



EDUCATION WITHOUT BARRIERS

Financial Statements

December 31, 2019



Education Without Barriers

Statement of Financial Position

December 31, 2018 and 2019

Assets	2019	2018
Program-related: Computers and tablets (Note2(a))	\$ -	\$ -
Intangible-Trademark (Note2(b))	183	-
Cash and Cash Equivalent (Note2(c))	13,996	6,786
Pledged receivables	-	1,259
Receivable from RCA (Note2(d))	3,254	6,708
Total assets	17,433	14,754
Liabilities and Net Assets		
Accounts payable	-	-
Director's Loan for 2018 expenditure	1,941	6,665
Director's Loan for Jeju Island	4,007	6,886
Total liabilities	5,948	13,551
Net Assets		
--Restricted (Note)	1,193	1,259
--Unrestricted	9,876	(56)
Foreign Exchange Reserve for accumulative translation gain and loss	(415)	
Total liabilities and net assets	\$ 17,433	14,754

Education Without Barriers

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2019

	2019	2018
<i>Revenues and gains</i> (Note2(g)):		
Restricted	\$ 1,677	\$ 1,805
Unrestricted	11,409	-
Cash contribution	-	4,773
Charity Sales	-	19
Donation-in-kind	-	579
Others (interest)	1	3
Total revenues and gains	13,086	7,176
 <i>Expenses:</i>		
Program expenses:	1,786	2912
Teaching Aid Devices and Resources	611	154
Medical care and examination	541	107
Scholarship and Grants (Restricted Funds expenditure)	464	-
Transportation	-	528
Food and accommodation	-	239
Internet and website	145	374
PPS	13	73
Repairs and Maintenance	-	73
Books and Gifts to Kids	12	763
Depreciation	-	550
Impairment		52
Fundraising Expenses	-	-
Management and general expenses (Note2(h)):	1,199	2469
Publicity/Marketing(Note)	74	,1185
Transportation	377	-
Food and accommodation	-	-
Registration fee	51	305
Internet and website	18	448
Reward for volunteer	-	250
PPS	24	35
Bank Charge	43	75
Depreciation	-	-
Bad Debt	595	171
Amortization of trademark	17	-
Total expenses	2,986	5,380

Change in net assets	10,101	1,796
Adjustments @ Opening Balance of 2019		
Fixed Asset written off		(2,072)
Receivable adjustments		(598)
Adjusted Change in net assets	10,101	(875)
Net assets, beginning of year	1,153	2,028
Net assets, end of year	\$ 11,254	\$ 1,153

Education Without Barriers

Consolidated Statement of Cash Flows

Years Ended December 31, 2018 and 2019

	2019	2018
Cash Flow from Operating Activities:		
Cash received without donor restriction	\$ 12,577	\$ 4,782
Cash received with donor restriction	1,677	-
Cash Received from RCA	2,043	-
Cash paid	(2,346)	-
-For Program	(1,786)	(1,991)
-For Management	(560)	(2,038)
Cash paid on behalf of RCA	-	(4,894)
Interest Paid	-	-
Interest and Dividends Received	1	0
Net Cash from Operating Activities	13,953	(4,132)
Cash Flow from Investing Activities:		
Purchase of Investments		
Fixed Asset Purchases	-	(1,873)
Intangible-Trademark	(203)	-
Proceeds from sales and mature of investments	-	-
Net Cash used for Investing Activities	(203)	(1,873)
Cash Flow from Financing Activities:		
Borrow from Directors	-	4,894
Loan payment to Directors	(6,805)	-
Net Cash from Financing Activities	(6,805)	4,894
Net increase in Cash:	6,945	(1110)
Beginning cash balance:	6,505	1,226
Adjustment @ Opening Balance	-	6,389
Ending Cash Balance	\$ 13,450	\$ 6,505

Reconciliation of change in net assets to net cash provided by operating activities

	<u>2019</u>	<u>2018</u>
Change in Net Assets Adjustments	\$ 10,101	\$ (875)
Fixed Asset written off	-	2,072
Depreciation Expense	-	550
Impairment Cost	-	52
Bad debt	595	170
(Increase)/Decrease in Account Receivable	1,207	(1,207)
-Exchange difference at receivable settlement	(10)	-
Decrease in Receivable from RCA	2,043	(4,894)
Decrease in Accounts Payable	-	-
Amortization of trademark	17	-
Net Cash Provided by Operations	<u>\$ 13,953</u>	<u>\$ (4,132)</u>

Education Without Barriers

Notes to Consolidated Financial Statements

December 31, 2018 and 2019

1. Organization and Tax Status

Founded by a group of college students in the U.S. in November 2016, Education Without Barriers (EWB), a registered 501(c)(3) tax-exempt non-profit, has delivered over 20,000 hours of free, online, real-time courses and mentorship to underprivileged kids worldwide. All EWB courses are individually designed and executed to target each student's needs, which are communicated by orphanages and schools to the over 250 volunteers EWB has recruited from colleges around the globe. Meanwhile, we also fundraise to purchase and deliver essential technologies for students to actively engage in the online courses.

