

Kevin P. Martin & Associates, P.C.



WorldTeach, Inc.

Financial Statements

June 30, 2018



WORLDTEACH, INC.

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June 30, 2018

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
WorldTeach, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of WorldTeach, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 from 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 auditors' 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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.

Other Matters

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2017, were audited by other auditors whose report dated December 20, 2017, expressed an unmodified audit opinion on those audited financial statements.

Report on Summarized Comparative Information

The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Braintree, Massachusetts
February 27, 2019

WORLDTEACH, INC.

Statement of Financial Position

As of June 30, 2018

With Comparative Totals as of June 30, 2017

Current Assets	<u>2018</u>	<u>2017</u>
Cash	\$ 480,452	\$ 668,876
Accounts receivable, countries	48,602	86,909
Accounts receivable, volunteer fees	94,864	65,152
Prepaid expenses	<u>44,791</u>	<u>154,421</u>
Total current assets	<u>668,709</u>	<u>975,358</u>
Fixed Assets		
Equipment	6,748	7,107
Less: accumulated depreciation	<u>(5,348)</u>	<u>(3,922)</u>
Total net fixed assets	<u>1,400</u>	<u>3,185</u>
Other Assets		
Investments	<u>1,500,101</u>	<u>1,606,861</u>
Total other assets	<u>1,500,101</u>	<u>1,606,861</u>
Total Assets	<u><u>2,170,210</u></u>	<u><u>2,585,404</u></u>
Current Liabilities		
Accounts payable and accrued expenses	18,568	211,452
Accrued volunteer support	97,068	123,362
Deferred revenue	<u>140,913</u>	<u>255,950</u>
Total current liabilities	<u>256,549</u>	<u>590,764</u>
Net Assets		
Unrestricted	1,835,301	1,918,932
Temporarily restricted	<u>78,360</u>	<u>75,708</u>
Total net assets	<u>1,913,661</u>	<u>1,994,640</u>
Total Liabilities and Net Assets	<u><u>\$ 2,170,210</u></u>	<u><u>\$ 2,585,404</u></u>

The accompanying notes are an integral part of the financial statements.

WORLDTEACH, INC.

Statement of Activities

For the Year Ended June 30, 2018

With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and Support				
Public support	\$ 1,062,933	\$ 3,657	\$ 1,066,590	\$ 1,549,426
Volunteer fees	297,825	-	297,825	314,585
Investment income	18,289	11,379	29,668	34,450
Donated services	116,462	-	116,462	115,814
Other revenue	38,209	-	38,209	15,628
Realized gain on investments	343	-	343	14,602
Unrealized gain on investments	82,790	-	82,790	122,547
Net assets released from restrictions	12,384	(12,384)	-	-
	<u>1,629,235</u>	<u>2,652</u>	<u>1,631,887</u>	<u>2,167,052</u>
Expenses				
Program services	1,474,529	-	1,474,529	2,139,469
General and administrative	209,335	-	209,335	327,330
Fundraising	29,002	-	29,002	38,643
	<u>1,712,866</u>	<u>-</u>	<u>1,712,866</u>	<u>2,505,442</u>
Change in Net Assets	(83,631)	2,652	(80,979)	(338,390)
Net Assets at Beginning of Year	<u>1,918,932</u>	<u>75,708</u>	<u>1,994,640</u>	<u>2,333,030</u>
Net Assets at End of Year	<u>\$ 1,835,301</u>	<u>\$ 78,360</u>	<u>\$ 1,913,661</u>	<u>\$ 1,994,640</u>

The accompanying notes are an integral part of the financial statements.

WORLDTEACH, INC.

Statement of Cash Flows

For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (80,979)	\$ (338,390)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contribution of stock	-	(29,607)
Gain on investments and investment income reinvested	(118,240)	(171,354)
Depreciation	1,785	2,738
Bad debt expense	-	6,287
Decrease (increase) in assets:		
Accounts receivable, countries	38,307	265,460
Accounts receivable, volunteers	(29,712)	(21,272)
Prepaid expenses	109,630	(23,984)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(192,884)	97,099
Accrued volunteer support	(26,294)	(30,605)
Deferred revenue	(115,037)	55,035
Net Cash Used in Operating Activities	<u>(413,424)</u>	<u>(188,593)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	225,000	250,123
Purchases of fixed assets	-	(2,828)
Net Cash Provided by Investing Activities	<u>225,000</u>	<u>247,295</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(188,424)	58,702
Cash and Cash Equivalents - Beginning	<u>668,876</u>	<u>610,174</u>
Cash and Cash Equivalents - Ending	<u>\$ 480,452</u>	<u>\$ 668,876</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Contributions of stock	<u>\$ -</u>	<u>\$ 29,607</u>

The accompanying notes are an integral part of the financial statements.

