TOTAL	\$ 9,111,447	\$ 1,112,104	\$ 1,333,744	\$ 2,445,848	\$ 11,557,295	\$ 12,767,496

See accompanying notes to financial statements.

TOSTAN, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,043,033	\$ (4,922,398)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	147,610	138,559
Unrealized gain on investments	(1,642,171)	(85,692)
Realized loss on sales of investments	33,513	3,858
Receipt of donated investments	-	(334,146)
Proceeds from sales of donated investments	-	330,288
Gain on sale of property and equipment	(182,805)	-
Change in discount on noncurrent grants receivable	90,226	(14,150)
(Increase) decrease in:		
Grants receivable	(6,303,001)	325,986
Employee receivables	(9,170)	(5,206)
Accounts receivable	185,160	(129,799)
Prepaid expenses and other assets	282,477	(251,656)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(127,396)</u>	<u>156,297</u>
Net cash used by operating activities	<u>(4,482,524)</u>	<u>(4,788,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(63,554)	(67,715)
Proceeds from sale of property and equipment	195,112	-
Purchases of investments	<u>(18,940)</u>	<u>(10,004,919)</u>
Net cash provided (used) by investing activities	<u>112,618</u>	<u>(10,072,634)</u>
Net decrease in cash and cash equivalents	(4,369,906)	(14,860,693)
Effect of foreign currency exchange fluctuations on property and equipment revaluation	(19,833)	3,860
Cash and cash equivalents at beginning of year	<u>8,586,617</u>	<u>23,443,450</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,196,878</u>	<u>\$ 8,586,617</u>

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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.

Program services -

1. Community Empowerment Program (CEP)

Tostan's flagship Community Empowerment Program (CEP) is a holistic, human rights-based education program that empowers individuals and communities to create sustainable development from within. The CEP is delivered in local languages and focuses on key areas such as human rights, democracy, health, hygiene, problem-solving, and project management. The program is divided into multiple modules, including Kobi 1 and Kobi 2, which focus on foundational skills and life lessons, and Aawde, which focuses on practical skills for income generation and economic development. Through the CEP, participants — particularly women and girls — are equipped with the knowledge and skills to drive positive social change, leading to community-wide improvements in areas such as governance, health, and education.

a. Empowering Communities through Literacy and Numeracy

As part of Tostan's commitment to lifelong learning, the Empowering Communities through Literacy and Numeracy program focuses on enhancing the functional literacy and numeracy skills of adults in rural communities. This program is integrated into the CEP and provides participants, especially women, with the tools to engage in decision-making processes, manage community projects, and contribute to local development efforts. Literacy and numeracy classes also empower women economically by enabling them to manage their own finances and businesses more effectively.

b. Health and Hygiene Education

Tostan's Health and Hygiene Education program is a key component of the CEP and focuses on improving public health outcomes through education on hygiene, sanitation, reproductive health, and disease prevention. By promoting health practices such as handwashing, proper sanitation, and maternal health care, Tostan empowers communities to prevent diseases and improve overall health standards. This program also incorporates topics like family planning, maternal and child health, and the prevention of infectious diseases, ensuring that communities have the knowledge and skills necessary to maintain good health.

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Program services (continued) -

1. Community Empowerment Program (CEP)

c. Reinforcement of Parental Practices (RPP) Program

The Reinforcement of Parental Practices (RPP) program is designed to strengthen the capacities of parents, caregivers, and communities to foster early childhood development and provide holistic care for young children. The program educates parents on child rights, early childhood development, nutrition, health, and positive parenting techniques. By focusing on the critical early years of a child's life, RPP aims to promote better cognitive, social, and emotional development, ultimately leading to improved educational outcomes and a reduction in violence against children.

2. Peace and Security (P&S) Program

Tostan's P&S Program aims to strengthen conflict resolution and peacebuilding capacities within communities. This program trains Community Management Committee (CMC) members and local leaders in mediation techniques, decentralization, and project management, with a particular focus on addressing local conflicts and security concerns. Through community dialogues, inter-village meetings, and awareness campaigns, the program fosters peaceful coexistence, enhances social cohesion, and encourages communities to take an active role in maintaining peace and security.

3. Social Mobilization Activities

Through its Social Mobilization and Behavior Change Communication efforts, Tostan empowers communities to lead grassroots movements advocating for the abandonment of harmful practices such as Female Genital Cutting (FGC), child marriage, and Gender-Based Violence (GBV). These initiatives are often supported by radio programs, public declarations, and inter-village meetings, where communities engage in open dialogue about human rights and the health impacts of harmful practices. The program leverages the influence of local leaders, religious figures, and youth groups to change behavior and create a culture of respect for human rights, particularly those of women and children.

4. Income-Generating Activities (IGA) and Economic Empowerment

To complement the educational components of its programs, Tostan offers Income-Generating Activities (IGA) training as part of its efforts to promote economic empowerment, particularly for women. Participants are trained in vocational skills such as sewing, soap-making, agriculture, and other small businesses that provide them with opportunities to generate income and support their families. The program also includes training in financial literacy and management, enabling participants to save, invest, and improve their economic standing within their communities.

5. Prison Education Program

The Prison Education Program extends Tostan's human rights-based education model to incarcerated individuals. This program provides prisoners with access to the CEP, focusing on human rights, peace and security, conflict resolution, and literacy skills. The program also includes vocational training aimed at providing inmates with the tools they need to reintegrate into society upon their release. By empowering prisoners with education and skills, Tostan helps to reduce recidivism and promote positive social reintegration.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Program services (continued) -

6. Strengthening Democracy and Civic Engagement

Tostan's Strengthening Democracy and Civic Engagement (SDCE) initiative is designed to empower communities with the knowledge, skills, and tools needed to actively participate in democratic processes and promote sustainable development. By fostering civic responsibility and governance practices, the SDCE program supports community members in becoming more engaged citizens who can effectively contribute to the decision-making processes that impact their lives.

