



Financial Statements  
September 30, 2015

# Central Asia Institute

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Financial Statements

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## **Independent Auditor's Report**

The Board of Directors  
Central Asia Institute  
Bozeman, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Central Asia Institute (the Organization) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2015, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Correction of Error**

As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of amounts previously reported for net assets and prepaid expenses as of September 30, 2014, were identified during the current year. Accordingly, net assets have been restated in the 2015 financial statements to correct the error. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona  
July 07, 2016

Central Asia Institute  
Statement of Financial Position  
September 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 790,008
Certificates of deposit	204,701
Investments in marketable debt and equity securities	12,945,814
Prepaid expenses and deposits	180,342
Promises to give receivable	1,155
Reimbursements receivable	5,750

Total current assets	14,127,770
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Non-Current Assets

Other investments - land	126,774
Property and equipment, net	655,945

Total non-current assets	782,719
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Total assets	\$ 14,910,489
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 578,689
Accrued liabilities	180,750
Grants payable	3,500,000
Current portion of long-term debt	30,626

Total current liabilities	4,290,065
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Non-Current Liabilities

Long-term debt, net of current portion	261,629
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Total liabilities	4,551,694
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Net Assets

Unrestricted	
Board designated for Talim fund	9,000,000
Unrestricted	1,358,795
Total unrestricted net assets	10,358,795

Total liabilities and net assets	\$ 14,910,489
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Central Asia Institute  
Statement of Activities  
Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions and related event revenue	\$ 2,009,768	\$ 454,206	\$ 2,463,974
Sales of merchandise	18,314	-	18,314
Investment income, net	(861,982)	-	(861,982)
Other income	88,529	-	88,529
Revenue and support before net assets released from restrictions	1,254,629	454,206	1,708,835
Net assets released from restrictions	454,206	(454,206)	-
Total revenues and support	1,708,835	-	1,708,835
Expenses			
Program services			
Global outreach program	744,314	-	744,314
Overseas education and projects	4,088,604	-	4,088,604
Total program services	4,832,918	-	4,832,918
Support services			
General and administration	834,706	-	834,706
Fundraising	369,248	-	369,248
Total expenses	6,036,872	-	6,036,872
Change in Net Assets	(4,328,037)	-	(4,328,037)
Net Assets, Beginning of Year as Previously Stated	14,561,832	-	14,561,832
Restatement, Note 14	125,000	-	125,000
Net Assets, Beginning of Year as Restated	14,686,832	-	14,686,832
Net Assets, End of Year	\$ 10,358,795	\$ -	\$ 10,358,795

Central Asia Institute  
Statement of Functional Expenses  
Year Ended September 30, 2015

	Program Services			Supporting Services		Total Expenses
	Global Outreach Program	Overseas Education and Projects	Total Programs	General and Administration	Fundraising	
Advertising and promotion	\$ 20,719	\$ -	\$ 20,719	\$ 5,440	\$ -	\$ 26,159
Depreciation	-	-	-	20,385	-	20,385
Equipment	4,579	146	4,725	5,695	2,423	12,843
Events	12,854	-	12,854	-	-	12,854
Fees, permits, and memberships	-	450	450	6,115	30,493	37,058
Insurance	-	-	-	75,034	-	75,034
Interest	-	-	-	14,120	-	14,120
Miscellaneous	-	-	-	-	-	-
Occupancy	23,923	10,980	34,903	15,543	9,402	59,848
Office supplies	9,509	927	10,436	3,424	1,939	15,799
Overseas education and community health grants	-	3,651,192	3,651,192	-	-	3,651,192
Personnel costs	261,268	164,816	426,084	445,633	168,429	1,040,146
Postage and delivery	45,043	2,328	47,371	4,888	34,008	86,267
Printing and reproduction	40,093	-	40,093	1,490	49,444	91,027
Professional fees	263,950	226,123	490,073	187,251	40,451	717,775
Publications	145	-	145	919	780	1,844
Technology	29,147	992	30,139	1,960	28,498	60,597
Travel	33,084	30,650	63,734	46,809	3,381	113,924
	<u>\$ 744,314</u>	<u>\$ 4,088,604</u>	<u>\$ 4,832,918</u>	<u>\$ 834,706</u>	<u>\$ 369,248</u>	<u>\$ 6,036,872</u>

