

EDUCATION FOR EMPLOYMENT

Financial Statements

December 31, 2018

EDUCATION FOR EMPLOYMENT

December 31, 2018

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Independent Auditor's Report

To the Board of Directors
Education for Employment
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Education for Employment (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Education for Employment as of December 31, 2018, and the changes 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2019, on our consideration of Education for Employment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of Education for Employment's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Education for Employment's internal control over financial reporting and compliance.

Edelstein & Company LLP

Boston, Massachusetts
September 17, 2019

EDUCATION FOR EMPLOYMENT

Statement of Financial Position December 31, 2018

Assets:

Cash	\$ 1,753,162
Grants receivable	131,835
Government contract receivable	266,526
Pledges receivable, net	46,230
Prepaid expenses	52,497
Furniture and equipment, net	3,861
Intangible assets, net	139,142
Deposits	15,423

Total assets \$ 2,408,676

Liabilities and net assets

Liabilities:

Accounts payable	\$ 62,867
Accrued expenses	131,602
Grants payable	28,654
Total liabilities	<u><u>223,123</u></u>

Net assets (deficit):

Without donor restrictions	(218,225)
With donor restrictions	2,403,778
Total net assets	<u><u>2,185,553</u></u>

Total liabilities and net assets \$ 2,408,676

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Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 1,289,379	\$ 2,367,723	\$ 3,657,102
Government grants	891,026	-	891,026
Government contracts	1,432,640	-	1,432,640
In-kind contributions	663,109	-	663,109
Interest income	64	-	64
Net assets released from restrictions	2,209,194	(2,209,194)	-
Total support and revenue	<u>6,485,412</u>	<u>158,529</u>	<u>6,643,941</u>
Expenses:			
Program services	4,647,667	-	4,647,667
Management and general	1,903,288	-	1,903,288
Fundraising	117,330	-	117,330
Total expenses	<u>6,668,285</u>	<u>-</u>	<u>6,668,285</u>
Change in net assets	(182,873)	158,529	(24,344)
Net assets (deficit) , beginning of year	<u>(35,352)</u>	<u>2,245,249</u>	<u>2,209,897</u>
Net assets (deficit), end of year	<u>\$ (218,225)</u>	<u>\$ 2,403,778</u>	<u>\$ 2,185,553</u>

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Statement of Cash Flows For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (24,344)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	74,799
Changes in operating assets and liabilities:	
Grants receivable	204,174
Government contract receivable	(42,180)
Pledges receivable, net	26,448
Prepaid expenses	215,689
Accounts payable	50,503
Accrued expenses	(36,182)
Grants payable	(221,790)
Net cash provided by operating activities	<u>247,117</u>
Increase in cash	247,117
Cash, beginning of year	<u>1,506,045</u>
Cash, end of year	<u><u>\$ 1,753,162</u></u>

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Statement of Functional Expenses

For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and compensation	\$ 972,827	\$ 548,046	\$ 85,021	\$ 1,605,894
Payroll taxes and benefits	156,058	98,945	16,244	271,247
Grants	2,950,661	9,750	-	2,960,411
Travel	96,832	65,302	2,798	164,932
Occupancy	102,739	63,305	11,038	177,082
Telephone	993	17,084	-	18,077
Office expenses	3,544	52,595	49	56,188
Technology	249,711	131,248	-	380,959
Insurance	-	19,851	-	19,851
Staff training and development	-	18,658	-	18,658
Consulting	91,452	29,004	-	120,456
Accounting	-	277,187	-	277,187
Legal	-	148,959	-	148,959
Marketing	1,995	279,782	1,454	283,231
Depreciation and amortization	-	74,799	-	74,799
Training costs and materials	12,228	-	-	12,228
Recruitment	680	27,408	-	28,088
Hospitality	4,595	-	-	4,595
Miscellaneous	3,352	41,365	726	45,443
	<u>\$ 4,647,667</u>	<u>\$ 1,903,288</u>	<u>\$ 117,330</u>	<u>\$ 6,668,285</u>

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

1. Organization and Purpose

Education for Employment (the “Organization”) is a nonprofit organization whose mission is to create employment opportunities for young people in the Middle East and North Africa through career training in vocational, technical, managerial and professional skills. It derives its revenues primarily from contributions from individuals and from grants and contracts from private foundations, the federal government, and corporate partners.

