

THE TRAVELING SCHOOL
AUDITED FINANCIAL STATEMENTS
June 30, 2019 and 2018



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 - 15



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, 2019 and 2018, 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, 2019 and 2018, 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
October 21, 2019



**THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 381,917	\$ 501,386
Investments	292,000	-
Accounts receivable	14,050	15,351
Grants receivable	-	2,000
Prepaid expenses	8,628	7,856
Total current assets	696,595	526,593
FIXED ASSETS		
Computers and software	4,061	5,538
Field equipment	1,330	1,330
Office equipment	3,901	3,901
Less: accumulated depreciation	(6,348)	(5,784)
Total fixed assets	2,944	4,985
Total assets	\$ 699,539	\$ 531,578

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 2,641
Payroll liabilities	11,811	16,143
Accrued leave payable	11,777	6,326
Credit cards payable	9,956	9,667
Deferred tuition revenue	203,591	115,224
Total current liabilities	237,135	150,001
NET ASSETS		
Without donor restrictions	462,404	381,577
Total liabilities and net assets	\$ 699,539	\$ 531,578

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Tuition fees	\$ 877,574	\$ -	\$ 877,574
Enrollment deposit and fees	6,150	-	6,150
Donations	135,488	-	135,488
Grants	4,000	-	4,000
In kind donation	11,482	-	11,482
Event income	<u>9,320</u>	<u>-</u>	<u>9,320</u>
Total revenue and support	<u>1,044,014</u>	<u>-</u>	<u>1,044,014</u>
EXPENSES			
Program	726,675	-	726,675
Administration	98,822	-	98,822
Fundraising	<u>141,474</u>	<u>-</u>	<u>141,474</u>
Total expenses	<u>966,971</u>	<u>-</u>	<u>966,971</u>
OTHER INCOME AND EXPENSE			
Other income	1,059	-	1,059
Investment income	<u>2,725</u>	<u>-</u>	<u>2,725</u>
Total other income and expense	<u>3,784</u>	<u>-</u>	<u>3,784</u>
CHANGE IN NET ASSETS			
Net assets at beginning of year	<u>381,577</u>	<u>-</u>	<u>381,577</u>
NET ASSETS AT END OF YEAR	<u>\$ 462,404</u>	<u>\$ -</u>	<u>\$ 462,404</u>

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Tuition fees	\$ 818,815	\$ -	\$ 818,815
Enrollment deposit and fees	2,925	-	2,925
Book fees	12,000	-	12,000
Donations	78,167	-	78,167
Grants	9,000	-	9,000
In kind donation	10,167	-	10,167
Satisfaction of program restrictions	<u>26,454</u>	<u>(26,454)</u>	<u>-</u>
Total revenue and support	<u>957,528</u>	<u>(26,454)</u>	<u>931,074</u>
EXPENSES			
Program	764,931	-	764,931
Administration	94,157	-	94,157
Fundraising	<u>102,318</u>	<u>-</u>	<u>102,318</u>
Total expenses	<u>961,406</u>	<u>-</u>	<u>961,406</u>
OTHER INCOME AND EXPENSE			
Other income	1,082	-	1,082
Investment income	881	-	881
Loss on disposal of fixed assets	<u>(3,240)</u>	<u>-</u>	<u>(3,240)</u>
Total other income and expense	<u>(1,277)</u>	<u>-</u>	<u>(1,277)</u>
CHANGE IN NET ASSETS	(5,155)	(26,454)	(31,609)
Net assets at beginning of year	<u>386,732</u>	<u>26,454</u>	<u>413,186</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 381,577</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 381,577</u></u>

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	
Accreditation	\$ 4,155	\$ -	\$ -	\$ 4,155
Advertising	2,012	3,271	2,025	7,308
Bank service charges	-	-	1,578	1,578
Curriculum	2,237	-	-	2,237
Depreciation	2,041	-	-	2,041
Dues and subscriptions	2,669	1,612	2,758	7,039
Food and lodging	140,868	2,881	272	144,021
Health insurance	7,389	3,476	1,175	12,040
Insurance	854	9,258	327	10,439
Medical/security	15,544	-	-	15,544
Office rent	17,187	4,869	6,588	28,644
Park/activity fee	50,245	-	-	50,245
Payroll expense	249,613	55,868	92,487	397,968
Postage and delivery	2,104	256	1,023	3,383
Printing	6,854	1,486	739	9,079
Professional development	33	4,630	4,266	8,929
Professional fees	11,487	10,338	12,197	34,022
Recruiting	2,040	-	-	2,040
Scholarship	109,500	-	-	109,500
Supplies	5,341	299	13,979	19,619
Telephone/internet	4,321	324	427	5,072
Travel	89,354	20	1,316	90,690
Utilities	827	234	317	1,378
Total expenses	<u>\$ 726,675</u>	<u>\$ 98,822</u>	<u>\$ 141,474</u>	<u>\$ 966,971</u>

See notes to financial statements.