EWB is an end-to-end online tutoring and mentorship platform aiming to empower and improve access to education for underprivileged children across the world, starting with orphans in China. At EWB, we believe that education is the most powerful, empowering, and enabling of human rights for an individual, and is the best gift one can provide to children. Education Without Barriers aims to tackle the problem of unequal access to educational resources. Education Without Barriers aims to bridge the gap of education inaccessibility and provide the best education to the orphans via internet, while also enhancing the leadership skills, academic achievements, communication abilities and sense of responsibility in both the orphans and our volunteers. We strive to preserve the educational standard and academic capability of the top universities in the world, to bring the best out of the both ends of the education, and to provide online tutoring sessions to orphans beyond the physical location and time zone barriers.

We have 3 teaching models: 1) 1 on 1 mentorship, 1 on 1 tutoring (in the evening, China time), and Liberal arts lectures 1) Every child has a mentor who Zooms with him/her once a week. The mentor reviews all feedback that the various teachers provide for the child, and helps with academic and emotional well-being. The teachers are often the first to know if the child is suffering with any trauma. 2) We are investigating discussion groups to help teacher volunteers share common issues faced, share curriculum knowledge and teaching strategies, as well as engage in the broader teacher community. 3) Volunteer teachers and/or mentors located anywhere across the world organize virtual lessons in English and Chinese to provide basic education as well as life-skills to the students. Both engage in multicultural dialogue to broaden their respective perspectives.

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Notes

(a) Fixed Assets

EWB modified its accounting policy regarding fixed assets, improved the monetary threshold to 5,000 RMB. Since no assets are over 5,000 RMB in the FY 2019, we adjusted our reporting and wrote off all the assets recorded as fixed assets in the prior year.

For comparison, the fixed assets before accounting policy modification are showed below:

<i>In RMB</i>	2018	2017
Tablets	7,571	0
Projector	1,949	0
	18,447	6,430
Less depreciation for this year	(3793.10)	(903)
Less Impairment for this year	(357.44)	
	14,296	5,527
Fixed Asset, Net		

(b) Intangible-Trademark

Intangible asset – Trademark stands for the trademark registered by EWB in mainland China in Feb 2019 with original cost of 1400 RMB. The trademark is amortized with 10-year usage life.

(c) Cash and Cash Equivalent

Cash consist of Chinese Yuan (RMB) and U.S. Dollar (\$). EWB’s cash includes the cash in its main bank account: Bank of American-Checking Account, Bank of American-Saving Account and PayPal Account. None of them are held for restricted by donors or held for time-limited purposes, and they are recorded under the cash and cash equivalents. Receivables are excluded from cash.

(d) Receivables from RCA

RCA Homestay Inc. (hereinafter referred to as “RCA”) is a non-profit organization dedicated to providing education for international children who are orphaned or unemancipated, living without support, giving them hope for the future.

EWB and RCA have been working together to help two orphans in China pursue further education in U.S. to overcome the hostile environment around them. Agreed in the financial support contracts (govern by Chinese law and China’s courts) between RCA and the two children, respectively (their guardians signed on behalf of them), RCA shall assume all expenses related to their studying and living abroad, within a maximum amount of 20,0000 USD each child. Although there is no written contract between EWB and RCA, EWB actually assumes responsibility for assisting RCA. Therefore, EWB advanced all the expenses including fees for the passports’ application and Jeju Island trip. Due to some disputes between EWB and RCA, we were only able to collect \$2,048 from RCA in 2019, and we will continue to work with RCA and try to get full receivables back in 2020.

(e) Director's Loan

Due to the lack of cash, our co-founder Dandan Li lent money to EWB over the past few years. The money was primarily used in Jeju Island trip and EWB daily expenditure. In 2019, EWB paid back \$6,805 in total, among which \$2,048 was received from RCA. EWB will continue to work on paying off all the remaining principal balance based on the prior agreement.

(f) Net Assets restricted

As of December 31, 2019, EWB had 6,000 RMB restricted contributions, which should only be applied to handicapped children as required by the donor.

(g) Revenues and Gains

It consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
<i>Revenues and gains(Note2(g)):</i>		
Restricted	\$ 1,677	\$ 1,805
Unrestricted	11,409	-
Cash contribution	-	4,773
Charity Sales	-	19
Donation-in-kind	-	579
Others (interest)	1	3
Total revenues and gains	<u><u>13,086</u></u>	<u><u>7,176</u></u>

(h) Management and General Expenses

In 2019, EWB has made progress in controlling management and general expenses, which lowered from \$2,469 in 2018 to \$1,199 in 2019, representing a decrease of nearly 77%. It is mainly due to the decrease of publicity and marketing expense, internet and website expense, reward for volunteers and registration fees.