Through these comprehensive programs, Tostan seeks to create lasting, sustainable change by empowering communities to take charge of their development and foster environments of human rights, dignity, and economic opportunity.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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

New accounting pronouncement adopted (continued) -

Financial assets held by Tostan that are subject to the guidance in FASB ASC 326 are loans and accounts receivable. Tostan implemented the ASU on January 1, 2023, using a modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

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 \$1,075,857 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 "Net investment return", 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 -

Accounts receivable primarily consists of amounts due within one year related to program services revenue. Accounts receivable are recorded at their net realizable value which approximates fair value. All receivables are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable include unconditional promises to give that are expected to be collected in future years. Grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

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. Depreciation and amortization expense totaled \$147,610 for the year ended December 31, 2023.

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Income taxes -

Tostan is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. Tostan is not a private foundation.

Support from grants and contributions -

Grants and contributions are recognized in the appropriate category of net assets in the period received. Tostan performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, Tostan had no refundable advances as of December 31, 2023.

In addition, Tostan may obtain funding source agreements related to conditional contributions, which will be received in future years. However, Tostan had no conditional contributions to be received in future years as of December 31, 2023.

Revenue from contracts with customers -

Tostan's program service fees are the most significant revenue stream that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. Tostan has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on educational content received, usage of space, meals/lodging and other incidentals. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. Tostan's contracts with customers generally have initial terms of one year or less.

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, 2023

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

Foreign currency translation -

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.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

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

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

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

All investments are classified as long term since Tostan intends to maintain the investment balance into the future. The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023.

	Level 1	Level 2	Level 3	Total
Asset Category:				
Equities	\$ <u>11,714,349</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,714,349</u>

Net investment return consisted of the following for the year ended December 31, 2023:

Interest and dividends	\$ 122,854
Unrealized gain on investments	1,642,171
Realized gain on sales of investments	18,940
Investment fees	<u>(32,454)</u>
 NET INVESTMENT RETURN	 \$ <u>1,751,511</u>

3. GRANTS RECEIVABLE

Tostan has received commitments of support from its donors, of which \$6,884,647 had not been collected as of December 31, 2023. 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	\$ 3,787,139
One to five years	<u>3,097,508</u>
Total	6,884,647
Less: Present value discount (noncurrent receivables)	<u>(97,508)</u>
 GRANTS RECEIVABLE, NET	 \$ <u>6,787,139</u>

4. CONTRACT ASSETS AND CONTRACT LIABILITIES

Accounts receivable consisted of the following revenue streams as of:

	December 31, 2023	December 31, 2022	January 1, 2022
Program Service Revenue	\$ <u>43,527</u>	\$ <u>228,687</u>	\$ <u>98,888</u>

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. BOARD DESIGNATED NET ASSETS

In 2021, Tostan established 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.

As of December 31, 2023, the total amount of the Board designated net assets aggregated \$2,568,027. In December 2023, the Board approved a \$350,000 appropriation of Board designated funds to cover general operating expenditures. The Board distributed these funds with the intention of re-establishing the full Board designated balance during the year ended December 31, 2024.

6. 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	\$ 4,196,878
Grants receivable, current portion	3,787,139
Other receivables and advances	<u>43,527</u>
Subtotal financial assets available within one year	8,027,544
Less: Donor restricted funds (for programs)	(3,916,822)
Less: Board designated funds	<u>(2,568,027)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,542,695</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, 2023, 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.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023:

Program Services	\$ 3,916,822
Time Restricted	<u>4,538,835</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 8,455,657</u>

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

7. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 2,957,016
Passage of Time	<u>1,500,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,457,016</u>

8. 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, 2023, rent expense (under all worldwide leases) totaled approximately \$80,418.

9. 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, 2023 totaled \$214,151.

All Tostan staff are registered in their respective countries' pension plans and Tostan has incurred retirement plan expenses in those countries as follows:

- Senegal under IPRES: \$321,557;
- Guinea Bissau under IMPS: \$95,715;
- The Gambia under FPS: \$13,485;
- Guinea under CNSS: \$18,310;
- Mali under INPS: \$39,094; and
- US under the social security system: \$17,614

10. CONTINGENCIES

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, 2023, Tostan held cash, property and equipment and other assets in overseas offices totaling approximately \$5,500,000, representing 23% of Tostan's total assets.

During the year ended December 31, 2021, Tostan was the subject of two litigation cases brought by former employees. The cases are ongoing and the potential range of loss or the likelihood of an unfavorable outcome for Tostan are unknown as of the date of this report. Management is of the opinion that a significant loss (as a result of decisions reached through such litigation) is not expected.

TOSTAN, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

11. DONOR SPECIFIC AWARDS

The Dutch Embassy in Senegal granted Tostan funding of EUR 120,000 for the period October 2021 to December 2023 to implement the project "When Rights Unite: Empowering girls, women, and communities to increase their well-being at scale through catalytic human rights education". The project's total expenditures amounted to EUR 101,773 out of the allocated budget of EUR 120,000, leaving a remaining balance of EUR 18,277 as of December 2023.

Zielke's funding of EUR 240,000 for the period from December 1, 2020, to November 30, 2023, was a financial contribution to Tostan's overall budget.

12. SUBSEQUENT EVENTS

In preparing these financial statements, Tostan has evaluated events and transactions for potential recognition or disclosure through October 21, 2024, the date the financial statements were issued.