

THE TRAVELING SCHOOL
AUDITED FINANCIAL STATEMENTS

June 30, 2015 and 2014



AMATICS
CPA GROUP

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THE TRAVELING SCHOOL

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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 statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 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, 2015, 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.



Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated November 3, 2014, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Amatics CPA Group

Bozeman, Montana
October 23, 2015

**THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2015 (Audited)	2014 (Reviewed)
CURRENT ASSETS		
Cash and cash equivalents	\$ 358,047	\$ 293,080
Investments	60,097	130,554
Accounts receivable	194,753	155,425
Pledge receivable	8,500	-
Prepaid expenses	26,729	36,505
	648,126	615,564
FIXED ASSETS		
Computers and software	16,311	14,840
Field equipment	3,416	3,416
Office equipment	1,146	1,146
Less: accumulated depreciation	(10,650)	(8,541)
	10,223	10,861
Totals	\$ 658,349	\$ 626,425

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,364	\$ 984
Payroll liabilities	7,896	4,297
Credit cards payable	7,945	15,014
Medical deposits	13,710	9,500
Deferred tuition revenue	324,777	340,745
	355,692	370,540
NET ASSETS		
Unrestricted	281,935	255,163
Temporarily restricted	20,722	722
	302,657	255,885
Totals	\$ 658,349	\$ 626,425

See notes to financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
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	29,140	39,524	68,664
In kind service donation	1,081	-	1,081
Tuition fees	614,271	-	614,271
Satisfaction of program restrictions	<u>19,524</u>	<u>(19,524)</u>	<u>-</u>
Total revenue and support	<u>710,714</u>	<u>20,000</u>	<u>730,714</u>
EXPENSES			
Program	589,464	-	589,464
Administration	54,646	-	54,646
Fundraising	<u>40,978</u>	<u>-</u>	<u>40,978</u>
Total expenses	<u>685,088</u>	<u>-</u>	<u>685,088</u>
OTHER INCOME			
Net investment income	<u>1,146</u>	<u>-</u>	<u>1,146</u>
CHANGE IN NET ASSETS			
Net assets at beginning of year	<u>255,163</u>	<u>722</u>	<u>255,885</u>
NET ASSETS AT END OF YEAR	<u>\$ 281,935</u>	<u>\$ 20,722</u>	<u>\$ 302,657</u>

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Six Months Ended June 30, 2014 (Reviewed)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Fundraising trip fees	\$ 44,863	\$ -	\$ 44,863
Enrollment deposit and fees	28,000	-	28,000
Book fees	7,200	-	7,200
Donations	13,563	550	14,113
Tuition fees	342,003	-	342,003
Satisfaction of program restrictions	<u>550</u>	<u>(550)</u>	<u>-</u>
Total revenue and support	<u>436,179</u>	<u>-</u>	<u>436,179</u>
EXPENSES			
Program	376,769	-	376,769
Administration	32,036	-	32,036
Fundraising	16	-	16
Marketing and recruiting	<u>5,924</u>	<u>-</u>	<u>5,924</u>
Total expenses	<u>414,745</u>	<u>-</u>	<u>414,745</u>
OTHER INCOME			
Net investment income	<u>723</u>	<u>-</u>	<u>723</u>
CHANGE IN NET ASSETS	22,157	-	22,157
Net assets at beginning of year	<u>233,006</u>	<u>722</u>	<u>233,728</u>
NET ASSETS AT END OF YEAR	<u>\$ 255,163</u>	<u>\$ 722</u>	<u>\$ 255,885</u>

See notes to financial statements.

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

	<u>Program</u>		<u>Support</u>		<u>Total Expenses</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>		
Accreditation	\$ 2,800	\$ -	\$ -	\$ 2,800	
Advertising	10,477	39	183	10,699	
Bad debt	8,733	-	-	8,733	
Bank Service Charge	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	
Supplies	1,751	351	1,816	3,918	
Teacher hiring and training	537	818	388	1,743	
Telephone/internet	4,647	257	257	5,161	
Travel	85,920	87	150	86,157	
Total expenses	<u>\$ 589,464</u>	<u>\$ 54,646</u>	<u>\$ 40,978</u>	<u>\$ 685,088</u>	

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Six Months Ended June 30, 2014 (Reviewed)

