

THE TRAVELING SCHOOL
AUDITED FINANCIAL STATEMENTS
June 30, 2020 and 2019



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 statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 20, 2020



**THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 701,561	\$ 381,917
Investments	-	292,000
Accounts receivable	7,975	14,050
Prepaid expenses	-	8,628
Total current assets	709,536	696,595
FIXED ASSETS		
Computers and software	4,061	4,061
Field equipment	1,330	1,330
Office equipment	3,901	3,901
Website	6,000	-
Less: accumulated depreciation	(8,008)	(6,348)
Total fixed assets	7,284	2,944
Total assets	\$ 716,820	\$ 699,539

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 25,000	\$ -
Payroll liabilities	16,049	11,811
Accrued leave payable	16,808	11,777
Credit cards payable	1,558	9,956
Deferred tuition revenue	10,392	203,591
Loan payable	84,500	-
Total current liabilities	154,307	237,135
NET ASSETS		
Without donor restrictions	562,513	462,404
Total liabilities and net assets	\$ 716,820	\$ 699,539

See notes to financial statements.

**THE TRAVELING SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Tuition fees	\$ 776,858	\$ -	\$ 776,858
Donations	201,254	-	201,254
Grants	18,511	-	18,511
In kind donation	4,925	-	4,925
Event income	<u>7,288</u>	<u>-</u>	<u>7,288</u>
Total revenue and support	<u>1,008,836</u>	<u>-</u>	<u>1,008,836</u>
EXPENSES			
Program	686,836	-	686,836
Administration	104,928	-	104,928
Fundraising	<u>124,892</u>	<u>-</u>	<u>124,892</u>
Total expenses	<u>916,656</u>	<u>-</u>	<u>916,656</u>
OTHER INCOME AND EXPENSE			
Other income	1,384	-	1,384
Investment income	<u>6,545</u>	<u>-</u>	<u>6,545</u>
Total other income and expense	<u>7,929</u>	<u>-</u>	<u>7,929</u>
CHANGE IN NET ASSETS	100,109	-	100,109
Net assets at beginning of year	<u>462,404</u>	<u>-</u>	<u>462,404</u>
NET ASSETS AT END OF YEAR	<u>\$ 562,513</u>	<u>\$ -</u>	<u>\$ 562,513</u>

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	\$ 883,724	\$ -	\$ 883,724
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	80,827	-	80,827
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 FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	
Accreditation	\$ 5,875	\$ -	\$ -	\$ 5,875
Advertising	2,578	2,411	4,813	9,802
Bad debt	4,216	-	-	4,216
Bank service charges	1,275	117	1,965	3,357
Curriculum	2,091	-	-	2,091
Depreciation	1,660	-	-	1,660
Dues and subscriptions	1,326	1,340	4,208	6,874
Food and lodging	94,773	2,242	1,339	98,354
Health insurance	9,031	2,318	1,085	12,434
Insurance	5,596	5,367	514	11,477
Medical/security	14,043	-	-	14,043
Office rent	16,978	5,890	7,776	30,644
Park/activity fee	34,242	-	-	34,242
Payroll expense	253,927	64,845	90,495	409,267
Postage and delivery	1,766	301	586	2,653
Printing	4,967	361	2,070	7,398
Professional development	4,089	4,779	2,184	11,052
Professional fees	4,700	13,520	5,898	24,118
Recruiting	3,105	-	-	3,105
Scholarship	120,500	-	-	120,500
Supplies	6,182	710	641	7,533
Telephone/internet	3,661	466	524	4,651
Travel	89,615	35	493	90,143
Utilities	640	226	301	1,167
Total expenses	<u>\$ 686,836</u>	<u>\$ 104,928</u>	<u>\$ 124,892</u>	<u>\$ 916,656</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
STATEMENTS OF CASH FLOWS**

	Years Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and related fees	\$ 589,734	\$ 885,025
Receipts from donors and grantors	219,765	141,488
Other cash receipts	15,217	13,104
Payments for salaries and related costs	(399,998)	(396,849)
Payments to vendors	(475,574)	(470,237)
Net cash provided (used) by operating activities	(50,856)	172,531
CASH USED BY INVESTING ACTIVITIES		
Purchases of certificate of deposit	-	(292,000)
Proceeds from redemption of certificate of deposit	292,000	-
Purchases of fixed assets	(6,000)	-
Net cash provided (used) by investing activities	286,000	(292,000)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from loan payable	84,500	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	319,644	(119,469)
Cash and cash equivalents at beginning of year	381,917	501,386
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 701,561	\$ 381,917

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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.

