

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

SCHOOL THE WORLD, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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 23, 2024

SCHOOL THE WORLD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and Cash Equivalents	\$ 145,256	\$ 300,059
Accounts Receivable, Net	251,759	374,450
Prepaid Expense	87,972	-
Total Current Assets	<u>484,987</u>	<u>674,509</u>
Plant, Property, and Equipment		
Furniture and Fixtures	19,040	19,040
Less: Accumulated Depreciation	(19,040)	(19,040)
Total Plant, Property and Equipment	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 484,987</u></u>	<u><u>\$ 674,509</u></u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 19,010	\$ -
Credit Card	17,961	14,967
Accrued Expenses	-	750
Payroll Liabilities	148	3,468
Current Portion of Notes Payable	201,655	-
Total Current Liabilities	<u>238,774</u>	<u>19,185</u>
Long-term Liabilities		
Notes Payable	143,337	149,603
Total Long-Term Liabilities	<u>143,337</u>	<u>149,603</u>
Total Liabilities	<u>382,111</u>	<u>168,788</u>
Net Assets		
Without Donor Restriction		
Undesignated	65,376	380,078
Total Without Donor Restriction	<u>65,376</u>	<u>380,078</u>
With Donor Restriction		
Temporarily Restricted	37,500	125,643
Total With Donor Restriction	<u>37,500</u>	<u>125,643</u>
Total Net Assets	<u>102,876</u>	<u>505,721</u>
Total Liabilities and Net Assets	<u><u>\$ 484,987</u></u>	<u><u>\$ 674,509</u></u>

SCHOOL THE WORLD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	2023	2022
Operating Revenue		
Corporate Contributions	\$ 38,043	\$ 285,889
Individual Contributions	805,134	751,012
In-Kind Construction Materials	172,114	170,315
Event Income (net of direct expenditures related to event)	261,214	209,223
Student Service Program	838,675	421,736
Total Operating Revenues	2,115,180	1,838,175
Operating Expenditures		
Program Services:		
Program Activities	2,210,134	1,766,637
Total Program Services	2,210,134	1,766,637
Supporting Services		
Fundraising	67,278	25,000
Management and General	248,932	244,009
Total Supporting Services	316,210	269,009
Total Expenditures	2,526,344	2,035,646
Other Financing Sources (Uses)		
ERC Proceeds	-	90,952
Interest Income	176	52
Gain (Loss) on Currency Exchange	8,143	8,462
Total Other Financing Sources (Uses)	8,319	99,466
Change In Net Assets	(402,845)	(98,005)
Net Assets - January 1, 2023	505,721	603,726
Net Assets - December 31, 2023	\$ 102,876	\$ 505,721

SCHOOL THE WORLD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022

	2023	2022
Cash Flow from Operating Activities		
Excess Expenditures over Revenues	\$ (402,846)	\$ (98,004)
Accounts Receivable	122,691	(309,902)
Accounts Payable	22,004	(1,661)
Prepaid Expense	(87,972)	-
Other Operating Liabilities	(4,070)	(2,760)
Depreciation Expense	-	1,165
Net cash provided (used) by operating activities	(350,193)	(411,162)
 Cash Flow from Financing Activities		
Note Payable - Eastern Bank	198,300	-
Note Payable - EIDL	(2,910)	(297)
Net cash provided (used) by financing activities	195,390	(297)
 Net cash increase (decrease) for period	(154,803)	(411,459)
Cash in banks at beginning of period	300,059	711,518
Cash in banks at end of period	\$ 145,256	\$ 300,059

SCHOOL THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2023</u>	<u>Total 2022</u>
Books & Materials	\$ 7,311	\$ -	\$ -	\$ 7,311	\$ 54,317
Bank Fees	39,132	-	303	39,435	26,932
Construction materials	318,419	-	-	318,419	319,795
Corporate Service trip	65,123	-	-	65,123	8,443
Depreciation Expense	-	-	-	-	1,165
Fundraising Expense	-	38,500	-	38,500	13,344
Interest Expense	11,121	-	-	11,121	344
Insurance Expense	3,944	-	3,921	7,865	7,816
Legal Fees	20,703	-	90	20,793	14,607
Marketing Expense	1,076	-	19,532	20,608	6,225
Meal Expense	6,685	-	1,044	7,729	6,259
Memberships and Subscriptions	-	-	2,769	2,769	-
Miscellaneous Expense	3,440	-	105	3,545	3,909
Office Expenses	48,043	2,773	24,694	75,510	77,470
Payroll Services	-	-	-	-	20
Postage and Printing	1,698	295	5,392	7,385	10,993
Prizes For Communities	791	-	-	791	1,569
Professional Development	1,132	-	29	1,161	4,420
Professional Services	43,121	2,267	29,412	74,800	73,797
Recruitment	-	-	305	305	105
Salaries, Benefits & Taxes	777,468	21,004	137,987	936,459	823,888
School Resources	408,882	-	-	408,882	248,560
Student Service Trip Expense	360,093	-	-	360,093	199,040
Subscriptions	-	-	-	-	3,665
Taxes and Licenses	-	-	750	750	2,863
Technology & Software	26,411	1,791	11,713	39,915	41,663
Telephone & Internet	9,557	648	4,239	14,444	12,381
Transportation (GUA)	52,651	-	52	52,703	43,571
Travel Staff (US)	3,333	-	5,970	9,303	27,543
Volunteer Support	-	-	625	625	942
Total Expenses	<u>\$ 2,210,134</u>	<u>\$ 67,278</u>	<u>\$ 248,932</u>	<u>\$ 2,526,344</u>	<u>\$ 2,035,646</u>

