

EDUCATION FOR EMPLOYMENT

Financial Statements

December 31, 2020

EDUCATION FOR EMPLOYMENT

December 31, 2020

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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, 2020, 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, 2020, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 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 the 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

June 30, 2021

EDUCATION FOR EMPLOYMENT

Statement of Financial Position December 31, 2020

Assets:

Cash	\$ 1,798,534
Grants receivable	350,228
Government contract receivable	204,098
Pledges receivable	59,115
Accounts receivable	419
Prepaid expenses	41,500
Furniture and equipment, net	4,594
Intangible assets, net	36,750
Deposits	25,895

Total assets \$ 2,521,133

Liabilities and net assets

Liabilities:

Accounts payable	\$ 112,549
Accrued expenses	179,475
Grants payable	395,972
Deferred rent	89,258

Total liabilities 777,254

Net assets (deficit):

Without donor restrictions	(428,443)
With donor restrictions	2,172,322

Total net assets 1,743,879

Total liabilities and net assets \$ 2,521,133

EDUCATION FOR EMPLOYMENT

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 1,687,545	\$ 1,891,169	\$ 3,578,714
Government grants	867,132	-	867,132
Government funded subcontracts	408,452	-	408,452
In-kind contributions	275,727	-	275,727
Interest income	64	-	64
Net assets released from restrictions	1,814,494	(1,814,494)	-
Total support and revenue	5,053,414	76,675	5,130,089
Expenses:			
Program services	3,376,222	-	3,376,222
Management and general	1,685,541	-	1,685,541
Fundraising	194,950	-	194,950
Total expenses	5,256,713	-	5,256,713
Changes in net assets	(203,299)	76,675	(126,624)
Net assets (deficit), beginning of year	(225,144)	2,095,647	1,870,503
Net assets (deficit), end of year	\$ (428,443)	\$ 2,172,322	\$ 1,743,879

EDUCATION FOR EMPLOYMENT

Statement of Cash Flows For the Year Ended December 31, 2020

Cash flows from operating activities:

Changes in net assets	\$ (126,624)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	69,723
Changes in operating assets and liabilities:	
Grants receivable	(31,297)
Government contract receivable	542,302
Pledges receivable	442,133
Accounts receivable	9,997
Prepaid expenses	796
Deposits	2,748
Accounts payable	23,384
Accrued expenses	40,132
Grants payable	248,029
Deferred rent	19,543
Net cash provided by operating activities	<u>1,240,866</u>

Cash flows from investing activities:

Purchase of equipment	(3,307)
Software development costs	(36,750)
Net cash used in investing activities	<u>(40,057)</u>

Increase in cash	1,200,809
Cash, beginning of year	<u>597,725</u>
Cash, end of year	<u><u>\$ 1,798,534</u></u>

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Statement of Functional Expenses For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 2,028,979	\$ 5,711	\$ -	\$ 2,034,690
Salaries and compensation	799,717	750,122	133,137	1,682,976
Technology	138,671	170,683	109	309,463
Consulting	171,310	120,710	3,993	296,013
Accounting	-	280,500	-	280,500
Payroll taxes and benefits	120,084	116,489	27,460	264,033
Occupancy	77,200	38,802	17,659	133,661
Depreciation and amortization	-	69,723	-	69,723
Travel	24,023	19,885	3,312	47,220
Office expenses	4,557	33,341	-	37,898
Miscellaneous	256	15,747	2,801	18,804
Insurance	-	17,893	-	17,893
Marketing	4,421	5,915	6,479	16,815
Legal	-	15,727	-	15,727
Recruitment	-	12,825	-	12,825
Telephone	1,864	8,269	-	10,133
Staff training and development	640	3,199	-	3,839
Training costs and materials	2,742	-	-	2,742
Hospitality	1,758	-	-	1,758
	<u>\$ 3,376,222</u>	<u>\$ 1,685,541</u>	<u>\$ 194,950</u>	<u>\$ 5,256,713</u>

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

1. Organization and Purpose

Education for Employment (the “Organization” or “EFE”) is a nonprofit organization whose mission is to create employment opportunities for young people in the Middle East and North Africa (“MENA”) 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 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-Maroc began programming under the “Advancing Local Labor Opportunities in Western Sahara” (ALLOWS) project with the International Republican Institute (“IRI”), funded by the U.S. Department of State. EFE-Maroc held a training of trainers and a job training and placement program in Dakhla in the Education sector. EFE-Maroc continued its work with strategic partners Citi Foundation and The Boeing Company. Both programs utilize Accenture’s Emplea+ platform to improve graduates’ digital skills and competencies. In May 2020, EFE-Maroc was awarded an innovation award funded by The Velaj Foundation and facilitated by EFE. Through this project, EFE-Maroc plans to install a hiring kiosk in the Atlantic Free Zone of Kenitra to increase youth access to available jobs in the industrial park.

