

Ashoka and Affiliates

Consolidated Financial Report
August 31, 2018

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Independent Auditor's Report

Board of Directors
Ashoka

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ashoka and Affiliates (Ashoka), which comprise the consolidated statement of financial position as of August 31, 2018, the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 Ashoka as of August 31, 2018, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, DC
September 27, 2019

Ashoka and Affiliates

**Consolidated Statement of Financial Position
August 31, 2018**

Assets

Cash and cash equivalents	\$ 13,227,062
Pledges receivable, net	18,652,201
Investments	24,197,934
Prepaid expenses and other assets	1,905,243
Property and equipment, net	<u>1,345,143</u>
Total assets	<u><u>\$ 59,327,583</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 1,432,240
Stipends payable	<u>6,848,262</u>
Total liabilities	<u><u>8,280,502</u></u>

Commitments and contingencies (Notes 6, 10, 11, and 13)

Net assets:

Unrestricted (deficiency)	(2,355,723)
Temporarily restricted	28,977,087
Permanently restricted	<u>24,425,717</u>
Total net assets	<u><u>51,047,081</u></u>

Total liabilities and net assets **\$ 59,327,583**

See notes to consolidated financial statements.

Ashoka and Affiliates

Consolidated Statement of Activities Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 20,612,363	\$ 21,183,955	\$ 14,000	\$ 41,810,318
Investment income, net	815,555	264,831	641,788	1,722,174
Miscellaneous income	2,065,082	26,350	-	2,091,432
Net assets released from restriction	18,138,249	(18,138,249)	-	-
Total support and revenue	41,631,249	3,336,887	655,788	45,623,924
Expenses:				
Program services:				
Leading social entrepreneurs	10,865,768	-	-	10,865,768
Idea spread and education	3,757,487	-	-	3,757,487
New architecture	9,204,389	-	-	9,204,389
Group entrepreneurship	7,742,659	-	-	7,742,659
Total program services	31,570,303	-	-	31,570,303
Supporting services:				
Management and general	6,452,943	-	-	6,452,943
Fund raising	3,154,443	-	-	3,154,443
Total supporting services	9,607,386	-	-	9,607,386
Total expenses	41,177,689	-	-	41,177,689
Change in net assets from operations	453,560	3,336,887	655,788	4,446,235
Nonoperating activity:				
Loss on translation of affiliate net assets	(846,543)	-	-	(846,543)
	(846,543)	-	-	(846,543)
Change in net assets	(392,983)	3,336,887	655,788	3,599,692
Net assets:				
Beginning	(1,962,740)	25,640,200	23,769,929	47,447,389
Ending	\$ (2,355,723)	\$ 28,977,087	\$ 24,425,717	\$ 51,047,081

See notes to consolidated financial statements.