The Organization works in collaboration with non-government organizations (“NGO”) in a variety of countries in the Middle East and Africa, by providing funding to support the local NGO’s programs. The NGOs are independent entities that are subject to external audit requirements unique to the countries in which they operate. The local programs are described as follows:

EFE Morocco

The Moroccan Education For Employment Foundation (“EFE-Maroc”) was established in 2007 and to date has trained many youth on employability and job training and placement programs. EFE is now entering its fifth year as a major implementing partner in USAID’s Career Center project led by FHI360. Over the past year, EFE-Maroc has created original online modules on employability and soft skills, developed a blended work readiness curriculum, and fostered key partnerships with Career Centers, universities, private sector businesses, and government partners such as the Office of Vocation Training and Work Promotion and the Ministry of Tourism. EFE-Maroc’s original play *Khedmouni* debuted on December 12, 2018, which is performed in Moroccan Arabic and seeks to raise awareness regarding unemployment in Morocco, gain further visibility for EFE-Maroc, and raise funds for their cause. EFE-Maroc continued its work with strategic partners Citi Foundation and Boeing for the sixth and second consecutive years, respectively. This year EFE-Maroc partnered with Caisse de Dépôts et Gestion and MEDZ to begin a pilot coding program for trainees that could lead to a potential scale up program in 2019. EFE-Maroc concluded its project in the Fes-Meknes region with the U.S.-Middle East Partnership Initiative this year, in which many youth were trained on employability skills, additional youth were given demand-driven skills training, and graduates were placed in jobs. EFE-Maroc also completed the 3-year Accenture-funded “Training for the Future” program which connected youth to online soft skills and job training and placement trainings.

EFE-Egypt

EFE-Egypt was created in July 2008 and it launched programs in banking and textile merchandising in partnership with the U.S. Department of State Office of the Middle East Partnership Initiative in 2009, and since then has formed partnerships with a wide range of local and international organizations to deliver job placement training to unemployed Egyptian youth, including USAID, MEPI, the Spanish Agency for International Development (AECID), Alturki, Vodafone, Microsoft, JPMorgan, Boeing, the Western Union Foundation, Motorola Foundation, the International Organization for Migration (“IOM”), ILO, the Emirates National Bank of Dubai (“Emirates NBD”) and the International Development Research Center (“IDRC”). EFE-Egypt’s core Job Placement Training Program (“JPTP”) is an experiential job skills course that prepares participants for placement in a full-time job in the private sector, and includes training in soft skills, ICT, Business English, and a technical component. EFE-Egypt has also trained youth in its Career Directions job readiness and “Bina’a” civic engagement training programs for Egyptian university students. In 2014, EFE-Egypt launched its E-Commerce Entrepreneurship (“ECE”) Training Program in partnership with Souq.com to train aspiring entrepreneurs in business start-up and e-commerce skills. EFE-Egypt began a partnership with oil and gas company Schlumberger in 2017 to train youth for placement with Schlumberger and other companies in the sector. It also developed and delivered career counseling and mentoring programs for Egyptian university students as part of the USAID-funded Local Scholarship Program. In 2018, Egypt witnessed growth of its programming and was able to train youth through its diverse program and partnerships.

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Notes to Financial Statements

1. Organization and Purpose (continued)

EFE Yemen

Education For Employment-Yemen (“EFE-Yemen”) was founded in 2008 with the mission to connect Yemeni youth to jobs and income through private sector partnerships, market demand-driven training, and world-class curriculums delivered by dynamic local trainers. Since its inception, EFE-Yemen has received significant investments from EFE-Yemen’s Board of Trustees and other local partners, as well as Middle East Partnership Initiatives (“MEPI”), United Nations Development Programme, USAID, International Labour Organization (“ILO”), and GIZ to implement programming and establish offices in Sana’a, Aden, Taiz. EFE-Yemen has trained a significant number of youth in its job placement, and self-employment courses and many trainees have been female in spite of a low Yemeni national average for female labor participation. In 2011, in partnership with USAID, EFE-Yemen launched a nation-wide self-employment vocational program to train unemployed youth across Yemen, with trainings in welding, electricians, HVAC technicians, photography and agriculture. In 2015-2016 EFE-Yemen was forced to suspend its operations in Yemen due to the ongoing conflict in the country. Throughout the second half of 2016, EFE-Yemen and EFE-Global conducted a labor market assessment and participated in discussions with the U.S. Department of State to re-launch job training and placement programs focused on the healthcare sector. The State Department approved this new scope of work in January 2017, and EFE-Yemen focused on training and placing youth in the healthcare sector in Sana’a, Aden, Lahj and Abyan for the remainder of 2017. In 2018, EFE-Yemen launched the GIZ-funded Solar Energy project, an innovative, small-holder solution for renewable energy, which provided youth with training in solar energy systems maintenance and repair as well on entrepreneurship and financial literacy. Through the support of private donations, grants and partnerships, EFE-Yemen was able to continue its Job Training & Placement programming as well as implementing a Pathways Training program throughout universities in Aden and Sana’a for the remainder of 2018.