Central Asia Institute  
Statement of Cash Flows  
Year Ended September 30, 2015

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Operating Activities	
Change in net assets	\$ (4,328,037)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	20,385
Unrealized/realized loss on investments	1,141,173
Change in operating assets and liabilities	
Prepaid expenses and deposits	1,407
Promises to give receivable	16,438
Reimbursements receivable	(5,750)
Accounts payable	470,361
Accrued liabilities	134,939
	<u>                    </u>
Net Cash used for Operating Activities	<u>(2,549,084)</u>
Investing Activities	
Proceeds from sale of property	271,216
Purchases of investments	(164,222)
Proceeds from sale of investments	820,527
	<u>                    </u>
Net Cash from Investing Activities	<u>927,521</u>
Financing Activities	
Repayment of long-term debt	(199,005)
	<u>                    </u>
Net Cash used for Financing Activities	<u>(199,005)</u>
Net Change in Cash and Cash Equivalents	(1,820,568)
Cash and Cash Equivalents, Beginning of Year	<u>2,610,576</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 790,008</u></u>
Supplemental Disclosure of Cash Flows	
Cash paid for interest	<u><u>\$ 14,120</u></u>

## **Note 1 - Significant Accounting Policies**

### **Organization**

Central Asia Institute's (the Organization) purpose is to empower communities of Central Asia through literacy and education, especially for girls; promote peace through education; and convey the importance of these activities globally. The dual-purpose mission focuses on literacy, education and community health projects in the remote contiguous mountain regions of Central Asia, and focuses the public's attention, as well as the educational community's attention, on the contiguous mountain regions and communities of Central Asia.

The Organization's support comes primarily from individual donor contributions.

### **Overseas Grantee Monitoring**

The Organization distributes funds and offers assistance to local, indigenous parties (grantees) that engage in activities and programs that further the stated charitable purposes of the Organization or that otherwise engage in activities and programs consistent with the Organization's stated charitable purposes.

Monitoring and reporting is conducted through the Organization's personnel visits to host countries, meetings between the Organization's personnel and grantees, and/or meetings between the independent accounting firm retained by the Organization and grantees, to understand the activities and structure of the operations in host countries, documenting the generally accepted business methods and accounting for transactions. This includes an understanding of payment flows and documentation of formal contracts with those involved in program activities, and business methods with respect to contracts and invoice documentation for program activities in the area where the programs are delivered (school buildings, water projects, healthcare, scholarships, teacher support, women's vocational centers, literacy centers, and community support).

### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, reflect all significant principles, and accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for various purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. As of September 30, 2015, there were no temporarily restricted net assets.

Permanently restricted net assets - Net assets for which the donor's stipulated principal is to be maintained in perpetuity. As of September 30, 2015, there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled, and/or the stipulated time has elapsed, are reported as reclassifications between the applicable classes of net assets.

### **Contributions**

Contribution revenue is recognized when the Organization is notified of the existence of a promise to give or receives a contribution. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

It is the policy of the Organization to report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization generally tries to maintain deposits at or below the federally insured limits in any financial institution; however, it occasionally has cash balances at these financial institutions that exceed federally insured amounts.

### **Promises to Give Receivable**

Unconditional promises to give and grants that are expected to be collected within one year are recorded as promises to give and grants receivable at fair value. Unconditional promises to give and grants that are expected to be collected in periods greater than one year are recorded at the net present value of expected future cash flows of the promises to give and grants at their fair value. The Organization provides an allowance for estimated uncollectable contributions.