Ashoka and Affiliates

Consolidated Statement of Functional Expenses
Year Ended August 31, 2018

	Program Services					Supporting Services			Total Expenses
	Leading Social Entrepreneurs	Idea Spread and Education	New Architecture	Group Entrepreneurship	Total	Management & General	Fund Raising	Total	
	Salaries	\$ 2,668,504	\$ 1,523,151	\$ 4,390,609	\$ 2,593,171	\$ 11,175,435	\$ 1,958,149	\$ 1,179,541	
Payroll taxes	583,447	269,782	503,500	483,302	1,840,031	265,293	271,569	536,862	2,376,893
Employee benefits	194,822	100,000	354,380	196,777	845,979	96,719	126,290	223,009	1,068,988
Consulting	1,373,979	659,260	1,418,230	1,634,714	5,086,183	1,955,911	455,689	2,411,600	7,497,783
Outside services	620,517	469,141	212,025	473,440	1,775,123	369,991	234,804	604,795	2,379,918
Total personnel and related expenses	5,441,269	3,021,334	6,878,744	5,381,404	20,722,751	4,646,063	2,267,893	6,913,956	27,636,707
Fellowship payments	3,848,031	-	-	16,876	3,864,907	-	-	-	3,864,907
Office supplies and expenses	18,623	8,269	15,026	21,946	63,864	46,298	2,961	49,259	113,123
Occupancy	195,793	228,680	384,030	158,273	966,776	497,510	228,111	725,621	1,692,397
Telephone, telex and facsimile	15,074	10,787	15,978	60,705	102,544	45,899	9,203	55,102	157,646
Postage and messenger	9,780	6,897	14,427	6,288	37,392	22,028	274,513	296,541	333,933
Printing and publications	17,942	27,112	42,812	45,412	133,278	15,050	57,848	72,898	206,176
Equipment rental and repair	6,335	3,948	41,997	8,056	60,336	14,548	4,984	19,532	79,868
Equipment expensed	29,299	36,351	140,432	62,742	268,824	164,512	53,184	217,696	486,520
Accounting and audit	22,990	9,104	241,859	21,244	295,197	268,035	13,981	282,016	577,213
Bank and brokerage fees	15,685	7,339	24,200	20,032	67,256	31,945	8,727	40,672	107,928
Travel	637,665	172,537	706,027	775,522	2,291,751	241,921	160,285	402,206	2,693,957
Conferences	212,685	15,221	315,056	248,957	791,919	18,678	13,847	32,525	824,444
Miscellaneous expenses	10,363	3,425	1,769	18,340	33,897	98,623	-	98,623	132,520
Local transportation and meals	118,831	23,815	106,004	137,169	385,819	43,643	13,691	57,334	443,153
Awards	175,592	145,098	190,433	665,878	1,177,001	1,425	10,000	11,425	1,188,426
Dues, books and subscriptions	3,448	2,063	12,320	4,365	22,196	12,390	597	12,987	35,183
Training	17,579	12,712	15,910	20,025	66,226	24,903	4,446	29,349	95,575
Insurance	12,524	-	2,327	22,781	37,632	61,800	-	61,800	99,432
Taxes and penalties	38,406	10,896	21,557	40,220	111,079	155,658	15,085	170,743	281,822
Total expenses before depreciation	10,847,914	3,745,588	9,170,908	7,736,235	31,500,645	6,410,929	3,139,356	9,550,285	41,050,930
Depreciation of equipment	17,854	11,899	33,481	6,424	69,658	42,014	15,087	57,101	126,759
Total expenses	\$ 10,865,768	\$ 3,757,487	\$ 9,204,389	\$ 7,742,659	\$ 31,570,303	\$ 6,452,943	\$ 3,154,443	\$ 9,607,386	\$ 41,177,689

See notes to consolidated financial statements.

Ashoka and Affiliates

Consolidated Statement of Cash Flows Year Ended August 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 3,599,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	126,759
Net realized and unrealized gain on investments	(518,059)
Decrease in allowance for uncollectible pledges	(732,148)
Decrease in discount for pledge receivables	(231,295)
Contributions restricted for long-term investment	(14,000)
Change in operating assets and liabilities:	
(Increase) decrease in:	
Pledges receivable	(90,954)
Prepaid expenses and other assets	(462,930)
Decrease in:	
Accounts payable and accrued expenses	48,562
Stipends payable	(953,254)
Net cash provided by operating activities	<u>772,373</u>
Cash flows from investing activities:	
Purchases of property and equipment	(449,938)
Purchases from investments	(1,628,287)
Proceeds from sales or maturity of investments	3,217,095
Net cash provided by investing activities	<u>1,138,870</u>
Cash flows from financing activities:	
Proceeds from the line of credit	5,570,850
Repayments to the line of credit	(5,570,850)
Collection of endowment fund support	14,000
Net cash provided by financing activities	<u>14,000</u>
Net increase in cash and cash equivalents	1,925,243
Cash and cash equivalents:	
Beginning	<u>11,301,819</u>
Ending	<u>\$ 13,227,062</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 120,853</u>

See notes to consolidated financial statements.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization

Nature of Organization: Ashoka and Affiliates (Ashoka) is a non-profit organization headquartered in Arlington, Virginia, with offices throughout the world. Ashoka is a non-profit, publicly supported foundation incorporated on June 3, 1980 under the laws of the District of Columbia. Ashoka envisions a global community that responds quickly and effectively to social challenges, where everyone has the freedom, confidence and societal support to address any societal problem and make change. This global community spreads innovation and the desire to change, such that everyone finds within themselves the potential to be changemakers.

Social entrepreneurs are the engines of change and role models for the citizen sector. Ashoka identifies and invests in Leading Social Entrepreneurs (“Fellows”) – entrepreneurs working to achieve positive social impact – supporting the individual, idea, and institution through all phases of their career. Through Group Entrepreneurship programs, Ashoka engages communities of entrepreneurs and develops patterns of effective collaborations that accelerate and spread social impact. Ashoka encourages the creation of sustainable social solutions by developing New Architecture for the sector to support and accelerate progress within the community. Systems include: access to social financing, bridges to business and academic sectors, and frameworks for strategic partnerships that deliver social and financial value.