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. EFE-Yemen has trained many youth in its job placement and self-employment courses and including females in spite of a low Yemeni national average for female labor participation. In 2020, EFE-Yemen implemented the Medical Employment and Development (“MED”) I project, which ended October 2020, and the follow-up MED II project, which started in December 2020. The MED projects are supported by Catholic Relief Services and address the critical humanitarian needs for medical care in Yemen while providing unemployed Yemeni youth with access to economic opportunities in the healthcare sector.

EFE Egypt

Education for Employment-Egypt (“EFE-Egypt”) was founded in 2007 to provide youth with a brighter future and help businesses find the skilled entry-level employees their industries demand. To achieve this mission, EFE-Egypt delivers Job Placement Training Programs (JPTP) to connect youth with employment opportunities and Career Directions (“CD”) programming to provide youth with job search and employability skills. In 2020, EFE-Egypt implemented JPTPs for various young women and CDs for numerous youth through the Boeing 2019 project. In December 2020, EFE-Egypt received approval from the Ministry of Social Solidarity to begin program implementation of the Boeing 2020 project.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

1. Organization and Purpose (continued)

EFE Jordan

Education for Employment-Jordan (“EFE-Jordan”) was established in 2006 and has trained a significant number of youth in its job placement and entrepreneurship support programs. During 2020, EFE-Jordan continued the Training for Employment Activity (TEA) funded by USAID, providing training and job placements in garment manufacturing, beauty, call centers, and digital marketing for Syrian and Jordanian youth. EFE-Jordan continues to secure placements for the graduates after providing training. EFE-Jordan continued its work with strategic partner Boeing, training and placing youth in the retail sales sector.

EFE Palestine

Education for Employment-Palestine (“EFE-Palestine”) is a 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, EFE-Palestine partners with local businesses and universities to place youth in jobs and support young entrepreneurs. In 2020, EFE-Palestine completed Year 3 of the “Improving the Livelihood of Youth in Gaza: Job Training, Entrepreneurship, and Pathways Programs” project funded by Islamic Relief USA, and successfully applied for a no-cost extension to reprogram funds and serve additional beneficiaries. Youth participated in job training and placement programming, and many graduates were immediately placed in paid internships upon completion. In October, EFE-Palestine launched the “Scale Up & Thrive” project funded by the Palestinian Affairs Unit at the U.S. Department of State. Through this project, EFE-Palestine will train 40 women in advanced entrepreneurship, and will facilitate a weeklong exchange program for 5 of the beneficiaries in partnership with International Strategic Management, Inc.

EFE Tunisia

Since its inception in 2012, Education for Employment-Tunisie (“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 2020, EFE-Tunisie, with prime implementer Chemonics, continued implementing its first contract under the five-year USAID/Tunisia Business Reform and Competitiveness Program II (“BRCP II”) (later renamed “Jobs, Opportunities and Business Successes” (JOBS)). Under JOBS, 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 and capacity building of university career centers. EFE-Tunisie also continued implementation of the Supporting Job Creation for Young Tunisians from Marginalized Communities project, which is supported by the U.S. Department of State, Bureau of Near Eastern Affairs’ Office of Assistance Coordination (NEA/AC). The NEA project provides youth with demand-driven job and entrepreneurship training as well as strengthens the capacity of business development organizations and vocational training centers to support youth. The Training for the Future: Employment and Awareness for Youth in MENA (also referred to as Citi 7) project, supported by Citi Foundation, provided unemployed youth with economic opportunity through employability, soft skills, and technical training programming

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Notes to Financial Statements

1. Organization and Purpose (continued)

EFE-KSA

Since its inception in 2016, Education for Employment-Saudi Arabia (“EFE-KSA”) has connected Saudi youth with employment skills and opportunities while providing skilled young talent to businesses in Saudi Arabia. EFE-KSA works to develop practical training programs aligned with their workforce requirements, qualifying job-ready and retainable employees. In 2020, EFE-KSA completed the “Providing Saudi Youth with Employability Skills Supporting Vision 2030” project with JPMorgan Chase Foundation to provide entry-level Job Training & Placement (“JTP”) and a pilot program for middle-skilled position JTP. EFE-KSA continued providing employability skills to Saudi youth through the “Training For the Digital Future” program funded by Accenture. EFE-KSA provided digital and employability skills to Saudi youth through the “Decent Jobs for the Digital Future” project, continuing an ongoing partnership with Citi Foundation. Also, EFE-KSA started the implementation of the AGFUND-funded project to support Saudi youth employment. In addition, EFE-KSA received an operational support grant from JPMorgan Chase & Co. during the COVID-19 lockdown.

