

**FINANCIAL STATEMENTS**

**TOSTAN, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

**TOSTAN, INC.**

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**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, 2014, 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.

**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, 2014, 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.

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### **Report on Summarized Comparative Information**

We have previously audited Tostan's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

September 24, 2015

## TOSTAN, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

**ASSETS**

|   | <u>2014</u>                 | <u>2013</u>                |
|---|-----------------------------|----------------------------|
| <b>CURRENT ASSETS (NOTE 8)</b>  |                             |                            |
| Cash and cash equivalents   | \$ 3,695,708                | \$ 4,315,105               |
| Investments (Notes 2 and 5)   | 46,495                      | 3,917                      |
| Grants receivable, net of allowance for doubtful amounts<br>of \$50,000 (Note 3)              | 836,242                     | 1,884,003                  |
| Employee receivables  | 44,215                      | 38,285                     |
| Other receivables and advances  | 42,656                      | 79,092                     |
| Prepaid expenses and other assets   | <u>33,633</u>               | <u>40,145</u>              |
| Total current assets  | <u>4,698,949</u>            | <u>6,360,547</u>           |
| <b>PROPERTY AND EQUIPMENT</b>   |                             |                            |
| Land  | 271,433                     | 298,573                    |
| Buildings and improvements  | 451,750                     | 451,750                    |
| Furniture and equipment   | 181,324                     | 192,043                    |
| Computer equipment and software   | 344,792                     | 28,902                     |
| Vehicles  | <u>258,416</u>              | <u>274,916</u>             |
|   | 1,507,715                   | 1,246,184                  |
| Less: Accumulated depreciation and amortization   | <u>(707,336)</u>            | <u>(574,756)</u>           |
| Net property and equipment  | <u>800,379</u>              | <u>671,428</u>             |
| <b>NONCURRENT ASSETS</b>  |                             |                            |
| Grants receivable, net of current portion and present value discount<br>of \$104,219 (Note 3) | <u>4,940,383</u>            | <u>1,671,146</u>           |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 10,439,711</u></b> | <b><u>\$ 8,703,121</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>   |                             |                            |
| <b>CURRENT LIABILITIES</b>  |                             |                            |
| Loan payable (Note 9)   | \$ -                        | \$ 500,000                 |
| Accounts payable and accrued liabilities  | <u>188,867</u>              | <u>159,833</u>             |
| Total liabilities   | <u>188,867</u>              | <u>659,833</u>             |
| <b>NET ASSETS</b>   |                             |                            |
| Unrestricted  | 1,160,004                   | 1,473,857                  |
| Temporarily restricted (Note 4)   | <u>9,090,840</u>            | <u>6,569,431</u>           |
| Total net assets  | <u>10,250,844</u>           | <u>8,043,288</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b><u>\$ 10,439,711</u></b> | <b><u>\$ 8,703,121</u></b> |

See accompanying notes to financial statements.

