

THE TRAVELING SCHOOL
AUDITED FINANCIAL STATEMENTS
June 30, 2017 and 2016



AMATICS
CPA GROUP

CONTENTS
THE TRAVELING SCHOOL

AUDITED FINANCIAL STATEMENTS	<u>Page</u>
Independent auditors' report	3
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 13



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, 2017 and 2016, 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 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 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, 2017 and 2016, 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.

Amatics CPA Group
Bozeman, Montana
November 1, 2017



**THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 484,509	\$ 510,419
Accounts receivable	7,362	1,906
Pledges receivable	3,000	28,800
Prepaid expenses	19,786	18,542
Total current assets	514,657	559,667
FIXED ASSETS		
Computers and software	17,741	17,741
Field equipment	3,416	3,416
Office equipment	5,047	1,146
Less: accumulated depreciation	(15,474)	(13,050)
Total fixed assets	10,730	9,253
Total assets	\$ 525,387	\$ 568,920

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 7,182	\$ 478
Payroll liabilities	9,899	10,403
Accrued leave payable	3,447	3,944
Credit cards payable	13,134	22,882
Deferred tuition revenue	78,539	146,249
Total current liabilities	112,201	183,956
NET ASSETS		
Unrestricted	386,732	335,920
Temporarily restricted	26,454	49,044
Total net assets	413,186	384,964
Total liabilities and net assets	\$ 525,387	\$ 568,920

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Enrollment deposit and fees	\$ 35,700	\$ -	\$ 35,700
Book fees	12,000	-	12,000
Donations	49,929	6,210	56,139
Grants	14,122	-	14,122
In kind donation	1,200	-	1,200
Event income	1,840	-	1,840
Tuition fees	771,855	-	771,855
Satisfaction of program restrictions	<u>28,800</u>	<u>(28,800)</u>	<u>-</u>
Total revenue and support	<u>915,446</u>	<u>(22,590)</u>	<u>892,856</u>
EXPENSES			
Program	700,958	-	700,958
Administration	68,228	-	68,228
Fundraising	<u>97,781</u>	<u>-</u>	<u>97,781</u>
Total expenses	<u>866,967</u>	<u>-</u>	<u>866,967</u>
OTHER INCOME			
Rental income	1,600	-	1,600
Interest income	<u>733</u>	<u>-</u>	<u>733</u>
Total other income	<u>2,333</u>	<u>-</u>	<u>2,333</u>
CHANGE IN NET ASSETS	50,812	(22,590)	28,222
Net assets at beginning of year	<u>335,920</u>	<u>49,044</u>	<u>384,964</u>
NET ASSETS AT END OF YEAR	<u>\$ 386,732</u>	<u>\$ 26,454</u>	<u>\$ 413,186</u>

See notes to financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Enrollment deposit and fees	\$ 33,765	\$ -	\$ 33,765
Book fees	12,400	-	12,400
Donations	58,412	28,244	86,656
Grants	5,500	-	5,500
In kind donation	5,568	-	5,568
Event income	1,984	-	1,984
Tuition fees	664,150	-	664,150
Satisfaction of program restrictions	<u>18,172</u>	<u>(18,172)</u>	<u>-</u>
Total revenue and support	<u>799,951</u>	<u>10,072</u>	<u>810,023</u>
EXPENSES			
Program	632,863	-	632,863
Administration	48,436	-	48,436
Fundraising	<u>81,342</u>	<u>-</u>	<u>81,342</u>
Total expenses	<u>762,641</u>	<u>-</u>	<u>762,641</u>
OTHER INCOME			
Write off old medical leave reserve balance	8,036	-	8,036
Net investment income	<u>889</u>	<u>-</u>	<u>889</u>
Total other income	<u>8,925</u>	<u>-</u>	<u>8,925</u>
CHANGE IN NET ASSETS	46,235	10,072	56,307
Net assets at beginning of year	<u>289,685</u>	<u>38,972</u>	<u>328,657</u>
NET ASSETS AT END OF YEAR	<u>\$ 335,920</u>	<u>\$ 49,044</u>	<u>\$ 384,964</u>