Ashoka works to define and strengthen the field of social entrepreneurship through Idea Spread and Education programs, including spreading the innovations of both individual social entrepreneurs and those developed cooperatively among social entrepreneurs working on common or related problems. This includes publications, professional training of social entrepreneurs in communications, and Ashoka’s web presence. Ashoka makes disbursements of funds in support of these objectives directly to individuals and groups as well as through affiliated groups and its own regional and country branches in East Asia, Southeast Asia, South Asia, Africa, South America, Mexico/the Caribbean Basin/Central America, Europe, North America, and Middle East/North Africa.

Affiliates: The accompanying consolidated financial statements include the operations of the following international not-for-profit affiliates that are represented by a controlling interest:

Ashoka Conosur Este (Argentina)	Ashoka Japan	Ashoka Thailand
Ashoka Indonesia	Ashoka Southern Africa	Ashoka France
Ashoka Romania	Ashoka Canada	Ashoka West Africa (Nigeria)
Ashoka CEE (Austria)	Ashoka East Africa (Kenya)	Ashoka Turkiye (Turkey)
Ashoka Scandinavia	Ashoka Spain	Ashoka Deutschland (Germany)
Ashoka Bangladesh	Ashoka Chile	Ashoka Philippines
Ashoka Israel	Ashoka Korea	Ashoka UK
Ashoka Sahel (Senegal)	Ashoka Sri Lanka	Ashoka Hellas (Greece)
Ashoka Belgium	Ashoka Colombia	Ashoka Poland
Ashoka Italia	Ashoka Mexico	Ashoka Venezuela
Ashoka Singapore and Malaysia	Ashoka Switzerland	Ashoka India
Ashoka Brazil	Ashoka Arab World (Egypt)	Ashoka Portugal
	Ashoka Netherlands	Ashoka USA

Additionally, Ashoka is the sole member of Ashoka LLC. Accordingly, all financial activities of Ashoka LLC have been consolidated with Ashoka. Ashoka LLC was incorporated in order to serve Ashoka donors in a more transaction-oriented way, as well as to raise unrestricted funding for Ashoka. Ashoka LLC is a disregarded entity for tax purposes.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization (Continued)

Ashoka entered into an affiliation agreement with an affiliate, Get America Working! (GAW!), which is a separately incorporated 501(c)(3) organization. The majority of funds raised for GAW! Come via Ashoka, both from Ashoka donors or via efforts managed by Ashoka employees. GAW! has three board members, each with the same voting rights. Two of these board members also serve on Ashoka's board, and the third is an employee of Ashoka. Accordingly, all financial activities of GAW! have been consolidated with Ashoka.

Ashoka has entered into an affiliation agreement with Youth Venture, Inc. (Youth Venture), a separately incorporated 501(c)(3) organization. The mission of Youth Venture is to assist disadvantaged urban youths with the establishment and operation of business and civic projects, so as to instill in the youths an entrepreneurial spirit and to develop community ties. There are programmatic overlaps between Ashoka and Youth Venture, including sharing of staff and resources. Two of the four board members also serve on Ashoka's board, and one of these overlapping board members casts the deciding vote in the event of a tie vote. Accordingly, all financial activities of Youth Venture have been consolidated with Ashoka.

Note 2. Significant Accounting Policies

A summary of Ashoka's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Ashoka and its affiliates. All transactions between Ashoka and its affiliates have been eliminated in consolidation.

Basis of presentation: Ashoka reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets, support, and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets: Represent funds that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Certain amounts have been designated by Ashoka's Board to function as an endowment.

Temporarily restricted net assets: Result from unconditional contributions whose use is limited by donor-imposed stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as assets released from restrictions.

Permanently restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by Ashoka's actions. The donors of these assets permit Ashoka to use the income and gains earned on related investments for operations or for specific purposes stipulated by donors.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash consists of balances in interest-bearing and non-interest-bearing accounts as well as demand deposits. Cash equivalents consist of highly liquid investments, with original maturities of 91 days or less.

Cash held in international offices primarily represents cash in foreign bank accounts that will be used for program activities. Cash held in international offices includes both cash advanced to field offices by headquarters and cash disbursed directly to field offices by donors.