## TOSTAN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|   | 2014                       |                            |                             | 2013                       |
|---|----------------------------|----------------------------|-----------------------------|----------------------------|
|   | Unrestricted               | Temporarily<br>Restricted  | Total                       | Total                      |
| <b>SUPPORT AND REVENUE</b>                              |                            |                            |                             |                            |
| Grants and contributions                                | \$ 1,276,750               | \$ 8,684,024               | \$ 9,960,774                | \$ 7,669,786               |
| In-kind contributions (Note 4)                          | 416,753                    | 315,913                    | 732,666                     | 58,026                     |
| Interest and investment income (Note 2)                 | 19,053                     | -                          | 19,053                      | 6,169                      |
| Net Training Center loss                                | (77,515)                   | -                          | (77,515)                    | (187,498)                  |
| Other   | 17,800                     | -                          | 17,800                      | 62,799                     |
| Net assets released from donor<br>restrictions (Note 4) | <u>6,455,272</u>           | <u>(6,455,272)</u>         | <u>-</u>                    | <u>-</u>                   |
| Total support and revenue                               | <u>8,108,113</u>           | <u>2,544,665</u>           | <u>10,652,778</u>           | <u>7,609,282</u>           |
| <b>EXPENSES</b>   |                            |                            |                             |                            |
| Program Services  | <u>6,765,516</u>           | <u>-</u>                   | <u>6,765,516</u>            | <u>7,671,783</u>           |
| Supporting Services:                                    |                            |                            |                             |                            |
| General and Administrative                              | 1,036,726                  | -                          | 1,036,726                   | 1,068,342                  |
| Fundraising   | <u>619,724</u>             | <u>-</u>                   | <u>619,724</u>              | <u>259,909</u>             |
| Total supporting services                               | <u>1,656,450</u>           | <u>-</u>                   | <u>1,656,450</u>            | <u>1,328,251</u>           |
| Total expenses  | <u>8,421,966</u>           | <u>-</u>                   | <u>8,421,966</u>            | <u>9,000,034</u>           |
| Change in net assets before other items                 | <u>(313,853)</u>           | <u>2,544,665</u>           | <u>2,230,812</u>            | <u>(1,390,752)</u>         |
| <b>OTHER ITEMS</b>                                      |                            |                            |                             |                            |
| Deobligation of restricted awards                       | -                          | (18,609)                   | (18,609)                    | (210,804)                  |
| Refund of restricted funds to donors                    | -                          | (4,442)                    | (4,442)                     | (47,332)                   |
| Exchange rate (loss) gain                               | <u>-</u>                   | <u>(205)</u>               | <u>(205)</u>                | <u>315,528</u>             |
| Total other items                                       | <u>-</u>                   | <u>(23,256)</u>            | <u>(23,256)</u>             | <u>57,392</u>              |
| Change in net assets                                    | (313,853)                  | 2,521,409                  | 2,207,556                   | (1,333,360)                |
| Net assets at beginning of year                         | <u>1,473,857</u>           | <u>6,569,431</u>           | <u>8,043,288</u>            | <u>9,376,648</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                        | <b><u>\$ 1,160,004</u></b> | <b><u>\$ 9,090,840</u></b> | <b><u>\$ 10,250,844</u></b> | <b><u>\$ 8,043,288</u></b> |

## TOSTAN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|   | <b>2014</b>                 |                                       |                    | <b>2013</b>               |                           |
|---|-----------------------------|---------------------------------------|--------------------|---------------------------|---------------------------|
|   | <b>Program<br/>Services</b> | <b>Supporting Services</b>            |                    | <b>Total<br/>Expenses</b> | <b>Total<br/>Expenses</b> |
|   |                             | <b>General and<br/>Administrative</b> | <b>Fundraising</b> |                           |                           |
| Salaries and related benefits<br>(Note 7) | \$ 2,817,795                | \$ 444,645                            | \$ 205,658         | \$ 3,468,098              | \$ 3,966,560              |
| Contract services                         | 535,351                     | 144,520                               | 199,440            | 879,311                   | 1,041,171                 |
| Grants and other assistance               | 215,903                     | 3,300                                 | 4,800              | 224,003                   | 276,688                   |
| Supplies                                  | 341,300                     | 10                                    | 15,461             | 356,771                   | 163,578                   |
| Facilities and equipment (Note 6)         | 1,151,369                   | 389,674                               | 94,054             | 1,635,097                 | 1,364,189                 |
| Travel and meetings                       | 1,682,441                   | 44,584                                | 89,199             | 1,816,224                 | 2,117,360                 |
| Other                                     | 21,357                      | 9,993                                 | 11,112             | 42,462                    | 70,488                    |
| <b>TOTAL</b>                              | <b>\$ 6,765,516</b>         | <b>\$ 1,036,726</b>                   | <b>\$ 619,724</b>  | <b>\$ 8,421,966</b>       | <b>\$ 9,000,034</b>       |

