

FINANCIAL STATEMENTS



**WORLD EDUCATION AND
DEVELOPMENT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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.

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Report on Summarized Comparative Information

We have previously audited Worldfund's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 22, 2017

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,019,928	\$ 2,302,111
Grants and contributions receivable (Note 2)		1,033,258	859,527
Other receivables		67,000	34,070
Prepaid expenses		<u>22,997</u>	<u>21,471</u>
Total current assets		<u>3,143,183</u>	<u>3,217,179</u>
FIXED ASSETS			
Office equipment		30,526	30,526
Furniture		6,546	6,546
Website		28,461	28,461
Software		<u>53,195</u>	<u>53,195</u>
		118,728	118,728
Less: Accumulated depreciation and amortization		<u>(95,690)</u>	<u>(80,397)</u>
Net fixed assets		<u>23,038</u>	<u>38,331</u>
OTHER ASSETS			
Security deposits		15,459	15,459
Grants and contributions receivable, net of current portion (Note 2)		<u>-</u>	<u>694,391</u>
Total other assets		<u>15,459</u>	<u>709,850</u>
TOTAL ASSETS		<u>\$ 3,181,680</u>	<u>\$ 3,965,360</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued expenses	\$	159,823	\$ 188,473
Accrued vacation		<u>21,527</u>	<u>22,324</u>
Total current liabilities		<u>181,350</u>	<u>210,797</u>
NET ASSETS			
Unrestricted		1,359,210	1,007,188
Temporarily restricted (Note 3)		<u>1,641,120</u>	<u>2,747,375</u>
Total net assets		<u>3,000,330</u>	<u>3,754,563</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,181,680</u>	<u>\$ 3,965,360</u>

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, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>			<u>2015</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 \$143,403 and \$189,802 for 2016 and 2015, respectively):				
Individuals	\$ 264,031	\$ 16,290	\$ 280,321	\$ 1,074,867
Foundations	51,429	390,918	442,347	780,325
Corporations	383,857	765,517	1,149,374	2,092,510
Interest income	20,520	-	20,520	19,727
Contributed services (Note 4)	71,700	-	71,700	29,292
Program service fees	42,780	-	42,780	120,090
Other	69	-	69	49
Net assets released from donor restrictions (Note 3)	<u>2,004,628</u>	<u>(2,004,628)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,839,014</u>	<u>(831,903)</u>	<u>2,007,111</u>	<u>4,116,860</u>
EXPENSES				
Program Services	<u>1,750,196</u>	<u>-</u>	<u>1,750,196</u>	<u>2,053,118</u>
Supporting Services:				
General and Administrative	284,741	-	284,741	455,711
Fundraising	<u>384,715</u>	<u>-</u>	<u>384,715</u>	<u>631,540</u>
Total supporting services	<u>669,456</u>	<u>-</u>	<u>669,456</u>	<u>1,087,251</u>
Total expenses	<u>2,419,652</u>	<u>-</u>	<u>2,419,652</u>	<u>3,140,369</u>
Change in net assets before other items	<u>419,362</u>	<u>(831,903)</u>	<u>(412,541)</u>	<u>976,491</u>
OTHER ITEMS				
Loss on currency translation	(62,194)	(36,352)	(98,546)	(184,999)
Unfulfilled match	-	(238,000)	(238,000)	(3,750)
Taxes paid by Brazil office	<u>(5,146)</u>	<u>-</u>	<u>(5,146)</u>	<u>(30,966)</u>
Total of other items	<u>(67,340)</u>	<u>(274,352)</u>	<u>(341,692)</u>	<u>(219,715)</u>
Change in net assets	352,022	(1,106,255)	(754,233)	756,776
Net assets at beginning of year	<u>1,007,188</u>	<u>2,747,375</u>	<u>3,754,563</u>	<u>2,997,787</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,359,210</u>	<u>\$ 1,641,120</u>	<u>\$ 3,000,330</u>	<u>\$ 3,754,563</u>