EFE also has established a branch office on May 19, 2019 in the United Arab Emirates (“UAE”) at the International Humanitarian City (License No. 150117). The UAE branch works to further EFE’s mission to create employment opportunities for youth across the MENA region through engaging with leading partners to create a tangible impact in regional youth employment. The branch office’s goal is to raise visibility around the positive potential and importance of youth employment to inspire collective action to reach EFE’s vision and strategy. Operational expenses incurred by this branch in 2020 were \$254,583.

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 (“U.S. GAAP”). 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, 2020, or for the year then ended.

Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash

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

Government Contract, Grants and Pledges Receivable

Government contract and certain grants receivable consist of requisition invoices for expenditures incurred in subcontractor agreements and grants funded by federal government agencies. Other grants and pledges receivable are amounts management expects to collect on outstanding balances from donors and grantors. 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, 2020, as the entire balance in these accounts has been deemed by management to be fully collectible.

Furniture and Equipment

Furniture and equipment are stated at cost, net of accumulated depreciation. Additions that are expected to have long-term benefit in excess of \$5,000 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 and are capitalized if future benefits are deemed to exist beyond one year from the financial statement date. These costs are amortized using the straight-line method over an estimated useful life of three years.

Grants Payable

The Organization records a liability for unconditional grants when they have been approved by management. 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 the terms of such conditions/barriers are met or overcome.

Deferred Rent

Rent expense is recognized on the straight-line basis over the lease term. Deferred rent represents the cumulative difference between escalating rents due over the lease term and rent that is recognized on the straight-line basis.

Recently Adopted Accounting Pronouncements

On January 1, 2020, as a resource provider, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for distinguishing between conditional and unconditional contributions and grants made. The Organization, as a resource provider, adopted this ASU on a modified prospective basis. The adoption did not have a material impact on the EFE's reported net assets as of January 1, 2020.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements (continued)

On January 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its subsequent amendment, which creates a single, comprehensive revenue recognition model for recognizing revenue from contracts with customers. This new standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than were required under previously existing guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. The Organization adopted ASU 2014-09 on a modified prospective basis. The adoption did not have a material impact on the EFE's reported net assets as of January 1, 2020.

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.

Support and revenue related to contributions and grants is recognized as revenue in the period in which the donor's commitment is made, if unconditional. Conditional contributions and grants are recognized when funds are utilized by the Organization to carry out the activity stipulated by the grant or agreement, since such agreement can be terminated by the donor or grantor, or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For this reason, the Organization's grant agreements are considered conditional and so, referred to as "conditional grants".

Under the terms of cost sharing and reimbursement agreements, government grants are recognized as revenue as expenses are incurred and subgrants are paid to the local NGO.

A substantial portion of the Organization's revenue relates to subcontracts with certain third-party entities funded by federal government agencies. The Organization's services provided are highly customized to local needs and are often carried out by the local NGO, and the benefits are delivered over time. Under the terms of these subcontract agreements, the Organization follows performance and monitoring criteria as set and stipulated, and the Organization is compensated under the cost-reimbursement plus a fixed fee basis. The revenue is recognized by the Organization as expenditures are spent continuously over time during the contract performance period which approximate the time and effort spent on the contracts. The fixed fee revenue of the contracts is recognized based on the aforementioned time and effort spent on the contracts.

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.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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 date at December 31, 2020 are comprised of the following:

Cash	\$ 1,798,534
Grants receivable	350,228
Government contract receivable	204,098
Pledges receivable	59,115
Accounts receivable	419
Financial assets available to meet general expenditures, as defined below, within one year	<u>\$ 2,412,394</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 in a bank – an imperative for sustainability of program delivery and organizational fiscal health.

4. Pledges and Grants Receivable

Pledges and grants receivable in the amount of \$409,343 at December 31, 2020 were collected or expected to be collected by the Organization within the next fiscal year from the date of the statement of financial position.

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.