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, 2020 and 2019, bank deposits did not exceed federally insured limits. 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, 2020 and 2019 was \$1,660 and \$2,041, respectively.

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.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions and Grants

Contributions and grants are recognized as revenues in the period cash or assets are transferred or pledges are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

Grants receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

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.

Tuition Revenues

Tuition revenues are recognized during the semester in which the services are provided. Payment is due prior to the semester of study or can be paid throughout the semester under a payment plan. Amounts received in advance are deferred and recognized during the applicable semester. 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, 2020 and 2019

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).

Advertising

The Traveling School expenses advertising costs when they are paid.

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

In the year ended June 30, 2020, the Organization adopted the new accounting standards related to accounting for revenue and contracts with customers (FASB Accounting Standards Updates (ASU) 2014-09 *Revenue from Contracts with Customers* and 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*).

ASU 2014-09 establishes a new contract and control-based revenue recognition model, changing the basis for deciding when revenue is recognized over time or at a point in time. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2014-09 retrospectively and implemented the provisions of ASU 2018-08 applicable to contributions received under a modified prospective basis. The adoption of these standards did not have a significant impact on the financial statements.

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, 2020 and 2019

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 statement of financial position date, comprise the following:

	June 30	
	2020	2019
Financial assets		
Cash and cash equivalents	\$ 701,561	\$ 381,917
Accounts receivable	7,975	14,050
Financial assets, at year end	709,536	395,967
Total financial resources available for general expenditure	\$ 709,536	\$ 395,967

The Organization is substantially supported by tuition revenue. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and money market funds. 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.

The investment balance was \$292,000 as of June 30, 2019, and was comprised of certificates of deposit. All funds were included in cash and cash equivalents at June 30, 2020.

Certificates of deposit values are based on the cost of the investment plus accumulated earnings, which approximates fair value. Certificates of deposit are reported at Level 2 within the fair value hierarchy.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

4. 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. In 2020, the plan was amended to eliminate the 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, 2020 and 2019, the Organization made matching contribution to the SIMPLE plan of \$6,612 and \$7,269, respectively.

5. IN-KIND DONATIONS

The fair value of donated goods and services included as contributions in the financial statements for the year ended June 30, 2020, are as follows:

	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Food and lodging	1,000	120	1,120
Professional fees	\$ -	\$ 925	\$ 925
Supplies	<u>2,880</u>	<u>-</u>	<u>2,880</u>
	<u>\$ 3,880</u>	<u>\$ 1,045</u>	<u>\$ 4,925</u>

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>

6. LOAN PAYABLE

On April 15, 2020, the Organization was granted a loan from First Security Bank (a division of Glacier Bank) in the aggregate amount of \$84,500, pursuant to the Paycheck Protection Program (PPP) under the CARES Act. The loan matures on April 15, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 15, 2020. Funds from the loan may only be used for payroll costs, group health benefits, rent, and utilities. The Organization intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Management expects the full amount of this loan to be forgiven in fiscal year 2021 so the entire balance is included in current liabilities.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

7. OFFICE LEASE

The Organization leases office space under a lease agreement originally dated June 2016. Rent paid for the year ended June 30, 2020 was \$30,644. The Organization negotiated a six month extension through December 2020 with monthly rent payments of \$2,000. Future minimum rental payments under this lease are \$12,000 for fiscal year 2021.

8. SUBSEQUENT EVENTS

Economic Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact revenues, net income and cash flows in future years, though such potential impact is unknown at this time. In April 2020, the Organization received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) for \$84,500 (see Note 6); management expects the full amount of this loan to be forgiven in fiscal year 2021.

In fiscal year 2021, the Organization sustained a loss of revenue due to a cancelled fall international program. Further, the Organization is unsure if it can run an international spring semester in 2021. Management is working to develop a domestic semester until international travel becomes possible, however, this demands unanticipated outlays for increased expenses (insurance, meals, lodging, activities, transportation, gear). The costs of running a domestic semester may be higher compared to international course areas in southern Africa and South America.

In September 2020, the Organization obtained an EIDL loan through the Small Business Administration (SBA) for \$149,900; management plans to use the loan funds to support general operations and expects to repay this loan in its entirety as soon as the program resumes normal operation. The loan bears an interest rate of 2.75% and matures in July 2050.

Date of Management Evaluation

Management has evaluated subsequent events through October 20, 2020, the date on which the financial statements were available to be issued.