## TOSTAN, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                            |
| Change in net assets  | \$ 2,207,556               | \$ (1,333,360)             |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                            |                            |
| Depreciation and amortization   | 186,962                    | 71,572                     |
| Unrealized loss on investments  | 4,250                      | 10,360                     |
| Realized gain on sales of investments   | (19,123)                   | (15,597)                   |
| Donated investments   | (1,004,499)                | (3,851)                    |
| Receipt of donated software licenses  | (722,666)                  | -                          |
| Donated software licenses expensed  | 406,753                    | -                          |
| Debt extinguishment against grants receivable   | (500,000)                  | -                          |
| Change in discount on noncurrent grants receivable                                      | 34,169                     | 70,050                     |
| (Increase) decrease in:   |                            |                            |
| Grants receivable   | (2,255,646)                | 91,514                     |
| Employee receivables  | (5,930)                    | (1,081)                    |
| Other receivables and advances  | 36,436                     | (34,471)                   |
| Prepaid expenses and other assets   | 6,512                      | (7,419)                    |
| Increase (decrease) in:   |                            |                            |
| Accounts payable and accrued liabilities  | <u>29,034</u>              | <u>(237,868)</u>           |
| Net cash used by operating activities   | <u>(1,596,192)</u>         | <u>(1,390,151)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                            |
| Proceeds from sales/redemption of investments   | <u>976,795</u>             | <u>46,457</u>              |
| Net cash provided by investing activities   | <u>976,795</u>             | <u>46,457</u>              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                            |                            |
| Loan proceeds received  | <u>-</u>                   | <u>500,000</u>             |
| Net cash provided by financing activities   | <u>-</u>                   | <u>500,000</u>             |
| Net decrease in cash and cash equivalents   | (619,397)                  | (843,694)                  |
| Cash and cash equivalents at beginning of year  | <u>4,315,105</u>           | <u>5,158,799</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b><u>\$ 3,695,708</u></b> | <b><u>\$ 4,315,105</u></b> |



**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 FASB ASC 958, *Not-for-Profit Entities*.

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, 2013, 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 \$2,017,301 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 investment income in the Statement of Activities and Change in Net Assets.

Receivables -

All receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

TOSTAN, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

Property and equipment -

Furniture, equipment and vehicle purchases in excess of \$5,000 (using undesignated funds) 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 temporarily restricted contributions and as capital assets in the year the contribution is received; as the assets are depreciated/amortized, those restricted net assets are released from restrictions. Donations of computer equipment and software with a unit value of less than \$5,000 are recorded as unrestricted contributions and equipment expense (not restricted revenue and are not capitalized).

Income taxes -

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

Uncertain tax positions -

For the year ended December 31, 2014, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Tostan and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Tostan and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. During the year ended December 31, 2014, temporarily restricted net assets of \$6,455,272 were released from restrictions as Tostan, Inc. satisfied the restricted purposes imposed by donors. As of December 31, 2014, temporarily restricted net assets totaled \$9,090,840, and included awards (cash, grants receivable and donated software licenses) received from donors to be spent specifically on 2015 program activities.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

Grants and contributions -

Tostan receives its funding under awards from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to restrictions set forth by those donors, which must be satisfied through incurring qualifying expenses for particular programs. Accordingly such awards are recorded as restricted support at the time funds are obligated, and are released from restrictions upon satisfaction of the program restrictions (through incurring program expenditures), in the accompanying financial statements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Funding received in advance of incurring the related expenses is recorded as a refundable advance.

In-kind contributions -

In-kind contributions consist of donated computer equipment/software and professional services. In-kind contributions are recorded at their fair value as of the date the gift was received by Tostan. Donations of computer equipment and software with a unit value of \$5,000 or more are recorded as temporarily restricted contributions and as capital assets in the year the contribution is received; as the assets are depreciated/amortized, those restricted net assets are released from restrictions. Donations of computer equipment and software, with a unit value of less than \$5,000, are recorded as unrestricted contributions and equipment expense (not restricted revenue and are not capitalized).

