THE TRAVELING SCHOOL

AUDITED FINANCIAL STATEMENTS

June 30, 2016 and 2015

AMATICS
CPA GROUP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Traveling School
Bozeman, MT

We have audited the accompanying financial statements of The Traveling School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility it to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Traveling School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error
As discussed in Note 8 to the financial statements, certain errors resulting in understatement of amounts previously reported for pledges receivables and revenue as of June 30, 2015, were discovered by management of the Organization during the current year. Accordingly, amounts reported for pledges receivable and revenue have been restated in the fiscal year 2015 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Amatics CPA Group
Bozeman, Montana
October 15, 2016

THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30 2016	June 30 2015
CURRENT ASSETS		
Cash and cash equivalents	$ 510,419	$ 358,047
Investments	-	60,097
Accounts receivable	1,906	191,003
Pledges receivable	28,800	38,250
Prepaid expenses	18,542	26,729
	559,667	674,126
FIXED ASSETS		
Computers and software	17,741	16,311
Field equipment	3,416	3,416
Office equipment	1,146	1,146
Less: accumulated depreciation	(13,050)	(10,650)
	9,253	10,223
Totals	$ 568,920	$ 684,349

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 478	$ 1,364
Payroll liabilities	10,403	7,896
Accrued leave payable	3,944	-
Credit cards payable	22,882	7,945
Medical deposits	-	13,710
Deferred tuition revenue	146,249	324,777
	183,956	355,692
NET ASSETS		
Unrestricted	335,920	289,685
Temporarily restricted	49,044	38,972
	384,964	328,657
Totals	$ 568,920	$ 684,349

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Enrollment deposit and fees	$ 33,765	$ -	$ 33,765
Book fees	12,400	-	12,400
Donations	63,912	28,244	92,156
In kind donation	5,568	-	5,568
Event income	1,984	-	1,984
Tuition fees	664,150	-	664,150
Satisfaction of program restrictions	18,172	(18,172)	-
Total revenue and support	799,951	10,072	810,023
EXPENSES			
Program	632,863	-	632,863
Administration	48,436	-	48,436
Fundraising	81,342	-	81,342
Total expenses	762,641	-	762,641
OTHER INCOME			
Write off old medical leave reserve balance	8,036	-	8,036
Net investment income	889	-	889
Total other income	8,925	-	8,925
CHANGE IN NET ASSETS	46,235	10,072	56,307
Net assets at beginning of year	289,685	38,972	328,657
NET ASSETS AT END OF YEAR	$ 335,920	$ 49,044	$ 384,964

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Fundraising trip fees	$ 7,170	$ -	$ 7,170
Enrollment deposit and fees	26,750	-	26,750
Book fees	12,778	-	12,778
Donations	43,664	51,000	94,664
In kind donation	1,081	-	1,081
Tuition fees	614,271	-	614,271
Satisfaction of program restrictions	12,750	(12,750)	-
Total revenue and support	718,464	38,250	756,714
EXPENSES			
Program	589,464	-	589,464
Administration	54,646	-	54,646
Fundraising	40,978	-	40,978
Total expenses	685,088	-	685,088
OTHER INCOME			
Net investment income	1,146	-	1,146
CHANGE IN NET ASSETS	34,522	38,250	72,772
Net assets at beginning of year	255,163	722	255,885
NET ASSETS AT END OF YEAR	$ 289,685	$ 38,972	$ 328,657

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program	Support		
	Education	Administration	Fundraising	Total
Accreditation	$ 2,800	$ -	$ -	$ 2,800
Advertising	4,957	35	1,328	6,320
Bank service charges	1,816	16	190	2,022
Business fees and licenses	-	20	-	20
Curriculum	7,976	-	-	7,976
Depreciation	2,400	-	-	2,400
Dues and subscriptions	2,929	910	2,790	6,629
Event expenses	2,050	-	8,509	10,559
Food and lodging	101,166	991	224	102,381
Insurance	18,154	4,859	1,335	24,348
Medical	19,146	-	-	19,146
Miscellaneous	1,019	-	-	1,019
Office rent	12,005	1,499	1,666	15,170
Park/activity fee	85,726	-	-	85,726
Payroll expense	187,013	24,677	59,253	270,943
Postage and delivery	1,789	195	461	2,445
Printing	1,949	213	759	2,921
Professional fees	413	9,882	-	10,295
Scholarship	77,000	-	-	77,000
Staff development and training	5,195	4,307	3,965	13,467
Supplies	4,935	509	526	5,970
Teacher hiring	373	-	-	373
Telephone/internet	4,156	281	296	4,733
Travel	87,896	42	40	87,978
Total expenses	$ 632,863	$ 48,436	$ 81,342	$ 762,641