Investments: Investments are carried at estimated fair value in the accompanying consolidated statement of financial position. Unrealized gains and losses are recorded in the accompanying consolidated statement of activities as a component of investment income. Dividend and interest income is recorded as earned. Donated securities are recorded at their fair value at the date of donation.

Concentration of credit and market risk: Ashoka maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. Ashoka's cash and cash equivalent accounts are placed with high credit quality financial institutions. Ashoka had \$11,269,039 in foreign accounts, which are not insured as of August 31, 2018. Ashoka has not experienced, nor does it anticipate, any losses in such accounts.

Ashoka invests in a professionally managed portfolio that contains various securities which are exposed to various risks, such as market, interest and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Contributions and pledges receivable: Ashoka records unconditional promises to give (pledges) as a receivable and revenue when donors make a promise to give. Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on outstanding pledges are computed using a risk-adjusted rate applicable to the years in which the promises are received. Amortization of the discounts is included within contribution revenue in the accompanying consolidated statement of activities. Conditional promises to give are not included as support until the conditions are substantially met.

Ashoka determines whether an allowance for uncollectible pledges should be provided for outstanding pledges receivable. Such estimates are based on management's assessment of the aged basis of receivables, current economic conditions, subsequent cash receipts and historical information. Receivables are written off against the allowance for uncollectible pledges when all reasonable collection efforts have been exhausted. The allowance for uncollectible pledges was \$1,374,192 at August 31, 2018.

Contributions include in-kind gifts that consist of goods and services provided by various organizations related to Ashoka's mission as well as in the fields of law, publications, television and strategic planning. The in-kind contributions are recorded at their fair value as of the date the goods or services are provided. In-kind contributions were \$2,471,488 for the year ended August 31, 2018.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost or, in the case of donated items, at fair value as of the date of acquisitions, less accumulated depreciation. Ashoka capitalizes assets that cost more than \$500 and have an estimated useful life greater than one year. Purchases with an acquisition cost of less than \$500 or a useful life of less than one year are expensed in the year of purchase and allocated to functional areas based upon actual usage. Depreciation of assets is provided based upon the estimated useful lives of the assets (5 to 10 years) using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term, inclusive of expected renewals, or the estimated useful lives of the assets. Software implementation costs are amortized over a 10 year period.

Valuation of long-lived assets: Ashoka reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Stipends payable: Ashoka makes unconditional commitments to support new and existing Fellows for periods ranging from one to four years. The total commitment to senior fellows, fellows, associates and affiliates elected was \$6,848,262 as of August 31, 2018.

Functional allocation of expenses: The costs of providing Ashoka's various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain expenses have been allocated amongst Ashoka's programs and supporting services.

Foreign currency transactions: Transaction gains and losses that arise from exchange rate fluctuations denominated in foreign currency are included in program services in the consolidated statement of activities, as incurred.

Foreign currency translation: The functional currency of Ashoka is the U.S. Dollar. Gains and losses resulting from translations of foreign currencies into U.S. Dollars are recognized as a nonoperating activity in the consolidated statement of activities. Where local currencies are used, assets and liabilities are translated into U.S. Dollars at the consolidated statement of financial position date at the exchange rate in effect at year-end. Translation losses amounted to \$846,543 for the year ended August 31, 2018.

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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

Income taxes: Ashoka, Get America Working! and Youth Venture, Inc. are all recognized as non-profit organizations and are exempt from income tax under the provisions of section 501(c)(3) of the Internal Revenue Code (IRC). In addition, Ashoka, Get America Working! and Youth Venture have been determined by the Internal Revenue Service not to be a private foundation.

Ashoka has obtained similar tax status under the laws of the many other countries where it works and operates. Ashoka is subject to unrelated business income taxes under Section 512 of the IRC; however, in the opinion of management, no provision for income taxes is required to be made.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Management evaluated Ashoka's tax positions and concluded that Ashoka had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the accounting standards on accounting for uncertainty in income taxes.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim period within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 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 evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where Ashoka is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where Ashoka is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact of the pending adoption of this new standard on its consolidated financial statements.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements, which should be applied prospectively. ASU No. 2018-13 is effective for fiscal years, and interim period within those fiscal years, beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Subsequent events: Ashoka evaluated subsequent events through September 27, 2019, which is the date the consolidated financial statements were available to be issued.

Note 3. Pledges Receivable, Net

Unconditional promises to give expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a rate of return in the appropriate period during which the outstanding promises are expected to be collected. A discount rate of 4.0% was used for fiscal year ending August 31, 2018.