EFE Jordan

Education For Employment-Jordan (“EFE-Jordan”) was established in 2006 and has trained a significant number of youth in its job readiness and entrepreneurship support programs. In 2009, EFE-Jordan became a coordinating NGO for the USAID-funded “Youth: Work Jordan” project administered by the International Youth Foundation. Through this program, EFE-Jordan worked with several community-based organizations in Jordan to train youth, provide job placements, and offer entrepreneurial support to interested students. Starting in 2011, EFE-Jordan partnered with Intel to deliver pilot entrepreneurship training and linkages to start-up support to Jordanian youth who had developed plans to start their own businesses. In 2013-2014, EFE-Jordan partnered with the UN Development Programme to undergo a national expansion and deliver vocational training courses for unemployed youth in eight governorates throughout Jordan. In 2015-2016, EFE-Jordan launched projects with Boeing, the Stavros Niarchos Foundation, MEDAIR, UN Women, the Drosos Foundation, USAID, and Alwaleed Philanthropies to train youth for jobs in a variety of industries including retail, hospitality, automobile mechanics, and garment manufacturing. Many of these partnerships and grants were renewed in 2017, and EFE-Jordan also expanded its target population to include Syrian refugees in its job training and placement and self-employment programs in partnership with People1st and Mercy Corps. In 2018, EFE-Jordan began implementing the USAID Training for Employment Activity (TEA) to deliver programming for many youth (including Jordanians and Syrian refugees) for job placement in a variety of private sector industries, as well as a project funded by the Agence Française de Développement to train and place many youth in the hospitality sector.

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Notes to Financial Statements

1. Organization and Purpose (continued)

EFE Palestine

Education For Employment – Palestine (“EFE-Palestine”) is the leading Palestinian civil society organization that provides demand-driven training for youth with limited opportunities. Founded in 2006 and operating in the West Bank, East Jerusalem and Gaza, PEFE partners with local businesses and universities to place youth in jobs and support young entrepreneurs. Programs have included accounting, construction management, business administration, nursing, and virtual jobs for youth. In addition, EFE-Palestine has trained youth in entrepreneurship training and partnered with dozens of public universities to train university students in workforce readiness skills. A significant number of EFE-Palestine’s beneficiaries are young women. EFE-Palestine has received significant investments from the Swiss-based Drosos Foundation, the European Union, Intel Foundation, MEPI, Alwaleed Philanthropies, the Palestinian-based Welfare Association, and Islamic Relief USA among others. This year EFE-Palestine has made significant progress in implementing programming for the “Improving the Livelihood of Youth in Gaza: Job Training, Entrepreneurship, and Pathways Programs” project funded by Islamic Relief USA. Some youth participated in job training and placement programming, of whom many were immediately placed in paid internships upon completion. Additional youth received entrepreneurship training as well as mentoring and business incubation support. Pathways To a Job training was provided to many youth across five universities in Gaza who were entering their final year of study and preparing to enter the job market. Through the Private Trust program, EFE-Palestine trained young women in the West Bank and Gaza in the fields of virtual jobs, nursing, and entrepreneurship.