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program	Support		
	Education	Administration	Fundraising	Total
Accreditation	$ 2,800	$ -	$ -	$ 2,800
Advertising	10,477	39	183	10,699
Bad debt	8,733	-	-	8,733
Bank service charges	3,567	124	187	3,878
Business fees and licenses	-	15	-	15
Curriculum	8,201	-	-	8,201
Depreciation	2,109	-	-	2,109
Dues and subscriptions	3,100	1,228	488	4,816
Food and lodging	103,439	1,260	428	105,127
Insurance	7,620	7,892	149	15,661
Medical	30,011	-	-	30,011
Miscellaneous	50	-	-	50
Office rent	8,939	1,118	1,118	11,175
Park/activity fee	47,509	-	-	47,509
Payroll expense	194,181	29,779	35,125	259,085
Postage and delivery	2,006	94	514	2,614
Printing	1,839	175	175	2,189
Professional fees	550	11,409	-	11,959
Scholarship	61,478	-	-	61,478
Staff development and training	309	818	388	1,515
Supplies	1,751	351	1,816	3,918
Teacher hiring and training	228	-	-	228
Telephone/internet	4,647	257	257	5,161
Travel	85,920	87	150	86,157
Total expenses	$ 589,464	$ 54,646	$ 40,978	$ 685,088

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 56,307	$ 72,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,400	2,109
Donated stock	(15,099)	(6,472)
Reinvested investment earnings	(402)	-
(Increase) decrease in current assets:		
Receivables	198,547	(73,828)
Prepaid expenses	8,187	9,776
Increase (decrease) in current liabilities:		
Accounts payable	(886)	380
Credit cards payable	14,937	(7,069)
Accrued payroll liabilities	(7,259)	7,809
Deferred revenue	(178,528)	(15,968)
Net cash provided (used) by operating activities	78,204	(10,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificates of deposit	75,598	76,929
Purchases of equipment	(1,430)	(1,471)
Net cash provided by investing activities	74,168	75,458
NET INCREASE IN CASH AND CASH EQUIVALENTS	152,372	64,967
Cash and cash equivalents at beginning of year	358,047	293,080
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 510,419	$ 358,047

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Traveling School was founded on November 1, 2001. The Organization's purpose is to provide formal instruction for teenage girls age fifteen through eighteen via overseas exploration for an academic semester. The programs include formal academics as well as confidence building for the girls. The Organization's support comes primarily from tuition fees. Some support is received from donations. The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Therefore, revenues are recorded when earned and expenses are recorded when incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. As of June 30, 2016 and 2015, bank deposits exceeded federally insured limits by $16,190 and $0, respectively. The Organization has not experienced any losses in such accounts.

Property and Equipment

Purchased property and equipment are stated at cost. All items with expected life in excess of one year are capitalized. Donations of property and equipment are recorded as support at their estimated fair value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment donated with time restriction are reclassified as unrestricted once all time restrictions are met. Absent donor stipulations regarding how long those donated assets are to be placed in service, the Organization records these assets as unrestricted support. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 7 years. Depreciation expense for the years ended June 30, 2016 and 2015 was $2,400 and $2,109, respectively.

Accounts Receivable

The Traveling School requires payment of tuition prior to the semester of study. For example, bills for the spring semester are sent in November with payment due prior to February 1st of the following year. The School uses the direct write-off method for uncollectible receivables. Accounts receivable are reviewed periodically, and those accounts which are considered doubtful are charged off to current year's operating expense. Therefore, management's best estimate for an allowance for doubtful accounts is zero.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 requires pledges receivable to be paid in more than one year from the date of the financial statements to be discounted at the prime interest rate. The Organization's pledges receivable are all due within one year of the date of the statement of financial position, so no discount was necessary. Subsequent changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of June 30, 2016 and 2015.