Promises to give and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on promises to give and grants receivable using the allowance method. The allowance is based on experience, third-party contracts, knowledge of the donors and the industry, and other circumstances, which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectable promises to give and grants receivable when management determines the receivable will not be collected. All promises to give received at September 30, 2015, are deemed to be fully collectable by management; therefore, an allowance for doubtful accounts is not deemed necessary.

## **Investments**

Investments in marketable debt and equity securities with readily determinable fair values are reported at their fair value in the accompanying statements of financial position with the annual change in fair value being recorded as unrealized gains or losses in current revenue for the year. Donated investments are recorded at their fair value on the date of donation. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

## **Other Investments – Land**

Other investments – land is valued at the lower of cost or market.

## **Property and Equipment**

All acquisitions of furniture and equipment in excess of \$5,000, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

The Organization reviews its property and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss is recorded at September 30, 2015.

## **Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

## **Advertising Expenses**

The Organization expenses advertising costs as they are incurred. For the year ended September 30, 2015, \$26,159 was charged to expense for advertising and promotion.

## **Income Tax**

The Organization is organized as a Delaware nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined to be a public charity and not to be a private foundation under Section 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction afforded contributions to public charities under Section 170(b)(1)(A). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the organization is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the organization has no taxable unrelated business income and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T) or its Montana equivalent.

Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Fair Value Measurements**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are the allowance for doubtful promises to give, depreciation lives and methods, functional expense allocation and valuation of donated materials, long-lived assets, and services. It is at least reasonably possible that the Organization's estimate will change in the near term.

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following as of September 30, 2015:

Money market	\$ 52,181
Cash in operating bank account	675,453
Cash in credit card account	61,874
Petty cash	500
	<u>500</u>
	<u>\$ 790,008</u>

**Note 3 - Investments in Marketable Debt and Equity Securities**

The Organization maintains investments with various financial institutions under the management of third-party financial managers in accordance with its investment policy. The Organization also holds land that is available for sale. Level 1 inputs are determined by reference to quoted market prices and other relevant information generated by market transactions. Level 2 inputs are determined by cost which approximates fair value and by relevant tax assessor valuations for the most recent year available at financial statement issuance for certificates of deposit and land, respectively.

Investment and land holdings as of September 30, 2015, consisted of the following:

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equities	\$ 8,962,687	\$ -	\$ -
Pooled investments	-	3,730,988	-
Principle life annuity	252,139	-	-
Land	-	126,774	-
	<u>\$ 9,214,826</u>	<u>\$ 3,857,762</u>	<u>\$ -</u>

Components of investment income for the year ended September 30, 2015 consisted of the following:

Interest and dividends, net of investment expense	\$ 279,191
Net unrealized and realized gains and losses	(1,141,173)
	<u>\$ (861,982)</u>

**Note 4 - Promises to Give Receivable**

Promises to give receivable are recorded and revenue is recognized at the time promises to give are made. These balances are stated at their present value. Management considers all promises to give to be fully collectable.

Payments of promises to give receivable as of September 30, 2015, are scheduled as follows:

Years Ending September 30,	
2016	<u><u>\$ 1,155</u></u>

**Note 5 - Property and Equipment**

Property and equipment consisted of the following as of September 30, 2015:

Buildings	\$ 637,254
Equipment and software	43,361
Total depreciable assets	<u>680,615</u>
Accumulated depreciation	<u>(24,670)</u>
	<u><u>\$ 655,945</u></u>

Depreciation expense for the year ended September 30, 2015 was \$20,385.

**Note 6 - Long-Term Debt**

As of September 30, 2015, long-term debt consisted of the following:

Fixed rate note payable to First Security Bank, for the purchase of office space, interest rate of 4.22%, and collateralized by a lien against the property purchased. The note matures in 2033.	\$ 292,255
Less current portion	<u>(30,626)</u>
	<u><u>\$ 261,629</u></u>

Future principal payments are as follows:

2016	\$	30,626
2017		31,944
2018		33,318
2019		34,752
2020		36,247
Thereafter		125,368
	\$	292,255

**Note 7 - Compensated Absences**

Employees accrue paid time off in accordance with the policies set forth by the Organization for its employees. Employees accrue 80 hours of paid time off per year, with additional time accrued based on years of service. As of September 30, 2015 the Organization has recorded a liability for compensated absences totaling \$31,497.

