

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021

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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, 2021 and 2020, 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, 2021 and 2020, 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

May 9, 2022

SCHOOL THE WORLD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 711,518	\$ 681,241
Accounts Receivable, Net	64,288	54,187
Total Current Assets	<u>775,806</u>	<u>735,428</u>
Plant, Property, and Equipment		
Furniture and Fixtures	19,040	19,040
Less: Accumulated Depreciation	<u>(17,875)</u>	<u>(15,359)</u>
Total Plant, Property and Equipment	<u>1,165</u>	<u>3,681</u>
Total Assets	<u><u>\$ 776,971</u></u>	<u><u>\$ 739,109</u></u>
Liabilities		
Current Liabilities		
Credit Card	\$ 17,164	\$ 1,534
Accrued Expenses	3,250	-
Payroll Liabilities	<u>2,931</u>	<u>3,817</u>
Total Current Liabilities	<u>23,345</u>	<u>5,351</u>
Long-term Liabilities		
Notes Payable	<u>149,900</u>	<u>149,900</u>
Total Long-Term Liabilities	<u>149,900</u>	<u>149,900</u>
Total Liabilities	<u>173,245</u>	<u>155,251</u>
Net Assets		
Without Donor Restriction		
Undesignated	<u>507,593</u>	<u>489,065</u>
Total Without Donor Restriction	<u>507,593</u>	<u>489,065</u>
With Donor Restriction		
Temporarily Restricted	<u>96,133</u>	<u>94,793</u>
Total With Donor Restriction	<u>96,133</u>	<u>94,793</u>
Total Net Assets	<u>603,726</u>	<u>583,858</u>
Total Liabilities and Net Assets	<u><u>\$ 776,971</u></u>	<u><u>\$ 739,109</u></u>

SCHOOL THE WORLD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
Operating Revenue		
Corporate Contributions	\$ 194,714	\$ 99,206
Individual Contributions	1,065,328	1,046,487
In-Kind Construction Materials	140,793	125,833
Student Service Program	(1,900)	398,960
	1,398,935	1,670,486
Operating Expenditures		
Program Services:		
Program Activities	1,145,004	1,166,812
Total Program Services	1,145,004	1,166,812
Supporting Services		
Fundraising	91,104	124,415
Management and General	231,964	235,943
Total Supporting Services	323,068	360,358
Total Expenditures	1,468,072	1,527,170
Other Financing Sources (Uses)		
Governmental Grants	88,572	56,705
Interest Income	22	13
Unrealized Gain (Loss)	411	93
Total Other Financing Sources (Uses)	89,005	56,811
Change In Net Assets	19,868	200,127
Net Assets - January 1, 2021	583,858	383,731
Net Assets - December 31, 2021	\$ 603,726	\$ 583,858

SCHOOL THE WORLD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flow from Operating Activities		
Excess Revenues over Expenditures	\$ 19,868	\$ 200,127
Accounts Receivable	(10,101)	(21,154)
Accounts Payable	18,880	-
Prepaid Assets	-	43,400
Deferred Liabilities	-	(128,775)
Other Operating Liabilities	(886)	(8,955)
Depreciation Expense	2,516	4,223
Net cash provided by operating activities	<u>30,277</u>	<u>88,866</u>
 Cash Flow from Financing Activities		
Note Payable - EIDL	-	149,900
Net cash provided by financing activities	<u>-</u>	<u>149,900</u>
 Cash Flow from Investing Activities		
Purchase of Plant, Property, and Equipment	-	(3,496)
Net cash provided by investing activities	<u>-</u>	<u>(3,496)</u>
 Net cash increase for period	30,277	235,270
Cash in banks at beginning of period	681,241	445,971
Cash in banks at end of period	<u>\$ 711,518</u>	<u>\$ 681,241</u>

SCHOOL THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2021</u>	<u>Total 2020</u>
Books & Materials	\$ 37,663	\$ -	\$ -	\$ 37,663	\$ 26,916
Bank Fees	8,514	2,578	2,444	13,536	21,827
Books & Materials	-	-	-	-	29,916
Construction materials	299,523	-	-	299,523	231,775
Corporate Service trip	-	-	-	-	33,029
Depreciation Expense	-	-	2,516	2,516	4,223
Digital Literacy	-	-	-	-	16,202
Early Childhood	-	-	-	-	9,486
Fundraising Expense	8,303	76,895	2,166	87,364	73,023
Insurance Expense	1,275	-	7,430	8,705	7,572
Last Mile Tutoring	-	-	-	-	1,381
Legal Fees	13,443	-	960	14,403	15,091
Marketing Expense	150	-	980	1,130	1,529
Meal Expense	1,800	-	899	2,699	2,536
Miscellaneous Expense	1,722	617	133	2,472	1,641
Monitoring & Evaluation	-	-	-	-	5,000
Office Expenses	21,383	-	5,783	27,166	23,548
Parenting Classes	-	-	-	-	162
Payroll Services	-	-	577	577	459
Postage and Printing	3,961	-	7,506	11,467	7,418
Prizes For Communities	26	-	-	26	380
Professional Development	3,442	-	1,529	4,971	3,657
Professional Services	46,354	-	45,507	91,861	18,000
Radio Program Expense	-	-	-	-	5,847
Recruitment	71	-	138	209	50
Salaries, Benefits & Taxes	466,858	9,928	132,651	609,437	668,118
School Resources	154,940	-	-	154,940	9,084
Student Scholarships	-	-	-	-	29,150
Student Service Trip Expense	-	-	-	-	207,286
Subscriptions	-	-	4,493	4,493	4,267
Teacher Training	-	-	-	-	4,596
Technology & Software	39,239	955	11,142	51,336	24,001
Telephone & Internet	10,104	131	1,533	11,768	12,936
Transportation (GUA)	25,505	-	-	25,505	24,279
Travel Staff (US)	728	-	3,005	3,733	1,782
Volunteer Support	-	-	572	572	1,003
Total Expenses	<u>\$ 1,145,004</u>	<u>\$ 91,104</u>	<u>\$ 231,964</u>	<u>\$ 1,468,072</u>	<u>\$ 1,527,170</u>

SCHOOL THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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, 2020 and 2021.

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, 2021, 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 May 9, 2022, 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:

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 August 2022.

On January 29, 2021, the Organization received a Paycheck Protection Program (PPP) Loan in the amount of \$88,572. On November 8, 2021, that loan was forgiven and reclassified from a Note Payable (Liability) to a Governmental Grant (Revenue).

Note 5- Subsequent Events:

The Organization has evaluated subsequent events through May 9, 2022, 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.