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Notes to Financial Statements

4. Pledges and Grants Receivable (continued)

Grants receivable consisted of the following as of December 31, 2020:

Government agencies	\$ 290,004
Non-governmental sources	<u>60,224</u>
	<u><u>\$ 350,228</u></u>

As of December 31, 2020, the Organization has been awarded approximately \$859,000 of grant commitments from non-government sources that are conditional on the progress of the programs being funded. These commitments will be recognized as support when the conditional barriers stipulated by the donors or grantors have been overcome or met by the Organization. In addition, the Organization has also been awarded approximately \$7,034,000 of grant or subcontract commitments from federal government sources that are conditional on the Organization incurring budgeted expenditures subject to review and approval under specific government rules and regulations, including subgrants and subcontractor expenditures.

5. Furniture, Equipment and Intangible Assets

Furniture and equipment consisted of the following at December 31, 2020:

Furniture	\$ 9,312
Equipment	<u>51,535</u>
Total furniture and equipment	<u>60,847</u>
Less - accumulated depreciation	<u>56,253</u>
	<u><u>\$ 4,594</u></u>

Intangible assets consisted of the following at December 31, 2020:

Computer software	\$ 260,970
Website development costs	<u>109,000</u>
	<u>369,970</u>
Less - accumulated amortization	<u>333,220</u>
	<u><u>\$ 36,750</u></u>

Depreciation expense for the year ended December 31, 2020 was \$1,664. Amortization expense for the year ended December 31, 2020 was \$68,059.

Website development costs were fully amortized at December 31, 2020, and amortization of computer software costs for each of next three fiscal years ending December 31 will be \$12,250.

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Notes to Financial Statements

6. Net Assets with Donor Restrictions

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

Other programs in the MENA region	\$	567,851
Job training, entrepreneurship and Pathways Program in Palestine and Jordan		535,706
POWER Project: Providing Opportunities for Work and Empowering Resilience Project		496,982
Training for a Digital Future Project		376,053
Gulf program management		48,990
Catalyst Fund		42,500
Job Placement Training in Saudi Arabia and Bahrain		39,582
EMEA Community Engagement		27,430
Time restricted grant		12,500
Women's entrepreneurship program		9,418
Medical Employment and Development in Yemen		9,060
Innovative projects and initiatives		6,250
	\$	<u>2,172,322</u>

Net assets released from donor restrictions during the year ended December 31, 2020 were as follows:

Other programs in the MENA region	\$	497,429
Training for a Digital Future Project		418,395
Job training, entrepreneurship and Pathways Program in Palestine and Jordan		390,839
Medical Employment and Development in Yemen		271,737
Job Placement Training in Saudi Arabia and Bahrain		60,418
Platform for Success - Online		36,149
EMEA Community Engagement		32,570
Work readiness blended online training program		25,000
Innovative Projects and Initiatives		23,250
Catalyst Fund		17,500
Programming for the Future - Innovative projects alleviate unemployment		14,369
Gulf program management		12,405
Time restricted grant		11,414
POWER Project: Providing Opportunities for Work and Empowering Resilience Project		3,019
	\$	<u>1,814,494</u>

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Notes to Financial Statements

7. In-Kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2020:

Legal	\$	15,727
Accounting and other administrative services		250,000
Consulting and marketing		10,000
	\$	<u>275,727</u>

8. Lease Commitments

The Organization executed a lease for office space located in Washington D.C. through June 30, 2023. The lease provided for rent abatement during the initial six months of the lease term through October 2019. Thereafter, rent of \$13,180 was payable monthly. Rent payments escalate over the term of the lease which expires on June 30, 2023. In 2020, tenant credits of approximately \$56,000 were given to the Organization due to the relocation of the leased office space within the same building requested by the landlord. In May 2019, the Organization executed a lease agreement for branch office space located at the International Humanitarian City in Dubai, UAE through May 18, 2021, and all rent under the Dubai, UAE lease agreement was billed annually and paid. Rent expense for these leases for the year ended December 31, 2020 was \$133,661. The Organization's minimum future lease payments under its lease agreement in Washington D.C. for the years ending December 31 are as follows:

Years ending December 31,

2021	\$	164,816
2022		168,935
2023		85,868

9. Paycheck Protection Program Loan

On May 4, 2020, the Organization received a Paycheck Protection Program ("PPP") loan of \$242,005 granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the loan agreement with the bank, all or a portion of the loan and accrued interest is forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. As the Organization expected to meet the PPP's eligibility criteria for forgiveness in full, it accounted for the entire loan amount as a grant, and recorded revenue as the qualifying expenses were incurred. The Organization incurred qualifying expenses during the PPP loan coverage period in excess of the loan amount, and therefore, recognized the entire loan amount of \$242,005 as a component of contributions and grants revenue on the statement of activities and changes in net assets. On March 12, 2021, the Organization received full forgiveness of the PPP loan from the bank.

