



Memorandum

To: School the World Investors, Supporters & Interested Parties  
From: Kate Curran *Kate Curran*  
Re: Accounting Policy Change  
Date: August 15, 2015

Earlier this year, School the World elected to change the accounting method with respect to revenue recognition from the Student Service Learning Program.

The student service program includes educational seminars, fundraising and travel to Guatemala. Each participant is required to contribute or fundraise \$3500. The funds pay for all travel costs, related operating costs and a critical piece of education-related infrastructure. For the vast majority of students, the experience takes place across two fiscal years.

Previously, revenue was recognized in the year in which the student signed up for a trip, made a deposit and provided a credit card number that guaranteed future payment. Now, all expenses and revenue *up to the cost of the student's travel* are recognized in the year in which the trip occurs. If a student pays or fundraises more than the cost of travel, those additional funds are recognized in the year in which those funds are received.

We also elected to apply the new policy retroactively, restate financial statements and amend our 2013 tax return. The change required us to shift significant revenue from 2013 to 2014 and 2014 to 2015. As the program had already grown to constitute a significant percentage of our revenue, the change created a deficit in both 2013 and 2014.

For any questions, please contact Kate Curran at [kate.curran@schooltheworld.org](mailto:kate.curran@schooltheworld.org).

SCHOOL THE WORLD, INC.

FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT

SCHOOL THE WORLD, INC.  
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DECEMBER 31, 2014 AND 2013

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Michael J Hadzipanajotis, CPA  
CPA & Consulting Services

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
School The World, Inc.

I have audited the accompanying statements of financial position of School The World, Inc. as of December 31, 2014 and 2013, along with the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal controls over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School The World, Inc. as of December 31, 2014 and 2013, along with the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Belmont, MA  
August 9, 2013

SCHOOL THE WORLD, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	119,391	111,403
Accounts Receivable	6,450	49,423
Other Current Assets	6,966	48,602
<b>Total Current Assets</b>	132,807	209,428
<b>Property &amp; Equipment</b>		
Furniture and Equipment - Other	6,371	6,371
Accumulated Depreciation	(2,601)	(1,218)
<b>Total Property &amp; Equipment</b>	3,770	5,153
 <b>TOTAL ASSETS</b>	<b>\$ 136,577</b>	<b>\$ 214,581</b>
 <b>LIABILITIES &amp; NET ASSETS</b>		
Deferred Revenue/ Other Liabilities	117,518	107,332
<b>Total Liabilities</b>	117,518	107,332
<b>Net Assets</b>		
Unrestricted Net Assets	19,059	107,249
<b>Total Net Assets</b>	19,059	107,249
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 136,577</b>	<b>\$ 214,581</b>

*The accompanying notes are an integral part of these financial statements.*

SCHOOL THE WORLD, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year Ended 2014		Year Ended 2013	
	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted
<b>Ordinary Income/Expense</b>				
Currency Exchange Gain/Loss	-	22	-	489
Interest	-	5	-	5
<b>Support and Revenue Contributions in-Kind</b>				
In-Kind Books	-	30,000	-	38,517
In-Kind Construction Materials	-	115,529	-	38,517
Contributions In-Kind - Other	-	-	-	-
<b>Total Contributions in-Kind</b>		<b>145,529</b>		<b>38,517</b>
Corporate Contributions	6,558	4,284	812	29,221
Foundation Contributions	-	131,544	-	112,100
Government	25,779	25,779	123,682	-
Individual Contributions	69,004	150,211	-	126,038
Parents	(100)	-	3,117	3,117
Student Service Program	205,468	-	73,040	-
Restrictions Satisfied by Payment	(101,035)	101,035	(171,209)	171,209
<b>Total Support and Revenue</b>	<b>205,674</b>	<b>532,603</b>	<b>29,442</b>	<b>477,085</b>
<b>Total Income</b>	<b>\$ 205,674</b>	<b>\$ 532,630</b>	<b>\$ 29,442</b>	<b>\$ 477,579</b>
<b>Expense</b>				
Salaries, Benefits & Taxes	-	325,202	-	114,608
Construction	-	186,426	-	90,612
Student Service Learning	-	138,697	-	55,725
Books/ Learning Materials	-	30,389	-	27,271
Office Expenses	-	31,943	-	14,503
Travel & Entertainment	-	27,812	-	12,945
Other Expenses	-	86,025	-	196,166
<b>Total Expense</b>	<b>-</b>	<b>826,495</b>	<b>-</b>	<b>511,830</b>
	<b>\$</b>	<b>\$ 738,304</b>	<b>\$ 477,579</b>	<b>\$ 507,021</b>