During the year ended December 31, 2014, donated professional services recorded in the accompanying financial statements totaled \$10,000. In addition, in-kind contributions include donated assets provided to Tostan and are valued at their fair value as of the date of the gift. During the year ended December 31, 2014, the donated assets recorded in the accompanying financial statements as temporarily restricted revenue and as capital assets totaled \$315,913. During the year ended December 31, 2014, the donated assets recorded in the accompanying financial statements as unrestricted revenue and equipment expense totaled \$406,753.

In addition, volunteers have donated significant amounts of their time to Tostan. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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 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.

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2014:

|                 | <b>Cost</b>             | <b>Fair Value</b>       |
|-----------------|-------------------------|-------------------------|
| <b>Equities</b> | <b><u>\$ 50,679</u></b> | <b><u>\$ 46,495</u></b> |

Following is a summary of interest and investment income for the year ended December 31, 2014:

|   |                         |
|---|-------------------------|
| Interest and dividends                      | \$ 4,180                |
| Unrealized loss on investments              | (4,250)                 |
| Realized gain on sales of investments       | <u>19,123</u>           |
| <b>TOTAL INTEREST AND INVESTMENT INCOME</b> | <b><u>\$ 19,053</u></b> |

**3. GRANTS RECEIVABLE**

As of December 31, 2014, contributors to Tostan have made written promises to give (which have yet to be collected) totaling \$5,930,844. Grant 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 3.25%.

Grants receivable are due as follows as of December 31, 2014:

|   |                            |
|---|----------------------------|
| Less than one year                                    | \$ 886,242                 |
| One to five years                                     | <u>5,044,602</u>           |
| Total   | 5,930,844                  |
| Less: Current reserve for uncollectable receivables   | (50,000)                   |
| Less: Present value discount (noncurrent receivables) | <u>(104,219)</u>           |
| <b>GRANTS RECEIVABLE, NET</b>                         | <b><u>\$ 5,776,625</u></b> |

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

|                           |                           |
|---------------------------|---------------------------|
| Program Services          | \$8,871,450               |
| Donated software licenses | <u>219,390</u>            |
|                           | <b><u>\$9,090,840</u></b> |

The following temporarily restricted net assets 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                          | \$6,358,749               |
| Amortization of donated software licenses | <u>96,523</u>             |
|   | <b><u>\$6,455,272</u></b> |

**5. 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.

**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, 2014.

- *Equities* - 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, 2014:

| <b>Asset Category:</b> | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|------------------------|------------------|----------------|----------------|------------------|
| <b>Equities</b>        | <u>\$ 46,495</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 46,495</u> |

**TOSTAN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014, total rent expense was \$151,229.

**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, 2014 totaled \$10,825.

**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, 2014, Tostan held cash, property and equipment and other assets in overseas offices totaling approximately \$5,100,000, representing 49% of Tostan's total assets.

**9. LOAN PAYABLE**

On December 1, 2013, Tostan received a \$500,000 unsecured, non-interest bearing loan from a private foundation (also a current donor). The loan was satisfied in full on February 28, 2014.

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, Tostan has evaluated events and transactions for potential recognition or disclosure through September 24, 2015, the date the financial statements were issued.

Tostan's financial activities are transacted in multiple currencies (within various countries); however, as a U.S. 501(c)(3) tax-exempt organization, its functional reporting currency is the U.S. Dollar. As of December 31, 2014, 75% of Tostan's assets are held/denominated in Senegalese Francs (XOF). As of the date of our audit report, the XOF has devalued by 23% against the exchange rate used to translate the assets presented in the accompanying Statement of Financial Position. No adjustments have been made in the accompanying financial statements as of December 31, 2014, with respect to the subsequent period currency devaluation.