THE TRAVELING SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	
Accreditation	\$ 3,335	\$ -	\$ -	\$ 3,335
Advertising	8,268	1,181	861	10,310
Bank service charges	577	128	386	1,091
Business fees and licenses	255	-	-	255
Curriculum	7,906	-	-	7,906
Depreciation	2,505	-	-	2,505
Dues and subscriptions	1,632	1,848	1,832	5,312
Event expenses	-	-	6,994	6,994
Food and lodging	128,587	2,629	946	132,162
Health insurance	10,057	3,395	1,799	15,251
Insurance	6,253	4,231	949	11,433
Medical/security	23,488	-	-	23,488
Miscellaneous	149	-	-	149
Office rent	12,780	6,391	6,391	25,562
Park/activity fee	77,035	-	-	77,035
Payroll expense	247,307	50,477	72,216	370,000
Postage and delivery	1,943	435	732	3,110
Printing	2,447	738	2,568	5,753
Professional development	4,474	4,059	2,618	11,151
Professional fees	4,199	15,018	867	20,084
Scholarship	130,500	-	-	130,500
Supplies	11,248	2,273	900	14,421
Telephone/internet	4,069	941	941	5,951
Travel	75,091	-	905	75,996
Utilities	826	413	413	1,652
Total expenses	\$ 764,931	\$ 94,157	\$ 102,318	\$ 961,406

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and related fees	\$ 885,025	\$ 825,751
Receipts from donors and grantors	141,488	88,167
Other cash receipts	13,104	1,963
Payments for salaries and related costs	(396,849)	(376,128)
Payments to vendors	(470,237)	(522,876)
Net cash provided by operating activities	172,531	16,877
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchases of certificate of deposit	(292,000)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,469)	16,877
Cash and cash equivalents at beginning of year	501,386	484,509
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 381,917	\$ 501,386

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018, bank deposits exceeded federally insured limits by \$0 and \$168,755, 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, 2019 and 2018 was \$2,041 and \$2,505, respectively.

Accounts Receivable

The Traveling School requires payment of tuition prior to the semester of study. 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, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give (i.e. pledges receivable) are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, discounted at the short term prime interest rate. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Contributions and Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Expirations of 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 with donor restrictions that are received and expended in the same period are reported as net assets without donor restrictions.

Advertising

The Traveling School expenses advertising costs when they are paid.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related expenses, occupancy, printing, and supplies, which are allocated on the basis of estimates of time and effort (calculated through full-time equivalent employees).

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 net assets with donor restrictions.

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.

Change in Accounting Principle (or Adoption of ASU 2016-14)

In the year ended June 30, 2019, the Organization retroactively adopted the requirements in FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in ASC Topic 958, Not-for-Profit Entities. The main provisions of this update include net asset terminology and category changes, revised disclosures related to liquidity and availability of financial resources, functional expense allocation methodology descriptions, investment return presentation, and treatment of underwater endowments.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets			
Cash and cash equivalents	\$	381,917	
Accounts receivable		<u>14,050</u>	
Financial assets, at year end			<u>\$ 395,967</u>
Total financial resources available for general expenditure			<u>\$ 395,967</u>

The Organization is substantially supported by tuition revenue. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, money market funds, and short term certificates of deposit. The Traveling School strives to maintain three to six months' of operating costs in reserves. This allows the Organization to appropriately respond to emergency or unforeseen situations as well as to maintain operations if a semester was to be canceled. Furthermore, reserve funds allow the Organization to maintain needed cash flow throughout the fiscal year. The Organization collects tuition revenue twice a year prior to each semester unless families elect to go on a payment plan. The Organization invests excess cash in accordance with its investment policy in order to manage investment risk and optimize investment returns within acceptable parameters.

3. INVESTMENTS

The Organization's investments are reported at fair value, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 2: Certificates of deposit are valued using a market approach on yields currently available on comparable investments.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 292,000</u>	<u>\$ -</u>	<u>\$ 292,000</u>	<u>\$ -</u>

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. PLEDGES RECEIVABLE

Pledges receivable activity for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Pledges receivable, beginning of year	\$ -	\$ 3,000
Payments received	<u>-</u>	<u>(3,000)</u>
Pledges receivable, end of year	<u>\$ -</u>	<u>\$ -</u>

5. RETIREMENT PLAN

The Organization adopted a Savings Incentive Match Plan for Employees (SIMPLE). All hourly and salaried permanent employees who work at least 30 hours per week and are reasonably expected to earn \$5,000 or more annually are eligible to enroll in the employer-sponsored SIMPLE IRA retirement plan. New employees may enroll on the first day of the month following the completion of their six month probationary period. 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, 2019 and 2018, the Organization made matching contribution to the SIMPLE plan of \$7,269 and \$6,472, respectively.

6. IN-KIND DONATIONS

The fair value of donated goods and services included as contributions in the financial statements for the year ended June 30, 2019, are as follows:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ 1,240	\$ 850	\$ 5,400	\$ 7,490
Supplies	<u>150</u>	<u>-</u>	<u>3,842</u>	<u>3,992</u>
	<u>\$ 1,390</u>	<u>\$ 850</u>	<u>\$ 9,242</u>	<u>\$ 11,482</u>

The fair value of donated goods and services included as contributions in the financial statements for the year ended June 30, 2018, are as follows:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 212	\$ -	\$ -	\$ 212
Event expenses	-	-	605	605
Professional fees	-	800	-	800
Tech support (deferred revenue)	<u>8,550</u>	<u>-</u>	<u>-</u>	<u>8,550</u>
	<u>\$ 8,762</u>	<u>\$ 800</u>	<u>\$ 605</u>	<u>\$ 10,167</u>

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

7. OFFICE LEASE

The Organization entered into a lease for office space beginning June 2016. The original lease term ran through May 2019, with the option to extend for two additional one-year terms. The Organization has extended for one of those one-year terms, through May 2020. Monthly rental payments are \$2,387. Future minimum rental payments are \$26,257 for fiscal year 2020.

8. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 21, 2019, the date on which the financial statements were available to be issued.