Unconditional promises to give as of August 31, 2018 are due as follows:

Within one year	\$ 14,667,801
Two to five years	5,609,017
Over five years	-
Gross pledges receivable	<u>20,276,818</u>
Allowance for uncollectible pledges	(1,374,192)
Discount to present value	(250,425)
Net pledges receivable	<u><u>\$ 18,652,201</u></u>

Note 4. Investments and Fair Value Measurements

As of August 31, 2018, the fair value of investments were as follows:

Cash and money market funds	\$ 7,324,733
Certificates of deposit	2,231,559
Equities	4,683,820
Mutual funds	6,613,319
Exchange traded funds	2,307,789
Real estate investment trusts	25,710
Corporate bonds	1,011,004
	<u><u>\$ 24,197,934</u></u>

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

Investment income for the year ended August 31, 2018, consists of the following:

Realized and unrealized gain, net	\$ 518,059
Interest and dividends	1,217,985
Investment management fees	(13,870)
	<u>\$ 1,722,174</u>

The Accounting Standards Codification (the Codification) Topic on Fair Value Measurement establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, Ashoka performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by Ashoka at August 31, 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Ashoka believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of August 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	\$ 7,324,733	\$ -	\$ -	\$ 7,324,733
Certificates of deposit	-	2,231,559	-	2,231,559
Equities	4,683,820	-	-	4,683,820
Mutual funds	6,613,319	-	-	6,613,319
Exchange traded funds	2,307,789	-	-	2,307,789
Real estate investment trusts	25,710	-	-	25,710
Corporate bonds	-	1,011,004	-	1,011,004
	<u>\$ 20,955,371</u>	<u>\$ 3,242,563</u>	<u>\$ -</u>	<u>\$ 24,197,934</u>

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 5. Property and Equipment, Net

Property and equipment as of August 31, 2018, are comprised of the following:

Furniture and equipment	\$ 734,047
Leasehold improvements	169,708
Software	1,724,351
	<u>2,628,106</u>
Less: accumulated depreciation and amortization	(1,282,963)
	<u>\$ 1,345,143</u>

Depreciation and amortization expense was \$126,759 for the year ended August 31, 2018.

Note 6. Line of Credit

In 2011, Ashoka entered into a \$12,000,000 line of credit agreement with a bank which bears interest at a fixed rate and variable rate equal to the London Interbank Offered Rate for deposits having a maturity of 30 days ("LIBOR"), adjusted daily plus the percentage rate spread. The line of credit is secured by Ashoka's investment accounts. At August 31, 2018, the line of credit has no outstanding balance. Total interest expense for the year was \$120,853.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at August 31, 2018:

Leading social entrepreneurship	\$ 11,143,353
Group entrepreneurship	9,165,966
New architecture	3,215,368
Idea spread / Framework change	177,323
Strategic partnerships	2,342,723
Other restricted use	2,932,354
	<u>\$ 28,977,087</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

Leading social entrepreneurship	\$ 5,682,760
Group entrepreneurship	5,229,390
New architecture	4,111,923
Idea spread / Framework change	526,198
Strategic partnerships	1,264,466
Other restricted use	1,323,512
Total restrictions released	<u>\$ 18,138,249</u>

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 8. Permanently Restricted Net Assets

Ashoka is building an endowment and now has 42 specific endowments that together totaled \$24,425,717 on August 31, 2018. The individual endowments typically are given by individuals or institutions to ensure permanent support in an area of concern to the donor and commonly are named to honor someone of the donor's choosing. The endowment is important to Ashoka for two reasons:

- Ashoka's work supporting the people and ideas most critical to society's ability to change and adapt, is a permanent one. The issues will change but not the need for social entrepreneurs.
- Since Ashoka's average commitment to the social entrepreneurs it helps launch is for three years whereas most contributions are for one year, it needs the funding stability the endowment provides.

The Amaterasu Endowment: For the support of women Fellows working outside the Americas in the areas of women's reproductive rights, women's empowerment, or sustainable community.

The Henry Beal Endowment: In memory of Henry Beal, a founding friend of Ashoka and an inspired national environmental leader. For environment issues and HIV/AIDS.

The E. Noel Bergere Endowment: In memory of Noel Bergere who, crippled by polio at three years old, became Master of the High Court and a leader of the disabled. For supporting a Fellow who is handicapped and/or whose work relates either to education or the law.