The accompanying notes are an integral part of these financial statements

SCHOOL THE WORLD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	2014				2013
	Program Services	Fundraising	Management	Total	Total
<b>Expenses</b>					
Salaries and Wages					
Salaries and Wages	221,264	5,969	55,115	282,348	83,400
Benefits	6,428	164	2,766	9,358	2,975
Payroll Taxes	22,413	803	10,280	33,496	28,233
<b>Total Salaries and Wages</b>	<b>250,105</b>	<b>6,936</b>	<b>68,161</b>	<b>325,202</b>	<b>114,608</b>
Construction Materials	186,426	-	-	186,426	90,612
Student Service Learning	137,843	-	854	138,697	55,725
Books/Learning Materials	30,000	-	389	30,389	27,271
Teacher Training	-	-	-	-	46,444
Travel	19,722	1,499	6,592	27,812	12,945
Transportation	18,671	-	214	18,885	17,487
Office	14,544	5,786	11,613	31,943	14,503
Bank Fees	1,778	-	7,764	9,542	3,209
Telephone/Communications	4,566	152	3,363	8,080	5,263
Insurance	2,913	-	4,154	7,067	6,223
Accounting	2,115	-	4,812	6,926	7,787
Professional Services	967	1,500	328	2,795	73,554
Teacher Best Practices Awards	-	-	-	-	5,078
Fundraising	-	4,604	634	5,239	1,200
Technology	2,015	-	1,267	3,281	-
Legal Fees	256	-	1,490	1,746	943
Food & Beverage	177	-	1,267	1,444	3,698
Professional Development	290	-	1,920	2,210	77
Printing & Copying	574	379	1,384	2,337	3,568
Web Communications	5	221	3,459	3,685	6,097
Subscriptions	465	429	926	1,819	-
Software	150	-	654	804	3,238
Volunteer Support	-	-	744	744	2,921
Postage & Mailing	250	715	897	1,862	1,180
Depreciation	605	378	400	1,383	945
Miscellaneous	5,101	1	1,075	6,177	6,453
<b>Total Expenses</b>	<b>\$ 679,534</b>	<b>\$ 22,600</b>	<b>\$ 124,361</b>	<b>\$ 826,495</b>	<b>\$ 511,830</b>

*The accompanying notes are an integral part of these financial statements*

SCHOOL THE WORLD, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Net Income	(88,190)	(4,808)
Adjustments Needed To Reconcile To Net Cash Provided By Operations:		
Accounts Receivable	41,790	(30,358)
Loans Receivable	1,183	(1,182)
Prepaid Expenses	41,637	(30,642)
Deferred Revenue	9,539	98,479
Payroll Liabilities	647	(647)
Depreciation	1,383	945
<b>Net Cash Provided By Operations</b>	<b>7,988</b>	<b>31,787</b>
<b>INVESTING ACTIVITIES</b>		
Property & Equipment Purchased	-	(3,814)
<b>Net Cash Used By Investing Activities</b>	<b>-</b>	<b>(3,814)</b>
<b>Net Cash Increase For Period</b>	<b>7,988</b>	<b>27,973</b>
<b>Cash Beginning Of Period</b>	<b>111,403</b>	<b>83,430</b>
<b>Cash End Of Period</b>	<b>119,391</b>	<b>111,403</b>

*The accompanying notes are an integral part of these financial statements.*



**SCHOOL THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS**

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies**

**Nature of Activities**

Based in Boston, MA, School the World, Inc. is a non-profit organization committed to improving the quality of education in the developing world. In addition to building schools, they also train teachers, engage parents, and stock libraries.

**Nonprofit Status**

School The World, Inc. is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to School The World, Inc. within the requirements of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize the tax-exempt status. Management of School The World, Inc. is not aware of any events that could jeopardize the tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. School The World Inc.'s federal exempt organization tax returns for the years ended December 31, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**The following are the more significant accounting policies used in the preparation of the accompanying financial statements:**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

In 2014, School The World, Inc. changed their accounting method with respect to revenue recognition from the Student Service Learning Program. The 2013 financial statements have been revised to reflect this change. Previously, revenue was recognized when received, and revenue was accrued when a student signed up for a trip, made a deposit and provided a credit card number that guaranteed future payment. Now, revenue and expenses from the Student Service Learning Program are recognized in the year the trip occurs. Revenue from any individual student in excess of the cost of the trip for that student is recognized when received. The revision resulted in income being recognized in a year later than originally recognized.

**Financial Statement Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. School The World, Inc. 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.

**SCHOOL THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS**

**(1) Nature of Activities, Nonprofit Status and Significant Accounting Policies (cont)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, School The World, Inc. considers all highly liquid investments available for current use with an initial maturity date of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in accordance with accounting standards 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.

**Property and Equipment**

Acquisitions of property and equipment with useful lives greater than one year are recorded at cost. Property and equipment acquisitions are depreciated using the straight-line method over the estimated useful lives of the assets.

**Revenue Recognition**

School The World Inc.'s revenue consists mainly of contributions. Unrestricted contributions revenue intended for the current period is recognized when received. Restricted contributions revenue is recorded as temporarily restricted support and net assets if it is received with donor stipulations that limit the use of the donated assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenue and expenses from the Student Service Program are recognized in the year the trip occurs. Revenue from any individual student in excess of the cost of the trip for that student is recognized when received.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Contributed Services and Facilities**

School The World, Inc. records various types of contributed support, including services and facilities. Contributions of tangible and intangible assets are recognized at fair value when received. School The World, Inc. recognizes certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

SCHOOL THE WORLD, INC.  
NOTES TO FINANCIAL STATEMENTS

(1) Nature of Activities, Nonprofit Status and Significant Accounting Policies (cont)

**Subsequent Events**

School The World, Inc. has evaluated subsequent events through August 9, 2015 which is the date these financial statements were available to be issued.

**Income Taxes**

School The World, Inc. is a nonprofit organization and is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and a similar section of the state code.

(2) Concentrations of Credit and Market Risk

School The World, Inc. operates in the greater Boston area and is subject to fluctuations in the local economy, which could impact contributions, specifically grants and donations.

Financial instruments that potentially expose the chapter to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, the organization did not have uninsured balances at these institutions.