WORLD EDUCATION AND DEVELOPMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016				2015	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	General and Administrative	Fundraising			
Salaries	\$ 573,894	\$ 126,092	\$ 130,966	\$ 257,058	\$ 830,952	\$ 979,499
Payroll taxes and other benefits	91,531	31,010	15,566	46,576	138,107	146,130
Grants to schools	74,800	-	-	-	74,800	10,500
Program instructors and curriculum development	299,336	-	-	-	299,336	401,553
Program instructors' and participants' travel	203,075	-	-	-	203,075	309,845
Program evaluations	15,849	-	-	-	15,849	93,452
Books and class supplies	49,267	60	8	68	49,335	210,135
Consulting fees	132,374	13,308	52,171	65,479	197,853	388,235
Accounting/audit services	94,764	25,926	35,720	61,646	156,410	111,181
IT expenses	14,842	9,685	2,551	12,236	27,078	30,791
Occupancy	65,492	15,448	17,241	32,689	98,181	113,780
Travel	50,955	12,713	16,739	29,452	80,407	106,397
Telephone	5,892	1,519	1,630	3,149	9,041	16,837
Insurance	6,249	1,537	2,319	3,856	10,105	9,902
Office and general expense	4,370	2,761	3,524	6,285	10,655	22,951
Postage and shipping	1,166	1,094	1,166	2,260	3,426	8,758
Registration fees	109	6,488	2,688	9,176	9,285	11,233
Bank and credit card fees	2,387	9,383	5,477	14,860	17,247	14,002
Payroll processing fees	-	1,954	-	1,954	1,954	2,074
Printing and printed materials	2,730	845	715	1,560	4,290	15,474
Depreciation and amortization	9,457	2,326	3,510	5,836	15,293	14,526
Gala expenses	-	-	61,255	61,255	61,255	39,985
Events	725	42	79	121	846	783
Legal expenses	45,318	15,761	16,749	32,510	77,828	29,983
Loss on disposal	-	-	-	-	-	4,072
Furniture and equipment rental and maintenance	2,748	3,321	629	3,950	6,698	3,883
Marketing and communications	-	-	10,848	10,848	10,848	38,904
Fundraising	1,979	487	2,962	3,449	5,428	2,970
Other	887	2,981	202	3,183	4,070	2,534
TOTAL	\$ 1,750,196	\$ 284,741	\$ 384,715	\$ 669,456	\$ 2,419,652	\$ 3,140,369

See accompanying notes to financial statements.

WORLD EDUCATION AND DEVELOPMENT FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (754,233)	\$ 756,776
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	15,293	14,526
Unfulfilled match	238,000	3,750
Loss on disposal	-	4,072
(Increase) decrease in:		
Grants and contributions receivable	282,660	(792,455)
Other receivables	(32,930)	(25,302)
Prepaid expenses	(1,526)	(3,486)
Security deposits	-	5,214
Increase (decrease) in:		
Accrued expenses	(28,650)	81,436
Accrued vacation	(797)	1,421
Net cash (used) provided by operating activities	<u>(282,183)</u>	<u>45,952</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(33,046)</u>
Net cash used by investing activities	<u>-</u>	<u>(33,046)</u>
Net (decrease) increase in cash and cash equivalents	(282,183)	12,906
Cash and cash equivalents at beginning of year	<u>2,302,111</u>	<u>2,289,205</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,019,928</u>	<u>\$ 2,302,111</u>

WORLD EDUCATION AND DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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, 2015, 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 \$492,000 of cash and cash equivalents held in Mexico and Brazil at September 30, 2016. 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 \$1,000 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.

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.

WORLD EDUCATION AND DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

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

Foreign currency (continued) -

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 losses from foreign currency totaled \$98,546 for the year ended September 30, 2016.

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, 2016, 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.

Worldfund is required to pay taxes to the Brazilian government based on the amount of contributions it receives. For the year ended September 30, 2016, these taxes totaled \$5,146.

Net asset classification -

The net assets are reported in three 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.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Worldfund. As of September 30, 2016, there were no permanently restricted net assets.

Grants and contributions -

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

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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

Program service fees -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

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, 2016, contributors to the Worldfund have made written promises to give totaling \$1,271,258.

Grants are due as follows at September 30, 2016:

Year Ending September 30, 2017	\$ 1,271,258
Less: Reserve for uncollectible grants	<u>(238,000)</u>
TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 1,033,258</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2016:

Inter-American Partnership for Education (IAPE)	\$ 307,337
Principal Training Program (LISTO)	582,113
STEM Brasil	<u>751,670</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,641,120</u>

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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)	\$ 405,780
Principal Training Program (LISTO)	1,063,870
STEM Brasil	494,978
Mundo Maker	<u>40,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,004,628</u>

4. CONTRIBUTED SERVICES

During the year ended September 30, 2016, Worldfund was the beneficiary of donated legal services. The value of the donated legal services, \$71,700, was based upon the fair value at the date the services were provided.

5. OCCUPANCY

Worldfund entered 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 \$3,184 and is included in accrued expenses on the Statement of Financial Position.

Worldfund entered into a one-year lease for office space in Mexico in November 2011, which has been extended annually through October 2017. In addition, Worldfund entered into a one-year lease for housing in Mexico in August 2012, which has been extended annually through August 2017.

In October 2014, Worldfund entered into a one-year lease agreement for office space in Brazil, which has been extended on an annual basis.

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

<u>Year Ending September 30,</u>	
2017	\$ 86,511
2018	60,475
2019	50,235
2020	<u>38,518</u>
	<u>\$ 235,739</u>

Rent expense, excluding real estate taxes and utilities, under the aforementioned lease agreements, was approximately \$98,000 for the year ended September 30, 2016.

WORLD EDUCATION AND DEVELOPMENT FUND

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016, no matching contributions were made.

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. SUBSEQUENT EVENTS

In preparing these financial statements, Worldfund has evaluated events and transactions for potential recognition or disclosure through May 22, 2017, the date the financial statements were issued.