

FINANCIAL STATEMENTS



**WORLD EDUCATION AND
DEVELOPMENT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

WORLD EDUCATION AND DEVELOPMENT FUND

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
World Education and Development Fund
New York, New York

We have audited the accompanying financial statements of the World Education and Development Fund (Worldfund), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and change in net assets, 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 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 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 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 Worldfund as of September 30, 2017, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited Worldfund's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

June 6, 2018

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,939,557	\$ 2,019,928
Grants and contributions receivable	2,086,660	1,033,258
Other receivables	11,521	67,000
Prepaid expenses	33,005	22,997
Total current assets	<u>5,070,743</u>	<u>3,143,183</u>
FIXED ASSETS		
Office equipment	45,927	30,526
Furniture	6,546	6,546
Website	28,461	28,461
Software	53,195	53,195
	134,129	118,728
Less: Accumulated depreciation and amortization	(109,009)	(95,690)
Net fixed assets	<u>25,120</u>	<u>23,038</u>
OTHER ASSETS		
Security deposits	39,647	15,459
TOTAL ASSETS	\$ 5,135,510	\$ 3,181,680
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 129,654	\$ 159,823
Accrued vacation	20,875	21,527
Other current liabilities	16,916	-
Total current liabilities	<u>167,445</u>	<u>181,350</u>
NET ASSETS		
Unrestricted	1,280,321	1,091,681
Temporarily restricted	3,687,744	1,908,649
Total net assets	<u>4,968,065</u>	<u>3,000,330</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 5,135,510	\$ 3,181,680

See accompanying notes to financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contributions (net of direct benefit to donors of \$155,543 and \$143,403 for 2017 and 2016, respectively):				
Individuals	\$ 317,072	\$ 15,572	\$ 332,644	\$ 280,321
Foundations	122,833	329,126	451,959	442,347
Government grants	-	94,184	94,184	-
Corporations	334,479	3,364,503	3,698,982	1,149,374
Interest income	40,816	-	40,816	20,520
Contributed services	94,094	-	94,094	71,700
Program service fees	1,587	-	1,587	42,780
Other	844	-	844	69
Net assets released from donor restrictions	<u>2,262,290</u>	<u>(2,262,290)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,174,015</u>	<u>1,541,095</u>	<u>4,715,110</u>	<u>2,007,111</u>
EXPENSES				
Program Services	<u>2,351,902</u>	<u>-</u>	<u>2,351,902</u>	<u>1,750,196</u>
Supporting Services:				
General and Administrative	385,523	-	385,523	284,741
Fundraising	<u>261,251</u>	<u>-</u>	<u>261,251</u>	<u>384,715</u>
Total supporting services	<u>646,774</u>	<u>-</u>	<u>646,774</u>	<u>669,456</u>
Total expenses	<u>2,998,676</u>	<u>-</u>	<u>2,998,676</u>	<u>2,419,652</u>
Change in net assets before other items	<u>175,339</u>	<u>1,541,095</u>	<u>1,716,434</u>	<u>(412,541)</u>
OTHER ITEMS				
Gain (loss) on currency translation	30,973	-	30,973	(98,546)
Unfulfilled match	-	238,000	238,000	(238,000)
Taxes paid by Brazil office	<u>(17,672)</u>	<u>-</u>	<u>(17,672)</u>	<u>(5,146)</u>
Total other items	<u>13,301</u>	<u>238,000</u>	<u>251,301</u>	<u>(341,692)</u>
Change in net assets	188,640	1,779,095	1,967,735	(754,233)
Net assets at beginning of year, as restated	<u>1,091,681</u>	<u>1,908,649</u>	<u>3,000,330</u>	<u>3,754,563</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,280,321</u>	<u>\$ 3,687,744</u>	<u>\$ 4,968,065</u>	<u>\$ 3,000,330</u>