**Note 8 - Board-Designated Unrestricted Net Assets**

The Talim Fund (Pashto word meaning Education) is a board designated fund established to provide sustainability of the Organization's overseas projects and program delivery.

**Note 9 - Temporarily Restricted Net Assets**

Activity for temporarily restricted net assets for the year ended September 30, 2015, was as follows:

	Balance as of 09/30/2014	Contributions	Releases of Restrictions	Balance as of 09/30/2015
Pennies for Peace	\$ -	\$ 42,025	\$ (42,025)	\$ -
Overseas education and community health projects	-	407,571	(407,571)	-
Public health	-	4,610	(4,610)	-
Total temporarily restricted net assets	\$ -	\$ 454,206	\$ (454,206)	\$ -

**Note 10 - Retirement Plan**

The Organization sponsors a defined contribution 403(b) pension plan that covers all employees who have worked nine months of employment. For every employee contribution after the nine months worked, the Board of Directors elected to match employee contributions up to 6% of eligible employee's annual income. The Organization also provides an employer contribution component determined by board's discretion. For the year ended September 30, 2015 the board elected to contribute 6% of all employees' annual income to the pension plan. Pension expense for the year ended September 30, 2015 was \$47,183.

**Note 11 - Detail of Overseas Education and Community Health Grants**

The following is a detail of various expense line items as contained on the statement of functional expenses for the year ended September 30, 2015:

International Grants	
Operating expenses	\$ 952,308
Building, materials, labor, and equipment	408,696
Public health/medical/water/etc	125,675
Scholarships	256,635
Supplies and equipment	1,112,941
Teacher support	619,609
Vocational and literacy centers	<u>175,328</u>
Total international grants	<u>\$ 3,651,192</u>
Program Administration	
Occupancy	\$ 10,980
Personnel	164,816
Professional fees	226,573
Travel (overseas)	30,650
Other	<u>4,393</u>
Total program administration	<u>\$ 437,412</u>
Total overseas education and projects	<u><u>\$ 4,088,604</u></u>
International Activities by Country	
Afghanistan	\$ 2,005,511
Pakistan	1,445,658
Tajikistan	<u>200,023</u>
Total international activities by country	<u><u>\$ 3,651,192</u></u>

**Note 12 - Related Organizations and Activities**

In September 2010, under Canadian law, Central Asia Institute Canada was established as a corporation and private charity. The Canadian Organization intends to support and advance community-based education, especially for girls, in remote regions of Central Asia, primarily Pakistan and Afghanistan. No activity has occurred between this Canadian Organization and Central Asia Institute during the fiscal year ended September 30, 2015. Representation on the Canadian board includes one employee of the Organization.

**Note 13 - Commitments**

During the year ended September 30, 2015, the Organization entered into a contract with a third party for consulting services at a total cost of \$120,000. As of September 30, 2015, approximately \$87,500 remained committed, but not paid. Additionally, the Organization entered into a contract with a third party for consulting services at a total cost of \$240,000. As of September 30, 2015, approximately \$167,500 remained committed, but not paid.

**Note 14 - Correction of an Error**

Certain errors resulting in an understatement of amounts previously reported for net assets and prepaid expenses as of September 30, 2014, were identified during the current year in the amount of \$125,000. This error was a result of the Organization expensing their retainer fees in the year incurred which resulted in a reimbursement in the current year. Accordingly, net assets has been restated in the 2015 financial statements to correct the error. Details of the restatement in the September 30, 2014, financial statements are as follows:

	2014 As Previously Reported	Restatement	2014 As Restated
Net Assets, End of Year	\$ 14,561,832	\$ 125,000	\$ 14,686,832

**Note 15 - Subsequent Events**

Subsequent events have been evaluated through July 07, 2016, the date the financial statements were available to be issued.