Contributions and Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes. The Organization does not have any permanently restricted net assets at this time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give are shown as increases in temporarily restricted net assets until the subsequent payments of those promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

Advertising

The Traveling School expenses advertising costs when they are paid.

Functional Allocation of Expenses

The actual cost of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The Organization receives payment in advance for tuition for the following semester. This advance payment is reflected in deferred tuition revenue.

Income Taxes

The Organization is a not for profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization's information returns (Form 990) are open to examination by the IRS, generally for three years after they were filed or the due date of the return, whichever is later.

Donated Services, Materials, and Facilities

The financial statements of the Organization reflect in-kind donations as revenues in the period received and as assets, expenses, or decreases of liabilities depending on the type of benefit received. Donations are measured at estimated fair market values. Donations received with donor restrictions for future periods are reported as an increase in temporarily restricted net assets.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

2. PLEDGES RECEIVABLE

Pledges receivable activity for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Pledges receivable, beginning of year	$ 38,250	$ -
New amounts pledged	8,000	51,000
Payments received	(17,450)	(12,750)
Pledges receivable, end of year	$ 28,800	$ 38,250

3. OFFICE LEASE

The Organization rented office space at a rate of $900 per month until it moved into its new space in June 2016. The Organization's new lease runs from June 1, 2016 through May 31, 2019, with the option to extend for two additional one-year terms. Monthly rental payments are $2,250 for the first year, increasing 3% annually after that. Future minimum rental payments are $27,068 for fiscal year 2017, $27,880 for fiscal year 2018, and $26,257 for fiscal year 2019.

Beginning July 1, 2016, the Organization is subleasing part of its new office space to a sub-lessee for $400 per month. The initial sublease term was for three months, with the option to extend on a month-to-month basis.

4. INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2- Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Investments are comprised of the following as of June 30, 2015:

	Cost	Gross Unrealized Gains (Losses)	Fair Value
June 30, 2015			
Certificates of deposit - Level 2	$ 60,000	$ 97	$ 60,097

All certificates of deposit were sold in 2016 and proceeds were invested in the money market account (included in cash and cash equivalents on the statement of financial position).

Components of investment income for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Interest and dividends	$ 971	$ 1,220
Unrealized gains (losses)	(82)	(74)
	$ 889	$ 1,146

5. RETIREMENT PLAN

The Organization adopted a Savings Incentive Match Plan for Employees (SIMPLE). All employees who are 21 years old and have been employed with the Organization two out of the five previous years and earned at least $5,000 are eligible to participate in the plan. According to the plan, the Organization will match each participant's elective salary deferrals, dollar for dollar, up to 3% of each participant's compensation. Participants may direct their investments among the funds offered by the plan. During the years ended June 30, 2016 and 2015, the Organization made matching contribution to the SIMPLE plan of $5,149 and $4,600, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by the donor as of June 30, 2016 and 2015 are as follows:

	2016	2015
Pledges receivable	$ 28,800	$ 38,250
Zenith project	-	722
Alumnae scholarship	20,244	-
	$ 49,044	$ 38,972

7. IN-KIND DONATIONS

The following in-kind donations were recognized for the years ended June 30, 2016 and 2015:

	2016	2015
Advertising	$ -	$ 604
Event expenses	2,028	-
Food and lodging	1,540	427
Miscellaneous	-	50
Professional fees	2,000	-
	$ 5,568	$ 1,081

8. PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an understatement of previously reported receivables and donations revenue were discovered during the current year. Accordingly, an adjustment was made to correct these errors. The net effect of this adjustment was to increase receivables as of June 30, 2015 by $26,000 (increase pledges receivable by $29,750 and decrease accounts receivable by $3,750), increase fiscal year 2015 donations revenue by $26,000, and to adjust temporarily restricted net assets to reflect the pledges receivable activity for the year (reclassify $11,476 of 2015 donations from unrestricted to restricted and decrease satisfaction of program restrictions by $6,774).

9. SUBSEQUENT EVENTS

Date of Management Evaluation
Management has evaluated subsequent events through October 15, 2016, the date on which the financial statements were available to be issued.