

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

SCHOOL THE WORLD, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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ADAM J. BAKER
Certified Public Accountant

Independent Auditor's Report

Board of Directors
School The World, Inc.

We have audited the accompanying financial statements of School The World, Inc. (the Company), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020 and 2019, 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 of 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 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.

Board of Directors
School The World, Inc.

Opinion

In our 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adam J Baker, CPA

Adam J. Baker
Certified Public Accountant
Underwood, Minnesota

June 3, 2021

SCHOOL THE WORLD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 681,241	\$ 445,973
Accounts Receivable, Net	54,187	33,032
Prepaid Expense	-	43,400
Total Current Assets	<u>735,428</u>	<u>522,405</u>
Plant, Property, and Equipment		
Furniture and Fixtures	19,040	15,544
Buildings	-	-
Equipment	-	-
Other	-	-
Less: Accumulated Depreciation	(15,359)	(11,136)
Total Plant, Property and Equipment	<u>3,681</u>	<u>4,408</u>
Total Assets	<u><u>\$ 739,109</u></u>	<u><u>\$ 526,813</u></u>
Liabilities		
Current Liabilities		
Credit Card	\$ 1,534	\$ 5,189
Accrued Expenses	-	6,671
Payroll Liabilities	3,817	2,447
Deferred Revenue	-	128,775
Total Current Liabilities	<u>5,351</u>	<u>143,082</u>
Long-term Liabilities		
Notes Payable	149,900	-
Total Long-Term Liabilities	<u>149,900</u>	<u>-</u>
Total Liabilities	<u>155,251</u>	<u>143,082</u>
Net Assets		
Without Donor Restriction		
Undesignated	489,065	383,731
Total Without Donor Restriction	<u>489,065</u>	<u>383,731</u>
With Donor Restriction		
Temporarily Restricted	94,793	-
Total With Donor Restriction	<u>94,793</u>	<u>-</u>
Total Net Assets	<u><u>\$ 739,109</u></u>	<u><u>\$ 526,813</u></u>

SCHOOL THE WORLD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
Operating Revenue		
Corporate Contributions	\$ 99,206	\$ 132,153
Individual Contributions	1,046,487	1,033,461
In-Kind Construction Materials	125,833	282,995
Student Service Program	398,960	793,147
Total Operating Revenues	1,670,486	2,241,756
Operating Expenditures		
Program Services:		
Program Activities	1,166,812	1,611,233
Total Program Services	1,166,812	1,611,233
Supporting Services		
Fundraising	124,415	144,216
Management and General	235,943	255,544
Total Supporting Services	360,358	399,760
Total Expenditures	1,527,170	2,010,993
Other Financing Sources (Uses)		
Governmental Grants	56,705	-
Interest Income	13	13
Unrealized Gain (Loss)	93	(1,810)
Total Other Financing Sources (Uses)	56,811	(1,797)
Change In Net Assets	200,127	228,966
Net Assets - January 1, 2020	383,731	154,765
Net Assets - December 31, 2020	\$ 583,858	\$ 383,731

SCHOOL THE WORLD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flow from Operating Activities		
Excess Revenues over Expenditures	\$ 200,127	\$ 230,777
Accounts Receivable	\$ (21,154)	\$ (33,032)
Accounts Payable		(7,634)
Prepaid Assets	43,400	55,805
Deferred Liabilities	(128,775)	(69,174)
Other Operating Liabilities	(8,955)	(610)
Depreciation Expense	4,223	3,058
Net cash provided by operating activities	<u>88,866</u>	<u>179,190</u>
Cash Flow from Financing Activities		
Effect of Exchange Rate on Cash and Cash Equivalents	-	(1,813)
Note Payable - EIDL	149,900	-
Other Liabilities	-	(4,000)
Net cash provided by financing activities	<u>149,900</u>	<u>(5,813)</u>
Cash Flow from Investing Activities		
Purchase of Plant, Property, and Equipment	(3,496)	-
Net cash provided by investing activities	<u>(3,496)</u>	<u>-</u>
Net cash increase for period	235,270	173,377
Cash in banks at beginning of period	445,971	272,594
Cash in banks at end of period	<u>\$ 681,241</u>	<u>\$ 445,971</u>