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017				2016	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	General and Administrative	Fundraising			
Salaries	\$ 727,741	\$ 158,090	\$ 115,354	\$ 273,444	\$ 1,001,185	\$ 830,952
Payroll taxes and other benefits	166,387	54,210	20,629	74,839	241,226	138,107
Grants to schools	18,725	-	-	-	18,725	74,800
Program instructors and curriculum development	411,496	9,684	6,410	16,094	427,590	299,336
Program instructors' and participants' travel	248,951	116	-	116	249,067	203,075
Program evaluations	5,731	-	-	-	5,731	15,849
Books and class supplies	255,583	3	11	14	255,597	49,335
Consulting fees	152,398	1,765	455	2,220	154,618	197,853
Accounting and audit services	100,590	30,021	30,070	60,091	160,681	156,410
IT expenses	19,216	4,064	1,497	5,561	24,777	27,078
Occupancy	82,645	16,423	16,933	33,356	116,001	98,181
Travel	82,925	1,618	17,641	19,259	102,184	80,407
Telephone	6,387	888	799	1,687	8,074	9,041
Insurance	6,910	2,236	2,236	4,472	11,382	10,105
Office and general expense	8,242	7,183	984	8,167	16,409	10,655
Postage and shipping	1,138	1,223	1,163	2,386	3,524	3,426
Registration fees	83	(17,018)	262	(16,756)	(16,673)	9,285
Bank and credit card fees	12,430	9,124	4,502	13,626	26,056	17,247
Payroll processing fees	-	2,288	-	2,288	2,288	1,954
Printing and printed materials	5,406	739	365	1,104	6,510	4,290
Depreciation and amortization	7,992	2,663	2,664	5,327	13,319	15,293
Gala expenses	-	-	28,435	28,435	28,435	61,255
Events	9,004	56	1,446	1,502	10,506	846
Legal expenses	783	94,658	89	94,747	95,530	77,828
Furniture and equipment rental and maintenance	3,484	1,401	356	1,757	5,241	6,698
Marketing and communications	10,718	-	5,384	5,384	16,102	10,848
Fundraising	3,119	1,040	1,040	2,080	5,199	5,428
Other	3,818	3,048	2,526	5,574	9,392	4,070
TOTAL	\$2,351,902	\$ 385,523	\$ 261,251	\$ 646,774	\$ 2,998,676	\$ 2,419,652

See accompanying notes to financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,967,735	\$ (754,233)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	13,319	15,293
Unfulfilled match	(238,000)	238,000
(Increase) decrease in:		
Grants and contributions receivable	(815,402)	282,660
Other receivables	55,479	(32,930)
Prepaid expenses	(10,008)	(1,526)
Security deposits	(24,188)	-
(Decrease) in:		
Accrued expenses	(13,253)	(28,650)
Accrued vacation	<u>(652)</u>	<u>(797)</u>
Net cash provided (used) by operating activities	<u>935,030</u>	<u>(282,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(15,401)</u>	<u>-</u>
Net cash used by investing activities	<u>(15,401)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	919,629	(282,183)
Cash and cash equivalents at beginning of year	<u>2,019,928</u>	<u>2,302,111</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,939,557</u>	<u>\$ 2,019,928</u>

WORLD EDUCATION AND DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The World Education and Development Fund (Worldfund) is a non-profit organization, incorporated in 2002, and located in the State of New York. Worldfund's mission is to support high-quality and results-driven education in Latin America. Its vision is for every child in Latin America to have access to a high-quality education and the tools to become a productive member of his or her local community. Through its teacher and principal training programs, Worldfund has trained nearly 6,500 educators, reaching more than 3.2 million students in Mexico and Brazil.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Worldfund's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Cash and cash equivalents -

Worldfund considers all cash and other highly liquid investments with initial maturities of six months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Worldfund maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Worldfund had approximately \$1,333,500 of cash and cash equivalents held in Mexico and Brazil at September 30, 2017. The majority of all funds held in foreign countries is uninsured. Such amounts are included in cash and cash equivalents in the accompanying Statement of Financial Position.

Grants, contributions and other receivables -

Grants, contributions and other receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor (Note 2).

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

WORLD EDUCATION AND DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency -

The U.S. Dollar is the functional currency of Worldfund. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction.

Property and equipment purchases with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position. The net exchange gains from foreign currency totaled \$30,973 for the year ended September 30, 2017.

Income taxes -

Worldfund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Worldfund is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2017, Worldfund has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Worldfund and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Worldfund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor.

WORLD EDUCATION AND DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions (continued) -

Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Program service fees -

Program service fees represent fees submitted by the Mexican Government for each state that participates in the IAPE program.

