



**WORLDTEACH, INC.**  
(A Not-for-Profit Organization)

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013



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INDEPENDENT AUDITORS' REPORT.....	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – 2013.....	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – 2012.....	5
STATEMENTS OF CASH FLOWS – INDIRECT METHOD .....	6
NOTES TO FINANCIAL STATEMENTS .....	7

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**WorldTeach, Inc.**

We have audited the accompanying financial statements of **WorldTeach, Inc.** (A Not-for-Profit Organization), which comprise the statements of financial positions as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows – indirect method, 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 auditor's 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 the 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 **WorldTeach, Inc.** as of June 30, 2013 and 2012, 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.

GRAY, GRAY & GRAY, LLP

*Gray, Gray & Gray, LLP*

Westwood, MA  
March 10, 2014

**WORLDTEACH, INC.**  
(A Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	June 30,	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash	\$ 648,883	\$ 594,231
Accounts receivable, countries less allowance for doubtful accounts of \$23,082 in 2013 and \$20,000 in 2012	290,228	239,532
Accounts receivable, volunteer fees	163,617	316,006
Prepaid expenses	231,210	179,771
<b>TOTAL CURRENT ASSETS</b>	<b>1,333,938</b>	<b>1,329,540</b>
<b>FURNITURE, FIXTURES, AND EQUIPMENT</b>	14,840	32,033
Less accumulated depreciation	10,988	27,656
<b>NET FURNITURE, FIXTURES, AND EQUIPMENT</b>	<b>3,852</b>	<b>4,377</b>
<b>INVESTMENTS</b>	<b>1,687,676</b>	<b>1,600,695</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,025,466</b>	<b>\$ 2,934,612</b>

The accompanying notes are an integral part of these financial statements.

### LIABILITIES AND NET ASSETS

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 16,774	\$ 67,819
Accrued volunteer support	236,525	247,607
Deferred revenue	440,330	606,249
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	693,629	921,675
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	2,193,917	1,825,343
Temporarily restricted	137,920	187,594
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	2,331,837	2,012,937
	<hr/>	<hr/>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 3,025,466</u>	 <u>\$ 2,934,612</u>

The accompanying notes are an integral part of these financial statements.







**WORLDTEACH, INC.**  
(A Not-for-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>Support:</b>			
Public support	\$ 1,910,278	\$ 103,589	\$ 2,013,867
<b>Revenue:</b>			
Volunteer fees	1,056,560	-	1,056,560
Investment income	34,274	-	34,274
Other revenue	11,142	-	11,142
Realized gains on contributed stocks	48	-	48
Realized gain on investments	17,431	-	17,431
Unrealized gain on investments	135,378	-	135,378
	1,254,833	-	1,254,833
<b>NET ASSETS RELEASED FROM SATISFACTION OF PROGRAM RESTRICTIONS</b>	153,263	(153,263)	-
<b>TOTAL SUPPORT AND REVENUE</b>	3,318,374	(49,674)	3,268,700
<b>EXPENSES</b>			
Program expenses	2,793,556	-	2,793,556
General and administrative	147,810	-	147,810
Fundraising	8,434	-	8,434
<b>TOTAL EXPENSES</b>	2,949,800	-	2,949,800
<b>CHANGES IN NET ASSETS</b>	368,574	(49,674)	318,900
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,825,343	187,594	2,012,937
<b>NET ASSETS AT END OF YEAR</b>	\$ 2,193,917	\$ 137,920	\$ 2,331,837

The accompanying notes are an integral part of these financial statements.

**WORLDTEACH, INC.**  
(A Not-for-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>Support:</b>			
Public support	\$ 1,733,743	\$ 192,917	\$ 1,926,660
<b>Revenue:</b>			
Volunteer fees	1,267,157	-	1,267,157
Investment income	31,672	-	31,672
Other revenue	10,120	-	10,120
Realized gains on contributed stocks	1,616	-	1,616
Unrealized gain on investments	43,029	-	43,029
	<u>1,353,594</u>	<u>-</u>	<u>1,353,594</u>
<b>NET ASSETS RELEASED FROM SATISFACTION OF PROGRAM RESTRICTIONS</b>	<u>137,508</u>	<u>(137,508)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,224,845</u>	<u>55,409</u>	<u>3,280,254</u>
<b>EXPENSES</b>			
Program expenses	2,873,101	-	2,873,101
General and administrative	138,923	-	138,923
Fundraising	10,226	-	10,226
<b>TOTAL EXPENSES</b>	<u>3,022,250</u>	<u>-</u>	<u>3,022,250</u>
<b>CHANGES IN NET ASSETS</b>	202,595	55,409	258,004
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,622,748</u>	<u>132,185</u>	<u>1,754,933</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,825,343</u>	<u>\$ 187,594</u>	<u>\$ 2,012,937</u>

The accompanying notes are an integral part of these financial statements.