SCHOOL THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2020</u>	<u>Total 2019</u>
Books & Materials	\$ 6,466	\$ -	\$ 20,450	\$ 26,916	\$ 23,339
Bank Fees	16,905	1,698	3,224	21,827	5,529
Books & Materials	29,916	-	-	29,916	53,470
Construction materials	231,775	-	-	231,775	524,351
Corporate Service trip	33,029	-	-	33,029	34,528
Depreciation Expense	-	-	4,223	4,223	3,058
Digital Literacy	16,202	-	-	16,202	-
Early Childhood	9,486	-	-	9,486	-
Fundraising Expense	-	70,398	2,625	73,023	117,117
Insurance Expense	2,500	-	5,072	7,572	4,386
Last Mile Tutoring	1,381	-	-	1,381	-
Legal Fees	14,136	-	955	15,091	15,376
Marketing Expense	35	409	1,085	1,529	5,234
Meal Expense	1,941	-	595	2,536	5,580
Miscellaneous Expense	1,273	-	368	1,641	5,080
Monitoring & Evaluation	5,000	-	-	5,000	-
Office Expenses	15,041	-	8,507	23,548	61,997
Parenting Classes	162	-	-	162	990
Payroll Services	-	-	459	459	563
Postage and Printing	890	357	6,171	7,418	10,596
Prizes For Communities	380	-	-	380	-
Professional Development	3,581	-	76	3,657	12,241
Professional Services	-	-	18,000	18,000	1,545
Radio Program Expense	5,847	-	-	5,847	-
Recruitment	50	-	-	50	-
Salaries, Benefits & Taxes	469,437	49,108	149,573	668,118	520,210
School Resources	9,084	-	-	9,084	1,706
Student Scholarships	29,150	-	-	29,150	25,232
Student Service Trip Expense	207,286	-	-	207,286	461,285
Subscriptions	-	-	4,267	4,267	2,748
Teacher Training	4,596	-	-	4,596	8,634
Technology & Software	17,440	1,584	4,977	24,001	21,664
Telephone & Internet	9,370	861	2,705	12,936	10,166
Transportation (GUA)	22,976	-	1,303	24,279	27,988
Travel Staff (US)	1,308	-	474	1,782	40,978
Volunteer Support	169	-	834	1,003	1,174
Web & Communications	-	-	-	-	4,228
Total Expenses	<u>\$ 1,166,812</u>	<u>\$ 124,415</u>	<u>\$ 235,943</u>	<u>\$ 1,527,170</u>	<u>\$ 2,010,993</u>

SCHOOL THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(See Independent Auditor's Report)

Note 1- Nature of Organization:

School the World, Inc. is a non-profit 501(c)(3) organization, based in Boston, MA, founded on the belief that empowerment begins with education. The organization is committed to improving the quality of education in the developing world by building schools, training teachers, engaging parents and stocking classroom libraries.

Note 2- Nonprofit Status:

School the World, Inc. is exempt from Federal income taxes as an organization 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. According to section 740 of the Accounting Standard Codification (ASC), 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 such events that could jeopardize the tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements of School the World, Inc. for the years ended December 31, 2019 and 2020.

Note 3- Significant Accounting Policies:

Basis of Accounting

The financial statements of the Organization are presented on the accrual basis of accounting and accordingly reflect all significant accounts receivable, prepaids, accounts payable and other payables. Revenue and expenditures are recognized in the period in which they are earned or incurred.

Use of Estimates

No estimates and assumptions have been made for the period of these financial statements. If estimates and assumptions are used they will be in conformity with U.S. GAAP that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Balance Sheet Classification

The Organization includes in current assets and liabilities retainage amounts receivable and payable under client contracts, which may extend beyond one year. A one-year time period is used as the basis for classifying all other current assets and liabilities.

Note 3- Significant Accounting Policies (...Continued):

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory is valued at lower of cost or market.

Classification of Net Assets

Resources are classified for accounting and reporting purposes into three categories of net assets – unrestricted, temporarily restricted, or permanently restricted – according to external donor-imposed restrictions and consistent with relevant law.

Unrestricted net assets – include all resources that are not subject to donor-imposed restrictions of a more specific nature than those that only obligate the Organization to utilize funds in furtherance of its mission. Revenues received, and expenses incurred in conducting the programs and services of the Organization are presented in the financial statements as unrestricted operating funds that increase or decrease unrestricted net assets.

Temporarily restricted net assets – subject to legal or donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because the Organization has filled the restrictions. Donor-imposed gifts that are not permanently restricted are reported as temporarily restricted contributions, regardless of when the net assets are expended. Transfers of temporarily restricted net assets associated with current expenditures for which the restrictions have been satisfied are reported as net assets released from restrictions. As of December 31, 2020, the Organization had no temporarily restricted net assets.

Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5-39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Impairment of Long-Lived Assets

The Organization will review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets related to the carrying amount. If the operating is down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of June 3, 2021, there were no impairment losses recognized for long-lived assets.

Note 3- Significant Accounting Policies (...Continued):

Functional Allocation of Expenditures

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. Contribution of tangible assets and intangible assets are recognized at fair value when received. The organization recognizes certain services received as (a) create or enhance long-lived assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided as a contribution by those individuals. The amounts reflected in the accompanying financial statements as contributed services are offset by similar amounts included in expenditures.

Income Taxes

School the World, Inc. is a non-profit 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.

Note 4- Notes Payable:

In 2020, the Organization took out a loan under the Payroll Protection Program (PPP), in the amount of \$56,705. On December 30, 2020, the loan amount, plus interest, was forgiven and is no longer a liability.

On June 23, 2020, the Organization received an Economic Impact Disaster Loan in the amount of \$150,000. The terms of the loan are 2.75% and 30 years. The loan repayment will not begin until June 2022.

Note 5- Subsequent Events:

The Organization has evaluated subsequent events through June 3, 2021, the date the financial statements were available to be issued.

There have been no other events or transactions during this time which would have a material effect on these financial statements.