The Joan Bergere Endowment: In memory of Joan Bergere, a loving parent and a citizen of the world with broad interests. Joan Bergere came to America as a young musician and later helped other young musicians get their key career openings and first major New York City public concerts.

The Benjamin Bloom Endowment: In memory of Ben Bloom, who was a successful lawyer and businessman as well as the son of immigrant parents. To honor his desire to provide opportunities for those who are willing to work hard but need a chance in life. Unrestricted.

The Columbia Ashoka Fellowships I and II: The Columbia Foundation created two endowments to enable Ashoka to elect more women as Fellows.

The C.M. Cresta Fund: The C.M. Cresta Fund was established in 1986. The endowment contains no restrictions.

The Padma Rag Datta Endowment: Established In memory of Dr. Padma Rag Datta and his father, Parasuram Datta, by their family to continue their legacy and allow Ashoka Fellows to find their own paths to the simple and profound acts that make a difference.

The Sarah Dunbar Endowment: Sarah Dunbar had an enduring concern for downtrodden people whose environment had been destroyed or reduced by modern times, especially war and industry, and a passion for maintaining a people-friendly environment.

The General Endowment Fund for Ashoka: The General Endowment for Ashoka was established in 1998 from numerous individual contributions. Unrestricted.

The Ashoka Endowment Fund B: In late 1999 and early 2000, Ashoka received a major anonymous endowment gift. No restrictions.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 8. Permanently Restricted Net Assets (Continued)

The Michael Fein Honorary Endowment: In memory of Michael Fein and his ability to touch so many lives. He was very passionate about the social enterprises that Ashoka fulfilled.

The Maurice Fitzgerald Ashoka Fellowship: Maurice Fitzgerald taught in the Philippines after the Spanish American War. For a teaching and education fellowship.

The John and Eleanor Forrest Fellowship: Established in 1986, this endowment contains no restrictions.

The Fort Hill Endowment Fund: The Fort Hill Endowment was established in 1993. No restrictions.

The Fox Peace Endowment: Inspired by the Peace Testimony articulated by George Fox in 1651 and by the commitment of Tom Fox, who was killed in Iraq in 2006, while serving as a witness for peace. For identifying and launching social entrepreneurs dedicated to the development of structure, conditions, and communities that nurture peace.

The Buckminster Fuller Ashoka Fellowship: For Fellows working to alleviate hunger in South Asia.

The Sanjoy Ghose Endowment: This endowment is a tribute to the work and sacrifice that Ashoka Fellow Sanjoy Ghose made in building a culture of volunteerism and a sense of citizen responsibility among the youth in India's northeastern state of Assam. Unrestricted.

William T. Golden Ashoka Endowment: Bill Golden helped launch Ashoka in 1980 and was a close partner, advisor, and endowment trustee for over three decades. In common with Ashoka, Bill brought opportunity to people with ideas for highly constructive ends.

The James P. Grant Ashoka Endowment: Named for the late Executive Director of the UNICEF and created by his friends, colleagues, and family to "continue his life's work and world vision" of supporting social development among children and the disadvantaged.

The Jeroen Hehuwat Endowment: In memory of Jeroen Hehuwat who lost his life in a landslide caused by an earthquake while hiking in Nepal's Langtang Valley. For Ashoka Fellows and Youth Venturers in Indonesia.

The Albert O. Hirschman Fellowship: Given to honor Professor Hirschman's long leadership in the field of practical, grassroots development. Unrestricted.

The Jimmy Hopkins Fellowship: Jimmy Hopkins was a Judge in the New York State Supreme Court, Appellate Division. Created for a Fellow in the legal or judicial arena.

The Harris and Eliza Kempner Fund Ashoka Fellowship: For support of Fellows working in Mexico.

The Abdul Waheed Khan Memorial Endowment: In memory of Abdul Waheed Khan, an Ashoka Fellow in Pakistan who was assassinated in 2013 following death threats for his work in education in poor communities.

The Martin Klitzner Endowment: Marty Klitzner was a loved and respected man in the financial community. Known for his integrity, the endowment hopes to reverse greed and excesses in the financial community in Marty's honor.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 8. Permanently Restricted Net Assets (Continued)

Svayam Krishi Endowment: The Svayam Krishi Endowment was created to support social entrepreneurs and changemakers to build models for sustainable villages and self-reliance among villagers and to spread the models across villages in India.

The W. Arthur Lewis Ashoka Fellowship: Given to honor Professor Lewis's remarkably broad contributions to our understanding of development and of key areas of the world. Unrestricted.