SCHOOL THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(See Independent Auditor's Report)

Note 1- Nature of Organization:

School the World, Inc. (doing business as School the World) is a nonprofit organization committed to solving extreme poverty through the power of education. Since 2009, School the World has built 131 schools and 68 playgrounds in Central America supporting over 19,000 children from early childhood through primary school and within lower secondary education. The Organization's team has worked with 8,075 parents through empowerment training, 7,645 teachers have completed training around classroom management and teaching at the right level, and nearly 800 classroom libraries are stocked with over 50,000 books. School the World also has a service learning and cultural exchange program that incorporates high school students and corporate employee volunteers who fundraise to build a school and/or playground in rural Central America. To date, 1,087 students and 147 corporate employees have participated in this program.

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 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, 2023 and 2022.

Note 2- Significant Accounting Policies:

(a) Basis of Presentation

School the World's consolidated financials have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The financial statements include one headquarter office [United States] and three offices registered under School the World [Guatemala, Honduras, Panama]. The consolidated financials 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. The Organization groups contributions into six categories: Corporations & Foundations, Individual Contributions, Event Income, In-Kind Contributions, Student Service Program, and Corporate Service Program.

(b) Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions received are recorded as increases in net

Note-2- Significant Accounting Policies (...Continued):

assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

(c) Classification of Net Assets

The net assets, revenues, expenses, gain and losses of the Organization are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the new assets of the Organization and changes thereto are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets (or unrestricted contributions) are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These assets may be used at the discretion of the management of the Organization.

Net Assets With Donor Restrictions

Net assets subject to restrictions imposed by the donor and grantors are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Upon satisfaction of such restrictions, assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. School The World receives donations temporarily restricted for scholarships. They are released once the scholarships have been paid.

(d) 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.

(e) Accounting Estimate

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Estimates include the useful life of depreciable assets, estimates of uncollectible accounts receivable, allocation of functional expenses and the value of donated books / learning supplies, construction materials and services. These estimates and judgements are based on assumptions that are considered reasonable in the circumstances and having regard to historical experience. Accordingly, actual results could differ from those estimates.

(f) Allocation of Functional Expenses

The cost of providing School the World programs, management and general, and development services has been summarized on a functional basis in the accompanying consolidated statement of activities.

Directly identifiable expenditures are charged to their applicable functional category. Expenses attributed to more than one program or supporting function are allocated based on estimates of time and effort, determined by management.

Note 2- Significant Accounting Policies (...Continued):

(g) Property & Equipment

Property and equipment includes fixed assets such as furniture, fixtures, software and equipment which are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which generally range from three to five years. 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.

(h) Fundraising Event Costs

The Organization expenses costs for fundraising events as they are incurred. Costs for fundraising events for the years ended December 31, 2023 and 2022 were \$139,069 and \$153,862, respectively.

(i) Foreign Currency Translation

The Organization's reporting currency is the United States Dollar ("USD"). The functional currency of consolidated branches is their local currency as this is the prominent currency that affects their operations locally.

Financial statements of consolidated entities where the local currency is the functional currency are translated into USD using period-end exchange rates for assets and liabilities and average exchange rates during the period for income and expenses. Exchange rate gains and losses related to foreign currency transactions are recognized in the consolidated statement of activities as they are incurred.

(j) Contributed Assets and Services

School the World, Inc. records various types of support in the form of contributions toward assets and services at their estimated fair value. The Organization primarily receives contributed materials toward the construction of infrastructure projects and donated services in the form of labor. It is agreed upon that these contributions (a) enhance School the World's program objectives and (b) require specialized skills which are provided by unpaid individuals and would typically need to be purchased if not provided as an in-kind contribution.

The amounts reflected in the accompanying financial statements as contributed services are offset by similar amounts included in expenditures.

(k) 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 3- Notes Payable:

On June 23, 2021, School the World, Inc. was granted the Economic Injury Disaster Loan (EIDL) as a portion of COVID relief government funding. The loan is in the amount of \$150,000 with an annual interest rate of 2.75% payable over 30 years. Loan repayment began in August 2023 at a monthly payment of \$641.

On May 15, 2023, the Organization drew upon the line of credit previously obtained by consent from the Board. The line of credit was established with Eastern Bank in 2019 at the amount of \$200,000 and is due on demand. The variable interest rate is currently established at 9.50%. Monthly interest payments began in December 2023 at an amount of \$1,596. School the World expects to pay off this line of credit in full by December 31, 2024.

Note 4- Operating Lease:

In February 2016, the FASB issued ASU No. 2016-02, Leases. This ASU supersedes existing guidance on accounting for leases in ASC Topic 842, Leases. The standard requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. This ASU was effective for the Organization's year ended December 31, 2023. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach. For the period ending December 31, 2023, the Organization would have recorded a Right of Use Liability of \$68,000, and a Right of Use Asset of \$68,000.

As of December 31, 2023, the minimum lease payments under the operating lease consist of the following:

<u>Fiscal Year</u>	<u>Operating Lease</u>
2024	48,000
2025	20,000
Total minimum lease payments	\$ 68,000

Note 5- Subsequent Events:

The Organization has evaluated subsequent events through April 23, 2024, 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.