

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022

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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, 2022 and 2021, 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, 2022 and 2021, 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

April 26, 2023

SCHOOL THE WORLD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and Cash Equivalents	\$ 300,059	\$ 711,518
Accounts Receivable, Net	374,450	64,288
Total Current Assets	<u>674,509</u>	<u>775,806</u>
Plant, Property, and Equipment		
Furniture and Fixtures	19,040	19,040
Less: Accumulated Depreciation	<u>(19,040)</u>	<u>(17,875)</u>
Total Plant, Property and Equipment	<u>-</u>	<u>1,165</u>
Total Assets	<u><u>\$ 674,509</u></u>	<u><u>\$ 776,971</u></u>
Liabilities		
Current Liabilities		
Credit Card	\$ 14,967	\$ 17,164
Accrued Expenses	750	3,250
Payroll Liabilities	3,468	2,931
Total Current Liabilities	<u>19,185</u>	<u>23,345</u>
Long-term Liabilities		
Notes Payable	149,603	149,900
Total Long-Term Liabilities	<u>149,603</u>	<u>149,900</u>
Total Liabilities	<u>168,788</u>	<u>173,245</u>
Net Assets		
Without Donor Restriction		
Undesignated	409,588	507,593
Total Without Donor Restriction	<u>409,588</u>	<u>507,593</u>
With Donor Restriction		
Temporarily Restricted	96,133	96,133
Total With Donor Restriction	<u>96,133</u>	<u>96,133</u>
Total Net Assets	<u>505,721</u>	<u>603,726</u>
Total Liabilities and Net Assets	<u><u>\$ 674,509</u></u>	<u><u>\$ 776,971</u></u>

SCHOOL THE WORLD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	2022	2021
Operating Revenue		
Corporate Contributions	\$ 285,889	\$ 194,714
Individual Contributions	751,012	1,065,328
In-Kind Construction Materials	170,315	140,793
Event Income	363,085	-
Student Service Program	421,736	(1,900)
Total Operating Revenues	1,992,037	1,398,935
Operating Expenditures		
Program Services:		
Program Activities	1,766,637	1,145,004
Total Program Services	1,766,637	1,145,004
Supporting Services		
Fundraising	178,862	91,104
Management and General	244,009	231,964
Total Supporting Services	422,871	323,068
Total Expenditures	2,189,508	1,468,072
Other Financing Sources (Uses)		
Governmental Grants	-	88,572
ERC Proceeds	90,952	-
Interest Income	52	22
Unrealized Gain (Loss)	8,462	411
Total Other Financing Sources (Uses)	99,466	89,005
Change In Net Assets	(98,005)	19,868
Net Assets - January 1, 2022	603,726	583,858
Net Assets - December 31, 2022	\$ 505,721	\$ 603,726

SCHOOL THE WORLD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flow from Operating Activities		
Excess Revenues over Expenditures	\$ (98,004)	\$ 19,868
Accounts Receivable	(309,902)	(10,101)
Accounts Payable	(1,661)	18,880
Other Operating Liabilities	(2,760)	(886)
Depreciation Expense	1,165	2,516
Net cash provided by operating activities	<u>(411,162)</u>	<u>30,277</u>
 Cash Flow from Financing Activities		
Note Payable - EIDL	<u>(297)</u>	<u>-</u>
Net cash provided by financing activities	(297)	-
 Net cash increase for period	(411,459)	30,277
Cash in banks at beginning of period	<u>711,518</u>	<u>681,241</u>
Cash in banks at end of period	\$ 300,059	\$ 711,518

SCHOOL THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2022</u>	<u>Total 2021</u>
Books & Materials	\$ 54,317	\$ -	\$ -	\$ 54,317	\$ 37,663
Bank Fees	22,966	38	3,928	26,932	13,536
Construction materials	319,795	-	-	319,795	299,523
Corporate Service trip	8,443	-	-	8,443	-
Depreciation Expense	-	-	1,165	1,165	2,516
Fundraising Expense	-	167,206	-	167,206	87,364
Insurance Expense	573	-	7,243	7,816	8,705
Interest Expense	-	-	344	344	-
Legal Fees	13,907	-	700	14,607	14,403
Marketing Expense	2,573	-	3,652	6,225	1,130
Meal Expense	3,800	-	2,459	6,259	2,699
Miscellaneous Expense	1,966	-	1,943	3,909	2,472
Office Expenses	35,247	-	42,223	77,470	27,166
Payroll Services	-	-	20	20	577
Postage and Printing	2,296	-	8,697	10,993	11,467
Prizes For Communities	1,569	-	-	1,569	26
Professional Development	4,026	-	394	4,420	4,971
Professional Services	42,709	-	31,088	73,797	91,861
Recruitment	-	-	105	105	209
Salaries, Benefits & Taxes	719,637	11,618	92,633	823,888	609,437
School Resources	248,560	-	-	248,560	154,940
Student Service Trip Expense	199,040	-	-	199,040	-
Subscriptions	-	-	3,665	3,665	4,493
Taxes and Licenses	2,863	-	-	2,863	-
Technology & Software	23,693	-	17,970	41,663	51,336
Telephone & Internet	8,097	-	4,284	12,381	11,768
Transportation (GUA)	43,415	-	156	43,571	25,505
Travel Staff (US)	6,747	-	20,796	27,543	3,733
Volunteer Support	398	-	544	942	572
Total Expenses	<u>\$ 1,766,637</u>	<u>\$ 178,862</u>	<u>\$ 244,009</u>	<u>\$ 2,189,508</u>	<u>\$ 1,468,072</u>

SCHOOL THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(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, 2022 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, 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 April 26, 2023, 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, 2021, 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 2023.

Note 5- Subsequent Events:

The Organization has evaluated subsequent events through April 26, 2023, 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.