The Mack Lipkin Sr. Memorial Endowment: In memory of Dr. Mack Lipkin, a leader in the medical profession and a founding friend to Ashoka. For innovations in the effectiveness and humane quality of healthcare.

The Jan Schmidt Marmor Endowment: In memory of Jan Marmor, a fine poet and artist and a close friend to Ashoka from its launch.

The Francisco "Chico" Mendes Endowment: In memory of Chico Mendes, a friend and early Ashoka Fellow, who created a grassroots approach to organizing in the Amazon basin. Preferred use for grassroots work and environmental issues, though the endowment carries no restrictions.

The Helen Meresman Fellowship: In memory of Helen Meresman, the personification of breaking boundaries with determination, grace, and charm. Unrestricted.

The Jawaharlal Nehru Endowment: In memory of the first prime minister in India, Jawaharlal Nehru. Unrestricted.

The Nguyen-Phuong Family Endowment: Dedicated to supporting social entrepreneurs who operate in emerging markets; a permanent symbol of the family's keen commitment to social services in the developing world.

The Jacob H. Oxman Memorial Fund: In memory of Dr. Jacob H. Oxman, a devoted husband and father, and a kind, caring, generous, and principled man. Unrestricted.

Diane Pierce Phillips Ashoka Fellowship Endowment: Diane Pierce Phillips led an exemplary life of spiritual integrity and servant leadership. Unrestricted.

The Eiler Ravnholt Ashoka Endowment: In memory of Eiler Ravnholt, a dedicated public servant and active citizen, generous with his time, voice and heart. Funds devoted to social justice.

The Daniel Saks Ashoka Fellowship: In memory of Daniel Saks, one of Ashoka's earliest creators beginning in 1963, and a leader in changing U.S. employment policies. For creating work opportunities for the poor or otherwise disadvantaged.

The Morton Sand Memorial Endowment: Mort Sand, long a highly successful business entrepreneur, turned his energy and creativity to solving society's ills over his last decades. Although it is unrestricted, the Endowment will give priority to enabling disadvantaged young people through opportunities in business.

The Richard H. Ullman Endowment: In memory of Dick Ullman, a man who deeply cared about the wellbeing of others. He intuitively knew why the Ashoka Fellows are so powerful, and he recognized the importance of supporting them.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 8. Permanently Restricted Net Assets (Continued)

The Father Eugene Watrin Endowment: In memory of Father Watrin, a remarkable educational founder and builder for over 50 years in Nepal and Ashoka's volunteer representative there for our first 15 years. For the support of Fellows working in Nepal.

The Ibrahim Sobhan Endowment: In memory of Muhammed Ibrahim Sobhan, the first Ashoka Fellow in Bangladesh. He launched the innovative Association for School Based Education (ASBE) to improve rural primary education for Bangladeshi children attending government, non-government and community schools.

As of August 31, 2018, permanently restricted net asset consist of the following:

Social entrepreneurs within emerging market countries	\$ 1,058,025
Fellows	711,828
Fellows within a specific country	187,441
Fellows who are women	221,542
Fellows for education and social development	628,136
Fellows for health and hunger	228,924
Fellows for the environment	146,895
Fellows for justice and peace	670,970
General purpose	20,571,956
	<u>\$ 24,425,717</u>

Note 9. Endowments

Ashoka has consistently promised endowment donors and its broader constituencies that it will maintain the real (inflation-adjusted) value of endowment gifts. (This is one of the reasons the board put control in the hands of separate endowment trustees.) This is both a contractual obligation and Ashoka policy. Moreover, management has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original donor cash-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. In adhering to Ashoka's longstanding policy and its commitment to its endowment donors, in addition to following this interpretation of UPMIFA, Ashoka classifies as permanently restricted net assets the original value of permanently restricted contributions plus whatever adjustment for inflation is necessary to maintain the original whole value. Any amount above the inflation-adjusted real value of the endowments are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard prudence prescribed by UPMIFA.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 9. Endowments (Continued)

In accordance with UPMIFA, Ashoka considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purpose of Ashoka and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

All earnings from the donor-restricted endowment funds are reflected as temporarily restricted net assets, until appropriated for program expenditures.

Ashoka's endowment consists of individual endowments established over many years for a variety of purposes. The endowment includes permanent endowments, as well as unrestricted funds designated by the Board of Trustees to function as an endowment. The endowment is managed by the Endowment Trustees, and they shall be responsible for the maintenance, investment and preservation of the funds.