(i) Related Party

EWB is partnering with ClassIn, one of the first online classrooms released in 2015, to build our own online teaching platform. Additionally, ClassIn offers a discount program for EWB children to use their online resources. In 2020, EWB will partner with Lark, a collaboration and communication software, to provide online collaboration platform for EWB members. The transformation is expected to start in the first half of 2020.

3. Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Additionally, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(b) Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from estimates. Income and expense item are translated into U.S. Dollar at the average rate of exchange for the year.

Any gains or losses from retranslation due to a change in exchange rates subsequent to the date of the transaction are recognized in the SOFA. Exchange gain or loss arising on translation of the opening net assets and results of overseas operation are recognized in other comprehensive income of SOFA and credited to foreign exchange reserve under Equity. This reserve will be maintained until the foreign operation is disposed.

(c) Foreign Currency Policy

Due to the main activities of EWB carried out in China by now, the functional currency of EWB is Chinese Yuan-RENMINBI (RMB). At each reporting date, monetary assets and liabilities in the financial statements are in Chinese Yuan-RENMINBI (RMB).

(d) Incoming Resources

EWB's incoming resources or revenue include cash donations, in-kind donations, funds from fundraising activities and charity sales, etc. All the contributions are classified into restricted and unrestricted when recognized.

Cash donation is recognized when EWB has an entitlement to the fund. Any fund, which has been declared but not received, by default, is time restricted. When the collection has been made, the time restriction on the pledge receivable is released.

In-kind Donation is recognized when received at their Fair Market Value to EWB or the cost to the donor.

EWB sometimes may be initially as intermediary between the donor and the beneficiary:

If EWB does not have discretion over who receives the donation, then initially be recorded as an asset and a liability when received until passed on to the beneficiary, and record a contribution and program services expense

If a donor stipulates the final recipient of the contribution, then EWB does not have variance power and typically would not recognize the contribution as revenue.

(e) Net Asset Presentation

According to GAAP, EWB report net asset into two classes in a statement of financial position:

- Net assets without donor restrictions
- Net assets with donor restrictions

Under the net asset with donor restrictions category, EWB may present the following as separate line items in the notes: net assets perpetual in nature, purpose restricted and/or time restricted net assets,

For the net asset without donor restrictions category, Net assets available for use in general operations. EWB may wish to list out any board-designated net assets.

(f) Fixed Assets

EWB capitalizes all fixed assets ("equipment") with an acquisition cost of RMB 5,000.00 or more and a useful life of more than one year. The policy is modified in 2019, improving the threshold from 300 RMB to 5,000 RMB, because after one-year operation, we found that most fixed assets' (pads and computers) useful lives are shorter than one year, and it is unrealistic for EWB to collect those assets. Given the situation, fixed asset policy was modified to better reflect the reality and meet management needs.

Depreciation is provided on all tangible fixed assets, other than freehold land. It is provided at rate calculated to write off the cost less the estimated residual value of the fixed asset on a straight-line basis over its estimated useful lives as follows:

Types of Fixed Assets	Current Estimated Useful Life
Freehold Buildings	50 years
Leasehold Buildings	Periods of Lease
Plant & Machinery (Including Motor Vehicles)	3-8 years
Computer (Include iPad over ¥5,000)	4 years

Fixed assets on the statement of Financial Position are stated at original costs, net of depreciation and any provision for impairment.

If the carrying amount exceeds the recoverable amount, an impairment expense amounting to the difference is recognized in the period as expenses. If the carrying amount is less than the recoverable amount no impairment is recognized. EWB carry out impairment test annually.

(g) Donated Services

Volunteers contributed significant amounts of time to EWB's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

(h) Bargain Purchase

EWB may receive significant discounts on purchases they make. Some of these transactions may be free of charge, may be partly an exchange transaction and partly a contribution, which could be a bargain purchase.

Bargain purchases result in an inherent contribution, which is a voluntary transfer of assets in exchange for no consideration, or less consideration than the value received.

It, in excess of any amounts paid, should be measured at fair value and the entire contribution should be recorded as revenue in the period the contribution is received or pledged.

A common consideration when estimating the fair value of the contributed use is whether EWB would otherwise be willing to pay the market price for the same asset if its use was not contributed.

(i) *Bad Debt*

Bad debt expense is the amount of an account receivable that is considered to not be collectible. EWB recognize bad debt by Allowance Method if the receivables have not been collected for over 1 year and there are certain evidences that the receivables could not be collected in the future.

At the end of each year, EWB runs an aging receivables analysis to estimate the uncollected receivables. The bad debt expense calculation under the allowance method is determined by applying 10% of accounts receivables which are estimated could not to be collected in the future.

(j) *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is February 15, 2020.