	<u>Program</u>		<u>Support</u>		<u>Total Expenses</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Marketing and Recruiting</u>	
Accreditation	\$ 2,750	\$ -	\$ -	\$ -	\$ 2,750
Advertising	134	-	-	1,805	1,939
Bad debt	13,826	-	-	-	13,826
Bank charges	1,642	29	12	1	1,684
Business fees and licenses	-	15	-	-	15
Continuing education	700	-	-	-	700
Curriculum	4,123	-	-	478	4,601
Depreciation	591	-	-	-	591
Dues and subscriptions	118	360	-	-	478
Food and lodging	44,426	2	-	843	45,271
Gifts	8	-	-	-	8
Insurance	5,213	6,287	-	-	11,500
Marketing	1,485	-	-	2,152	3,637
Medical	17,254	-	-	-	17,254
Miscellaneous	1,799	-	-	-	1,799
Office rent	-	3,600	-	-	3,600
Office expense	-	1,580	-	28	1,608
Park/activity fee	81,236	-	-	-	81,236
Payroll expense	83,399	19,956	-	-	103,355
Postage and delivery	1,526	43	4	342	1,915
Printing	407	23	-	34	464
Professional fees	(1,060)	-	-	-	(1,060)
Scholarship	26,018	-	-	-	26,018
Service Project	7,400	-	-	-	7,400
Supplies	1,682	-	-	-	1,682
Teacher hiring and training	3,135	-	-	-	3,135
Telephone/internet	2,678	141	-	-	2,819
Travel	76,279	-	-	241	76,520
Total expenses	<u>\$ 376,769</u>	<u>\$ 32,036</u>	<u>\$ 16</u>	<u>\$ 5,924</u>	<u>\$ 414,745</u>

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2015 and Six Months Ended June 30, 2014

	<u>2015</u> <u>(Audited)</u>	<u>2014</u> <u>(Reviewed)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 46,772	\$ 22,157
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,109	591
(Increase) decrease in current assets:		
Receivables	(47,828)	(66,500)
Prepaid expenses	9,776	57,739
Reinvested interest	-	(151)
Increase (decrease) in current liabilities:		
Accounts payable	380	558
Credit cards payable	(7,069)	2,601
Payroll payable	3,599	(7,658)
Medical deposits	4,210	(1,000)
Deferred revenue	(15,968)	(46,323)
Net cash used by operating activities	<u>(4,019)</u>	<u>(37,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposition of certificate of deposit	70,457	-
Purchase of office equipment	<u>(1,471)</u>	<u>(1,161)</u>
Net cash provided (used) by investing activities	<u>68,986</u>	<u>(1,161)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,967	(39,147)
Cash and cash equivalents at beginning of year	<u>293,080</u>	<u>332,227</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 358,047</u>	<u>\$ 293,080</u>

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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.

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 year ended June 30, 2015 and the six months ended June 30, 2014 was \$2,109 and \$591, 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.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable:

The 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 has elected to state their pledges receivable at their actual balance, as the discounted balance would not differ significantly. 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, 2015. There were no pledges outstanding as of June 30, 2014.

Temporarily Restricted Net Assets:

During 2015 and 2014, The Traveling School received donations for the amounts of \$39,524 and \$550, respectively, that are restricted by purpose. Restricted donations are released from restriction upon fulfillment of the designated purpose. As of June 30, temporarily restricted net assets are available for the following purposes:

	2015	2014
Zenith Project	\$ 722	\$ 722
Scholarships	20,000	-
Totals	\$ 20,722	\$ 722

Income Taxes:

The Organization is a not for profit corporation. On August 23, 2002, the Organization was determined to be exempt from Federal income tax under section 501(c)(3). The State of Montana recognizes the Federal exemption and therefore the Organization is normally exempt from state income tax too. However, in February of 2012, the Organization received a notice from the Internal Revenue Service informing them that their tax exempt status has been revoked due to the non-filing of the Federal Form 990 for three years. The Organization's tax exempt status was reinstated in February of 2014. 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.

Advertising:

The Traveling School expenses advertising costs when they are paid.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Net Assets:

Contributions received are recorded 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. Amounts received that are restricted by the donor for specific purposes are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same reporting period in which the contribution is received, the Organization records the support as unrestricted.

Deferred Revenue:

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

Reclassification:

Certain reclassifications have been made to the 2014 financial statements presentation to correspond to the current year's format.

2. OFFICE LEASE

The Organization rents office space from an unrelated party at a rate of \$900 per month renewable annually. The Traveling School has occupied this space since July 1, 2013.

3. 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 year ended June 30, 2015 and six months ended June 30, 2014, the Organization made matching contribution to the SIMPLE plan of \$4,600 and \$1,694, respectively.

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:

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

4. INVESTMENTS (Continued)

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.

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
June 30, 2015:				
Certificate of deposit- Level 2	\$ 60,000	\$ 97	\$ -	\$ 60,097
Total investments	<u>\$ 60,000</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ 60,097</u>

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
June 30, 2014:				
Certificate of deposit- Level 2	\$ 130,554	\$ -	\$ -	\$ 130,554
Total investments	<u>\$ 130,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,554</u>

5. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 23, 2015, the date on which the financial statements were available to be issued.