EFE Tunisia

Since its inception in 2012, EFE-Tunisie has connected youth to improved labor market outcomes through targeted trainings. EFE-Tunisie partners with public universities, government institutions, and private sector actors in order to develop tailored technical, soft skills, and entrepreneurship trainings across all of the regions of Tunisia. In 2015, EFE-Tunisie launched a 3-year Training for the Future project with Accenture. The content developed with Accenture provides essential soft skills development for youth entering the workplace in Tunisia. In 2016, EFE-Tunisie partnered with the African Development Bank for the second iteration of the Souk At-Tanmia project, which disseminated entrepreneurship trainings and provided youth the opportunity to present their business plans to local microfinances. The third iteration of this project launched in 2017. Also in 2017, EFE-Tunisie completed its first project funded by MEPI and received a second grant from MEPI to deliver job training and placement and entrepreneurship programming for Tunisian youth. In 2018, EFE-Tunisie implemented a grant from the Drosos Foundation focused on job training and placement programming and social entrepreneurship. EFE-Tunisie also received a one-year extension to the MEPI grant, which increased its scope to target entrepreneurship in underserved regions, build the capacity of vocational training centers, and begin offering job training and placement programs to youth with disabilities. Additionally, EFE-Tunisie, with prime implementer Chemonics and partner Pro-Invest, began to implement its first contract under the five-year USAID/Tunisia Business Reform and Competitiveness Program II (“BRCP II”) project. Under the BRCP II, EFE-Tunisie is working to improve the match between skills demanded by the labor market and the training provided by educational institutions with two primary activities: curricula reform, in collaboration with universities and the private sector, of target sectors; and capacity building of university career centers, which includes soft skills trainings to students, management training and governance support for career center staff, and job fairs and career days for students.

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Notes to Financial Statements

1. Organization and Purpose (continued)

EFE-KSA

EFE-KSA is an organization that provides skilled young talent to businesses in Saudi Arabia. EFE-KSA works in partnership with the private sector to develop practical training programs aligned with their workforce requirements, qualifying job-ready and retainable employees. For young people, EFE-KSA offers access to experienced instructors, employers and job opportunities after training. Guided by a private sector EFE-KSA implements a market-driven model to create employment and economic opportunities for unemployed Saudi youth. EFE-KSA has developed strong partnerships with such as Accor, Enayah, Careem, Samara, L'Oreal and Rawabi holding.

Since its inception in late 2016, EFE-KSA has trained Saudi youth through its job Training and Placement programs (“JTP”) and placed graduates in jobs immediately after graduation. Additionally, EFE-KSA has collaborated with Local NGOs in different regions of Saudi Arabia to deliver Pathways To Job training to students in order to better prepare them to the job market. In 2017, EFE-KSA continued its project “Transitioning Saudi Youth to Employment project” with JP Morgan Chase Foundation to train youth and place into jobs in most demanded sectors, namely hostility and retail. This past year, EFE-KSA collaborated with the Ramah University to deliver entrepreneurship training for 4th year students. EFE-KSA plans to continue its outreach efforts and expand its serveries to Saudi youth. In 2018 EFE-KSA trained many Saudi youth through is JTP program, Pathway to Job and newly launched its entrepreneurship program and successful partnership with Starbucks, Citi Foundation and AG Fund.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets with donor restrictions that are perpetual in nature as of December 31, 2018, or for the year then ended.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates and Subsequent Events

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on September 17, 2019, the date these financial statements became available to be issued. An event occurred subsequent to the statement of financial position date and through the date of evaluation that met the criteria required for disclosure and which is disclosed in Note 15.

Cash

Cash consists of various checking accounts and money market deposits in a bank.

Government Contract, Grants and Pledges Receivable

Government contract, grants and pledges receivable consist of invoices for contract works completed and contributions and pledges made for the Organization. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. There was no allowance for doubtful accounts recorded at December 31, 2018, as the entire balance in these accounts has been deemed by management to be fully collectible.

Furniture and Equipment

Furniture and office equipment are stated at cost, net of accumulated depreciation. Acquisitions of furniture and equipment in excess of \$5,000 that are expected to have long-term benefit are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets which is five years.

Intangible Assets

Intangible assets consist of various off-the-shelf software applications and customized program systems, and website development costs. These are amortized using the straight-line method over the estimated useful life of these assets which is three years.

Grants Payable

The Organization records a liability for unconditional grants when they have been approved. The Organization makes grants to support the local NGOs' programs and requires recipients to submit expenses incurred and financial reports. Grants that are considered conditional are recorded when terms of such conditions are met.

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Notes to Financial Statements

3. Summary of Significant Accounting Policies (continued)

Support and Revenue

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Grants and contributions that are classified as support with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the program restriction or expiration of the time restriction. The Organization has elected to report any grants and contributions with donor restrictions whose restrictions are met in the same reporting period as support without donor restrictions.

Contributions are recognized as revenues in the period in which the donor's commitment is made. Conditional promises to give are not recognized as revenues until all conditions on which they depend are substantially met.