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of Worldfund financial statements it is not expected to alter Worldfund's reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. Worldfund has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Worldfund plans to adopt the new ASUs at the required implementation date.

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of September 30, 2017, contributors to Worldfund have made written promises to give totaling \$2,086,660.

Grants are due as follows at September 30, 2017:

Year Ending September 30, 2018	\$ <u>2,086,660</u>
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3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2017:

Inter-American Partnership for Education (IAPE)	\$ 232,099
Principal Training Program (LISTO)	586,669
STEM Brasil	<u>2,868,976</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>3,687,744</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Inter-American Partnership for Education (IAPE)	\$ 629,009
Principal Training Program (LISTO)	579,830
STEM Brasil	<u>1,053,451</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>2,262,290</u>

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

4. CONTRIBUTED SERVICES

During the year ended September 30, 2017, Worldfund was the beneficiary of donated legal services. The value of the donated legal services, \$94,094, was based upon the fair value at the date the services were provided.

5. OCCUPANCY

Worldfund entered into a five-year lease agreement for office space in New York on July 1, 2015. Base rent is \$45,630 per year, plus a proportionate share of expenses, increasing by a factor of 2.9% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. The deferred rent liability was \$4,288 and is included in accrued expenses on the Statement of Financial Position.

During fiscal year 2017, Worldfund had a lease for office space in Mexico City. When this lease expired in March, Worldfund entered into a one-year lease for office space, which commenced on May 1, 2017 and expired on April 30, 2018. Subsequent to year-end, this lease was extended through April 30, 2019. In addition, Worldfund rented office space in Tlaxcala under a lease that expired in August 2017 and was extended through February 2018. This lease has continued on a six-month renewal basis.

In October 2014, Worldfund entered into a one-year lease agreement for office space in Brazil, which has been extended on an annual basis (currently extended through October 30, 2018). In addition, Worldfund entered into a one-year lease for office space in another location in Brazil, which commenced on July 20, 2017.

The following is a schedule of the future minimum lease payments:

Year Ending September 30,

2018	\$ 100,829
2019	62,135
2020	<u>38,518</u>
	<u>\$ 201,482</u>

Rent expense, excluding real estate taxes and utilities, under the aforementioned lease agreements, was approximately \$116,000 for the year ended September 30, 2017.

6. RETIREMENT PLAN

Worldfund has adopted a defined contribution plan for all eligible employees, effective January 1, 2009, covering all full-time employees with six months of eligible experience and a minimum age requirement of 21 years. Matching employer contributions to the Plan are on a discretionary basis. During the year ended September 30, 2017, no matching contributions were made.

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. CONTINGENCIES

At the present time, Worldfund conducts programmatic activities in Brazil and Mexico and maintains certain assets within each respective country. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations, changes in local tax laws or changes in the political climate.

8. CORRECTION OF AN ERROR

During the 2018 fiscal year, management of Worldfund realized that revenue recognized (net assets released from donor restrictions) during 2016 under the "Principle Training Program" (LISTO) was incorrectly calculated, and over-stated by \$267,529.

Accordingly, the financial statements have been retroactively restated to correct for this error.

Following is the effect of the restatement:

	<u>As Previously Reported</u>	<u>As Restated</u>
Net Assets Released from Donor Restriction	\$ <u>2,004,628</u>	\$ <u>1,737,099</u>
Total Revenue:		
Unrestricted	2,839,014	2,571,485
Temporarily Restricted	<u>(831,903)</u>	<u>(564,374)</u>
	<u>2,007,111</u>	<u>2,007,111</u>
Change in Net Assets:		
Unrestricted	352,022	84,493
Temporarily Restricted	<u>(1,106,255)</u>	<u>(838,726)</u>
	<u>(754,233)</u>	<u>(754,233)</u>
Net Assets at December 31, 2016:		
Unrestricted	1,359,210	1,091,681
Temporarily Restricted	<u>1,641,120</u>	<u>1,908,649</u>
	<u>\$ 3,000,330</u>	<u>\$ 3,000,330</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, Worldfund has evaluated events and transactions for potential recognition or disclosure through June 6, 2018, the date the financial statements were issued.