Ashoka maintains donor-restricted and board-designated funds whose purpose is to provide long term support for programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Endowment Trustees looks to the explicit directions of the donor where applicable and the provisions of the law. The intent is that these funds are to be conservatively invested to minimize unrealized losses. It is the intent of the Board of Trustees that income shall not be withdrawn but remain for future growth, therefore spending for these funds are determined by the Endowment Trustees on an annual basis.

Ashoka's endowment funds consist of the following at August 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 119,955	\$ 24,425,717	\$ 24,545,672
	<u>\$ -</u>	<u>\$ 119,955</u>	<u>\$ 24,425,717</u>	<u>\$ 24,545,672</u>

Return Objectives and Risk Parameters

Ashoka has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to maintain the purchasing power of the endowment assets and with the Endowment Trustees consent, to fund various programs. Endowment assets include those assets of donor-restricted funds that Ashoka must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Endowment Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the relevant market indices while assuming a moderate level of investment risk. Ashoka expects its endowment funds, over time, to provide an average rate that will keep pace with or exceed inflation annually. Actual returns in any given year may vary from this amount.

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 9. Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Ashoka relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Ashoka targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The overall goal for Ashoka's board-designated funds is to preserve the real (inflation adjusted) capital base and, over time, to cause the total value of funds to appreciate, exclusive of growth derived from donations.

Endowment fund activity for the year ended August 31, 2018 consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, August 31, 2017	\$ 1,489,918	\$ -	\$ 23,769,929	\$ 25,259,847
Interest and dividends	933,756	284,588	-	1,218,344
Net appreciation (realized and unrealized)	(103,978)	(19,751)	641,788	518,059
Contributions	-	-	14,000	14,000
Appropriation for expenditure	(2,305,826)	(144,882)	-	(2,450,708)
Investment fees	(13,870)	-	-	(13,870)
Endowment net assets, August 31, 2018	<u>\$ -</u>	<u>\$ 119,955</u>	<u>\$ 24,425,717</u>	<u>\$ 24,545,672</u>

Note 10. Stipends Payable

At August 31, 2018, stipends payable were as follows:

Prior year elected fellows	\$ 4,233,434
New fellows and extensions	2,614,828
	<u>\$ 6,848,262</u>
Global	\$ 3,645,795
Asia	645,102
Africa	275,408
South America	135,187
Central America	121,314
North America	-
Europe	2,025,456
	<u>\$ 6,848,262</u>

Ashoka and Affiliates

Notes to Consolidated Financial Statements

Note 11. Lease Obligations

Ashoka has negotiated operating leases for office space across different countries with varying tenures. The minimum future lease payments under the terms of these operating leases are as follows:

Years ending August 31:	
2019	\$ 1,304,896
2020	1,104,785
2021	1,034,016
2022	39,616
2023	35,720
	<u>\$ 3,519,033</u>

Rental expense for the year ended August 31, 2018 was \$1,696,756.

Note 12. Retirement Plan

Ashoka operates a 403(b) retirement plan in the US-based Global office and statutory based retirement plans in four country offices: Germany, Argentina, Sahel (Senegal) and India. Effectively all employees of these offices are eligible to participate. No match is provided under the US-based Global office plan. Matching for the other four offices is provided as required by law. Total expenses and matching costs under the plan were minimal for the year ending August 31, 2018.

Note 13. Commitments Budget (Unaudited)

Ashoka commits on average to provide financial support to its Fellows for three years. It therefore budgets for that average three-year commitment and tries to keep outlays plus commitments balanced by income plus future pledges. The unaudited Commitment Budget reflects as expenses the full new commitments made to the Fellows elected in the current year, including several much smaller multiyear commitments, plus all other payments made in that year only.

Ashoka uses this unaudited Commitments Budget as the basis of its management and planning. Ashoka believes that the organization must raise as much each year as it spends and commits to spend. This Commitment Budget is managed on a worldwide basis, inclusive of all Ashoka affiliates.

During the fiscal years ended August 31, 2018, 2017 and 2016, Ashoka spent (not including payments to Fellows committed to and funded in prior years) and committed (to new Fellows) \$38,399,000, \$36,453,000 and \$36,574,000. Ashoka raised (new donations received for the current year, endowment income, and certain net assets that Ashoka's Board of Directors requested not be counted entirely in the year they were raised) \$38,021,000, \$33,171,000 and \$39,260,000 for those years respectively.