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, 2020 were \$75,247.

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Notes to Financial Statements

11. Related Party Transactions

The Organization receives support from the Founder and Chairman of the Board of the Organization. The Founder contributed \$777,730 to the Organization during the year ended December 31, 2020.

In addition, the Founder's company provided accounting and other administrative services to the Organization having a fair value of \$250,000 without charge, for the year ended December 31, 2020.

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, grants from a federal government department, and a grant from a corporate grantor comprised 44% of total support and revenue (excluding in-kind contributions) for the year ended December 31, 2020. Grants and revenue from a federal government department and a contractor comprised 72% of grants receivable, government contract receivable and pledges receivable at December 31, 2020.

13. Grant Commitments

In connection with certain conditional grants from non-government sources and certain conditional grants as disclosed in Note 4, the Organization is obligated to award up to approximately \$994,000 in subrecipient grants, which is contingent on receipt of conditional funding, related costs being incurred by the subrecipients, and/or the attainment of performance indicators provided for in the subaward agreements. These commitments will be recognized as grants expense when the corresponding conditions/barriers are overcome.

14. Uncertainty Regarding the Impact of COVID-19

The Organization is subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic may impact the Organization depends on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic. The Organization is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

15. Subsequent Event

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on June 30, 2021, the date these financial statements became available to be issued.

On March 15, 2021, the Organization received a PPP second draw loan of \$242,005 granted by the SBA under the Consolidated Appropriations Act, 2021. All or a portion of the loan and accrued interest may be forgivable based on the amount of qualifying expenses incurred and demonstration of at least a 25% reduction in gross receipts between comparable quarters as compared to the previous year.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

16. New Accounting Pronouncements Issued and Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract (i.e., lessees or lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. This standard will be effective for annual reporting periods beginning after December 15, 2021 for non-public entities. The Organization is in the process of evaluating the impact of this new ASU.

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, 2020, 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 June 30, 2021.

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) as a basis for designing 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Edelstein & Company LLP

Boston, Massachusetts
June 30, 2021

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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, 2020. 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* (CFR) 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, 2020.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Education for Employment as of and for the year ended December 31, 2020, and have issued our report thereon dated June 30, 2021, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Edelstein & Company LLP

Boston, Massachusetts
September 30, 2021

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

FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Award Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of State:					
Middle East Partnership Initiative -					
Increasing Employment in the MENA Region - Algeria	19.500	N/A	N/A	\$ 177,258	\$ 101,169
Support the implementation of the Advancing Local Labor Opportunities in Western Sahara (ALLOWS) project	19.500	International Republican Institute	S-NEAAC-19-GR-0046/0001.01	52,425	31,630
Total for Middle East Partnership Initiative (CFDA Number 19.500)				<u>229,683</u>	<u>132,799</u>
Bureau of Near Eastern Affairs - Supporting Job					
Creation for Young Tunisians from Marginalized Communities	19.600	N/A	N/A	696,588	572,536
Investing in People in The Middle East and North Africa -					
Advancing Women Entrepreneurship	19.021	N/A	N/A	4,850	-
Entrepreneurship and work readiness training programs in The United Arab Emirates	19.021	N/A	N/A	1,218	-
Total for Investing in People in The Middle East and North Africa (CFDA Number 19.021)				<u>6,068</u>	<u>-</u>
Total expenditures of federal awards				<u>\$ 932,339</u>	<u>\$ 705,335</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, 2020. 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.

NOTE 3: Reconciliation to Government Grants Revenue

Expenditures of \$65,207 incurred on Middle East Partnership Initiative (CFDA Number 19.500): Increasing Employment in the MENA Region – Algeria during the year ended December 31, 2020 are included in the schedule of expenditures of federal awards but were not drawn from the government agency due to the expiration of the funding appropriation by the time draw request was submitted, and therefore, this amount is not reported as government grants revenue on the statement of activities and changes in net assets.

**EDUCATION FOR EMPLOYMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

19.600

Department of State:
Bureau of Near Eastern Affairs

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

Education for Employment qualified as a low-risk auditee.