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	
Accreditation	\$ 3,410	\$ -	\$ -	\$ 3,410
Advertising	6,251	101	1,120	7,472
Bank service charges	1,339	60	1,083	2,482
Business fees and licenses	50	20	-	70
Curriculum	8,002	-	-	8,002
Depreciation	2,424	-	-	2,424
Dues and subscriptions	3,077	1,145	2,386	6,608
Event expenses	347	12	9,782	10,141
Food and lodging	125,245	1,158	251	126,654
Health insurance and medical	19,016	-	-	19,016
Insurance	18,597	7,888	3,542	30,027
Office rent	16,590	6,921	5,647	29,158
Park/activity fee	87,107	-	-	87,107
Payroll expense	199,787	32,736	67,457	299,980
Postage and delivery	1,783	158	604	2,545
Printing	1,670	459	1,587	3,716
Professional fees	2,481	13,796	659	16,936
Scholarship	91,500	-	-	91,500
Professional development	10,880	1,845	1,012	13,737
Supplies	11,531	1,267	1,250	14,048
Teacher hiring	188	-	-	188
Telephone/internet	3,736	375	400	4,511
Travel	85,144	40	737	85,921
Utilities	803	247	264	1,314
Total expenses	<u>\$ 700,958</u>	<u>\$ 68,228</u>	<u>\$ 97,781</u>	<u>\$ 866,967</u>

See notes to financial statements.

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

	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	
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
Health insurance and medical	19,146	-	-	19,146
Insurance	18,154	4,859	1,335	24,348
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
Professional development	5,195	4,307	3,965	13,467
Supplies	4,935	509	526	5,970
Teacher hiring and training	373	-	-	373
Telephone/internet	4,156	281	296	4,733
Travel	87,896	42	40	87,978
	<u>87,896</u>	<u>42</u>	<u>40</u>	<u>87,978</u>
Total expenses	<u>\$ 632,863</u>	<u>\$ 48,436</u>	<u>\$ 81,342</u>	<u>\$ 762,641</u>

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,222	\$ 56,307
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,424	2,400
Donated stock	-	(15,099)
Reinvested investment earnings	-	(402)
(Increase) decrease in current assets:		
Receivables	20,344	198,547
Prepaid expenses	(1,244)	8,187
Increase (decrease) in current liabilities:		
Accounts payable	6,705	(886)
Credit cards payable	(9,748)	14,937
Accrued payroll liabilities	(1,002)	(7,259)
Deferred revenue	<u>(67,710)</u>	<u>(178,528)</u>
Net cash provided (used) by operating activities	<u>(22,009)</u>	<u>78,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificates of deposit	-	75,598
Purchases of equipment	<u>(3,901)</u>	<u>(1,430)</u>
Net cash provided (used) by investing activities	<u>(3,901)</u>	<u>74,168</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,910)	152,372
Cash and cash equivalents at beginning of year	<u>510,419</u>	<u>358,047</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 484,509</u></u>	<u><u>\$ 510,419</u></u>

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017 and 2016, bank deposits exceeded federally insured limits by \$158,448 and \$16,190, respectively. The Organization has not experienced any losses in such accounts.

Property and Equipment

The Organization capitalizes expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are stated at cost. 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, 2017 and 2016 was \$2,424 and \$2,400, 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, 2017 and 2016

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, 2017 and 2016.

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. Contributions with donor restrictions that are received and expended in the same period are reported as unrestricted. 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.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

Financial Statement Presentation

Certain reclassifications have been made to the June 30, 2016 balances to conform to the June 30, 2017 presentation.

2. PLEDGES RECEIVABLE

Pledges receivable activity for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable, beginning of year	\$ 28,800	\$ 38,250
New amounts pledged	3,000	8,000
Payments received	<u>(28,800)</u>	<u>(17,450)</u>
Pledges receivable, end of year	<u>\$ 3,000</u>	<u>\$ 28,800</u>

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 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 \$27,880 for fiscal year 2018 and \$26,257 for fiscal year 2019.

The Organization began subleasing part of its new office space on July 1, 2016, 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. The sublease ended October 2016.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

4. 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, 2017 and 2016, the Organization made matching contribution to the SIMPLE plan of \$5,422 and \$5,149, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by the donor as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 3,000	\$ 28,800
Alumnae scholarship	<u>23,454</u>	<u>20,244</u>
	<u>\$ 26,454</u>	<u>\$ 49,044</u>

6. IN-KIND DONATIONS

The following in-kind donations were recognized for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office supplies	\$ 500	\$ -
Event expenses	-	2,028
Food and lodging	600	1,540
Professional fees	<u>100</u>	<u>2,000</u>
	<u>\$ 1,200</u>	<u>\$ 5,568</u>

7. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 1, 2017, the date on which the financial statements were available to be issued.