Under the terms of cost sharing and reimbursement agreements, government grants are recognized as revenue as expenses are incurred. Government contracts, which include subcontracts with other organizations who receive grants from federal agencies, are also recognized as revenue as expenses are incurred.

The Organization receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Interest income consists of interest earned on checking accounts and money market deposits.

Functional Allocation of Expenses

The costs of operating the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program and supporting services are reported directly according to their natural expenditure classification. However, personnel expenses, occupancy and certain office overhead costs are allocated among the programs and supporting services based on the time and effort by each of the employees who provided services to the Organization.

Income Taxes

The Organization operates as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes. The Organization is also exempt from income taxes in the various states in which it is registered.

Recently Adopted Accounting Pronouncement

On August 8, 2016, Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented the ASU in 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the period presented.

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Notes to Financial Statements

3. Availability and Liquidity

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use other than expenditures in conduct of its programs, within one year of the statement of financial statement position dates at December 31, 2018 are comprised of the following:

Cash	\$ 1,753,162
Grants receivable	131,835
Government contract receivable	266,526
Pledges receivable, net	<u>46,230</u>
Financial assets available to meet general expenditures, as defined below, within one year	<u><u>\$ 2,197,753</u></u>

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to its on-going programs, as well as the conduct of services undertaken to support those programs to be general expenditures. The Organization has identified a financial goal of establishing and maintaining sufficient operating funds – an imperative for sustainability of program delivery and organizational fiscal health. The Organization also maintains a revolving line of credit with its bank as described in Note 13 to make funds available to meet operating general expenditures if necessary.

4. Pledges Receivable

Pledges receivable consisted of the following at December 31, 2018:

Receivable in one year or less	<u>\$ 25,000</u>
Receivable between one and five years	25,000
Net present value discount	<u>(3,770)</u>
	<u>21,230</u>
	<u><u>\$ 46,230</u></u>

The present value of estimated future cash flows has been determined utilizing a discount rate equivalent to the Organization's incremental borrowing rate of LIBOR plus 3%.

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Notes to Financial Statements

5. Grants Receivable

Grants receivable from government and non-government sources are stated at the amount management expects to collect on outstanding balances. Reimbursements for government grant expenditures are subject to government agency approval based on compliance with federal grant award provisions.

Grants receivable consisted of the following as of December 31, 2018:

Government agencies	\$ 21,747
Non-governmental sources	<u>110,088</u>
	<u>\$ 131,835</u>

As of December 31, 2018, the Organization has been awarded \$1,417,193 of commitments that are conditional on the progress of the programs being funded. These commitments will be recognized as support when the conditions of the donors have been met by the Organization.

6. Furniture, Equipment and Intangible Assets

Furniture and equipment consisted of the following at December 31, 2018:

Furniture	\$ 9,312
Equipment	<u>45,846</u>
Total furniture and equipment	55,158
Less - accumulated depreciation	<u>51,297</u>
	<u>\$ 3,861</u>

Intangible assets consisted of the following at December 31, 2018:

Computer software	\$ 224,220
Website development costs	<u>109,000</u>
	333,220
Less - accumulated amortization	<u>194,078</u>
	<u>\$ 139,142</u>

Depreciation expense for the year ended December 31, 2018 was \$3,718. Amortization expense for the year ended December 31, 2018 was \$71,081.

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Notes to Financial Statements

6. Furniture, Equipment and Intangible Assets (continued)

Amortization on software and website development costs for the future years are as follows:

	<u>Software</u>	<u>Website Development</u>	<u>Total</u>
Years ending December 31,			
2019	\$ 34,750	\$ 36,333	\$ 71,083
2020	34,750	33,309	68,059

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018:

Other programs in the MENA region	\$ 1,329,157
Job training, entrepreneurship and Pathways Program in Palestine and Jordan	498,912
Women's entrepreneurship program	50,030
Baseline and monitoring data for programatic reporting	111,305
Programming for the Future - Innovative projects alleviate unemployment	107,602
Gulf program management	100,671
Networking and learning meeting	65,000
Time restricted grant	46,230
Platform for Success - Online	35,371
Innovative projects and initiatives	34,500
Work readiness blended online training program	25,000
	<u>\$ 2,403,778</u>

Net assets released from donor restrictions during the year ended December 31, 2018 were as follows:

Other programs in the MENA region	\$ 1,114,138
Job training, entrepreneurship and Pathways Program in Palestine and Jordan	239,181
Women's entrepreneurship program	685,294
Baseline and monitoring data for programatic reporting	2,241
Programming for the Future - Innovative projects alleviate unemployment	92,398
Time restricted grant	24,001
Platform for Success - Online	21,525
Communication campaign	30,416
	<u>\$ 2,209,194</u>

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Notes to Financial Statements

8. In-Kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2018:

Legal	\$	148,959
Accounting and other administrative services		250,000
Consulting and marketing		264,150
	\$	<u>663,109</u>

9. Lease

The Organization executed a lease of office space located in Washington, D.C. through April 30, 2019. The Organization also executed a lease agreement for office space located in Dubai, United Arab Emirates which expires in January 2019. Rent expense for the year ended December 31, 2018 was \$177,082. The Organization's future minimum lease obligations under its lease agreements for the year ending December 31, 2019 will be \$54,425.

10. Employee Retirement Plan

The Organization maintains a defined contribution retirement plan for eligible employees. The Organization's contributions to the plan for the year ended December 31, 2018 were \$79,294.

11. Related Party Transactions

The Organization receives support from the Founder and Chairman of the Board of the Organization. The Founder contributed \$751,054 to the Organization during the year ended December 31, 2018.

In addition, the Founder's company provided consulting, accounting and other administrative services to the Organization having a fair value of \$250,000 without charge, for the year ended December 31, 2018.

12. Concentration Risks

The Organization has a concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category.

A concentration risk exists in that contributions from the founder and two grantors, and revenue from a contractor comprised 57% of total support and revenue (excluding in-kind contributions) for the year ended December 31, 2018. Donations, grants and revenue from four donors, grantors or contractors comprised 88% of grants receivable, government contract receivable and pledges receivable at December 31, 2018.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

13. Line of Credit

The Organization has a revolving line-of-credit agreement with its bank permitting advances up to \$300,000. Advances bear interest at the LIBOR rate plus 3% (or 5.45% at December 31, 2018). The line of credit is secured and collateralized by the Organization's furniture and equipment as well as its receivables. No balance was outstanding under this line-of-credit at December 31, 2018. The Organization has not drawn from this line of credit during the year ended December 31, 2018.

14. Grant Commitments

In connection with two conditional grant awards disclosed in Note 5, the Organization is obligated to award up to \$1,014,339 in subrecipient grants, which is contingent on receipt of conditional funding, related costs being incurred by the subrecipients, and the attainment of performance indicators provided for in the subaward agreements. These commitments will be recognized as grants expense when all conditions have been met.

15. Subsequent Event

On March 26, 2019, the Organization entered into a new office lease for property located in Washington D.C. The lease provides for free base rent during the initial six months of the lease term. Thereafter, rent of \$12,992 is payable monthly. Rent payments escalate over the term of the lease which expires on June 30, 2023.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Education for Employment
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Education for Employment (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Education for Employment’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Education for Employment’s internal control. Accordingly, we do not express an opinion on the effectiveness of Education for Employment’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Education for Employment’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Edelstein & Company LLP

Boston, Massachusetts
September 17, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Education for Employment
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Education for Employment's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Education for Employment's major federal programs for the year ended December 31, 2018. Education for Employment's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Education for Employment's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Education for Employment's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Education for Employment's compliance.

Opinion on Each Major Federal Program

In our opinion, Education for Employment complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of Education for Employment is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Education for Employment's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Education for Employment's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Edelstein & Company LLP

Boston, Massachusetts
September 17, 2019

**EDUCATION FOR EMPLOYMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – NOT-FOR-PROFIT
ORGANIZATIONS**

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Award Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of State:				
Middle East Partnership Initiative (MEPI)	19.500	N/A	\$ 623,507	\$ 531,194
Bureau of Near Eastern Affairs (NEA)	19.600	N/A	267,519	170,013
			<u>\$ 891,026</u>	<u>\$ 701,207</u>

NOTE 1: Basis of Presentation

The schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Education for Employment under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Education for Employment, it is not intended to and does not present the financial position, changes in net assets or cash flows of Education for Employment.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Education for Employment has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**EDUCATION FOR EMPLOYMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control Over Financial Reporting

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Major Federal Award Programs

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major programs:

Federal CFDA/
Subaward Identifying
Number

Name of Federal Program or Cluster

19.500

Department of State:
Middle East Partnership Initiative

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Education for Employment qualified as a low-risk auditee.