WORLDTEACH, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

With Comparative Totals for the Year Ended June 30, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Compensation and related costs					
Compensation	\$ 439,189	\$ 91,716	\$ 19,760	\$ 550,665	\$ 730,237
Benefits	30,068	8,302	1,789	40,159	63,586
Payroll taxes	35,127	7,469	1,609	44,205	57,558
Contracted and work study	1,244	-	-	1,244	5,269
Subtotal	<u>505,628</u>	<u>107,487</u>	<u>23,158</u>	<u>636,273</u>	<u>856,650</u>
Volunteer placement					
Stipend advances	199,571	-	-	199,571	440,544
Airline tickets	111,651	-	-	111,651	192,812
Room and board	100,101	-	-	100,101	93,353
Other	88,966	-	-	88,966	125,746
Health insurance	51,162	-	-	51,162	87,374
Visa and departure	26,515	-	-	26,515	-
	<u>577,966</u>	<u>-</u>	<u>-</u>	<u>577,966</u>	<u>499,285</u>
Orientation expenses					
Expenses at site	82,395	-	-	82,395	94,905
Expenses in USA	-	-	-	-	6,734
In-service	36,573	-	-	36,573	67,301
	<u>118,968</u>	<u>-</u>	<u>-</u>	<u>118,968</u>	<u>168,940</u>
Administrative expenses					
Professional fees	86,906	69,281	1,570	157,757	169,030
Office supplies and expenses	58,824	14,899	1,821	75,544	36,861
Rent	32,576	9,360	1,146	43,082	71,869
Advertising	33,792	-	-	33,792	31,964
Other expenses	22,348	7,593	1,220	31,161	166,656
Travel	23,165	-	-	23,165	43,612
Telephone	7,955	715	87	8,757	11,284
Meals and entertainment	4,882	-	-	4,882	9,398
Vehicles	2,439	-	-	2,439	2,369
Postage	1,899	-	-	1,899	3,210
Printing and copying	717	-	-	717	2,149
	<u>275,503</u>	<u>101,848</u>	<u>5,844</u>	<u>383,195</u>	<u>548,402</u>
Other items					
Depreciation	1,785	-	-	1,785	2,738
Foreign currency translation	(5,321)	-	-	(5,321)	(11,117)
	<u>(3,536)</u>	<u>-</u>	<u>-</u>	<u>(3,536)</u>	<u>(8,379)</u>
Total Expenses	<u>\$ 1,474,529</u>	<u>\$ 209,335</u>	<u>\$ 29,002</u>	<u>\$ 1,712,866</u>	<u>\$ 2,505,442</u>

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

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by WorldTeach, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization is a private, not-for-profit organization which places North American volunteers in teaching positions in other countries. The Organization was founded in 1986 under the control of Phillips Brooks House Association, Inc. and was incorporated as an independent entity on November 1, 1991.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in Massachusetts and foreign countries. The cash balances maintained in the U.S. are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. The cash balances maintained in foreign countries are not insured and amount to \$168,295 as of June 30, 2018. Management believes that no significant concentration of credit risk exists with respect to these cash balances, both domestic and foreign, as of June 30, 2018.

(e) Investment Valuation and Income Recognition

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 1(k) for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income is recognized when received. Capital gain distributions are included in dividend income. Net appreciation and depreciation includes the Organization's gains and losses on investments bought and sold as well as held during the year.

(f) Revenue Recognition

Volunteer and country fees are recognized as revenue upon departure of the volunteers of the related program. Volunteer and country fees collected in advance of departure are deferred until the related program begins.

Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(f) *Revenue Recognition - continued*

Substantially all of the Organization's revenue is derived from its volunteer related activities in foreign countries. During the year ended June 30, 2018, the Organization derived approximately 60% of its total revenue from country contracts, 18% from volunteer activities, and 22% from grants from foundations, individual donors and investments. All revenue is recorded at the estimated net realizable amounts.

(g) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2018, management has determined any allowance would be immaterial

The Organization does not have a policy to accrue interest on receivables. As of June 30, 2018, 66% of the Organization's accounts receivable is due from the volunteers and 34% is due from countries.

(h) *Equipment*

Equipment is recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Equipment	2-3 years
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(i) *Reclassifications*

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(j) Foreign Currency Translation

The Organization reports its financial statements in U.S. dollars. Activities from foreign locations are translated from the countries respective currencies (China - Chinese Yuan, Namibia - Namibian Dollar, Thailand - Thai Baht) based on applicable exchange rates at the date of the financial statements. The net impact of foreign currency translations resulted in a gain of \$5,321 for the year ended June 30, 2018.

(k) Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Measurements

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization's assets that are adjusted to fair value on a recurring basis are described below. The Organization currently has no liabilities that are adjusted to fair value on a recurring basis.

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2018.

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Investments (see Note 2) \$	<u>1,500,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,101</u>
Total	<u>\$ 1,500,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,101</u>

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements - continued

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Organization currently has no assets or liabilities that are adjusted to fair value on a nonrecurring basis.

(l) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization.

(m) Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon full time equivalents.

(n) Advertising Costs

The Organization expenses advertising costs when they are incurred. Advertising expense amounted to \$33,792 for the year ended June 30, 2018.

(o) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(p) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

(q) Summarized Financial Information for 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

(2) Investments

Investments are held at a Securities Investor Protection Corporation (SIPC) member brokerage firm. As of June 30, 2018, all investments are classified as long-term in accordance with management's intentions for their use. Investments are comprised of the following as of June 30, 2018:

Equity securities:	
Exchange traded funds	\$ 23,999
Marketable equity securities	<u>1,476,102</u>
Total	\$ <u>1,500,101</u>

Investment return consisted of the following for the year ended June 30, 2018:

Interest and dividends, net of management fees	\$ 29,668
Net realized and unrealized gain	<u>83,133</u>
Total gain on investments	\$ <u>112,801</u>

The marketable equity securities primarily consist of common stock and mutual funds, respectively, of companies traded on the New York Stock Exchange.

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(3) Accounts Receivable, Countries and Volunteer Fees and Deferred Revenue

Accounts receivable and deferred revenue relate to the following locations as of June 30, 2018:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Ecuador	\$107,596	\$ 79,740
Thailand	14,470	16,470
American Samoa	-	11,000
Marshall Islands	2,580	5,000
Morocco	4,000	-
Namibia	5,970	18,723
South Africa	<u>8,850</u>	<u>9,980</u>
	<u>\$143,466</u>	<u>\$140,913</u>

(4) Accrued Volunteer Support

Accrued volunteer support represents the estimated cost to maintain the field offices and the U.S. office through the term of the service of the most recently placed volunteers and relates to the following locations as of June 30, 2018:

U.S.	\$ 52,400
Ecuador	31,944
Namibia	<u>12,724</u>
	<u>\$97,068</u>

(5) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended June 30, 2018 were as follows and are included in professional fees on the accompany statement of functional expenses:

Pro-bono outside services:	
Legal	\$ 31,829
IT Consulting	58,860
Management Consulting	<u>25,773</u>
Total	<u>\$ 116,462</u>

WORLDTEACH, INC.

Notes to Financial Statements

June 30, 2018

(6) Operating Lease Commitments

The Organization was renting office space with WeWork in Boston from February 2017 to January 2018, after which, the Organization entered into an operating lease agreement for office space with Tellus Institute starting January 1, 2018. The lease will terminate on June 30, 2020. The Organization is also liable for certain real estate tax increases and operating cost adjustments under the office lease terms. The minimum annual operating non-cancelable lease commitments on property for the Organization are as follows:

2019	\$24,600
2020	25,800

Rent expense for the year ended June 30, 2018 was \$43,082.

(7) Related Party Transactions

The Organization has entered into software services agreement for Customer Relationship Management (CRM) services with Blue Robin, Inc., which is owned by the husband of the Organization's Executive Director. The total amount paid to Blue Robin, Inc. for the year ended June 30, 2018 was \$21,513. In addition, Blue Robin, Inc. donated \$58,860 worth of their services during the year ended June 30, 2018 which are included as in-kind contributions on the accompany statement of activities; see Note 5.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2018, temporarily restricted net assets are restricted for the following purposes:

Support for volunteers in countries	\$ 10,352
Scholarships	<u>68,008</u>
Total	\$ <u>78,360</u>

(9) Subsequent Events

The Organization has performed an evaluation of subsequent events through February 27, 2019, which is the date the Organization's financial statements were available to be issued. No material subsequent events, have occurred since June 30, 2018 that required recognition or disclosure in these financial statements.