**WORLDTEACH, INC.**  
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STATEMENTS OF CASH FLOWS - INDIRECT METHOD

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 318,900	\$ 258,004
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Contribution of stock	(10,093)	(48,836)
Proceeds from sale of contributed stocks	10,141	50,452
Depreciation	1,539	2,147
Bad debt expense	5,830	-
Unrealized gain on investments	(135,378)	(43,029)
Realized gain on sale of investment	(17,431)	-
Realized gains on sale of contributed stocks	(48)	(1,616)
Reinvested dividends	(34,172)	(31,244)
(Increase) decrease in assets:		
Accounts receivable, countries	(56,526)	(37,793)
Accounts receivable, volunteer fees	152,389	(41,103)
Prepaid expenses	(51,439)	24,235
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(51,045)	(58,363)
Accrued volunteer support	(11,082)	19,715
Deferred revenue	(165,919)	1,224
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(44,334)</u>	<u>93,793</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	-	(250,000)
Proceeds from sale of investment	100,000	-
Acquisitions of furniture, fixtures, and equipment	(1,014)	(3,710)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>98,986</u>	<u>(253,710)</u>
<b>INCREASE (DECREASE) IN CASH</b>	54,652	(159,917)
<b>CASH AT BEGINNING OF YEAR</b>	<u>594,231</u>	<u>754,148</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 648,883</u>	<u>\$ 594,231</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Contributions of stock	<u>\$ 10,093</u>	<u>\$ 48,836</u>

The accompanying notes are an integral part of these financial statements.

**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 1 – BUSINESS**

**Principal Business Activity** – WorldTeach, Inc. (the "Organization") is a private, not-for-profit organization which places North American volunteers in teaching positions in other countries. The Organization was founded in 1986 under the control of Phillips Brooks House Association, Inc., and was incorporated as an independent entity on November 1, 1991.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**Cash** – Cash deposits that are held in a Massachusetts bank are insured in full through a combination of insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the Depositors Insurance Fund (DIF). Funds held in foreign countries and not insured by the FDIC amounted to \$246,775 and \$217,893 at June 30, 2013 and 2012, respectively.

**Accounts Receivable** – The Organization records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible pledges are written off against the allowance when collection of the individual account appears doubtful. At June 30, 2012 and 2011, management determined that an allowance for doubtful accounts of \$23,082 and \$20,000, respectively, was required.

**Furniture, Fixtures, and Equipment** – Furniture, fixtures, and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (3 – 7 years). Expenditures for routine repairs and maintenance are charged to operations as they are incurred, while those which significantly improve or extend the lives of existing assets are capitalized.

**Investments** – Investments held in index mutual funds with readily determinable fair values are measured at fair value (at the closing prices reported in the active markets that the securities are traded) in the statements of financial position. Unrealized gains or losses are included in the changes in net assets. Investment income is reported net of brokerage fees and commissions. Investment transactions are recorded on a trade date basis.

Financial Accounting Standards Board ("FASB") ASC 820-10, "*Fair Value Measurements*", defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820-10, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 – inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 – are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data).

**Concentrations of Credit Risk** – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, accounts receivable and investments. The Organization places its cash and investments with high-quality financial institutions and a reputable investment company to reduce its credit risk. The Organization's exposure to credit risk regarding their investments is directly impacted by fluctuations in trading markets.

Concentrations of credit risk with respect to accounts receivable are limited due to the number volunteers and countries.

**Deferred Revenue** – Volunteer and country fees collected in advance of departure are deferred until the related program begins.

**Contributions** – Contributions received and unconditional promises to give are classified as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions of donated non-cash assets are recorded at their fair values in the period received. Restricted contributions are classified as unrestricted if the restrictions are satisfied in the same reporting period in which the contributions are received. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. Restricted net assets are transferred to unrestricted net assets upon satisfaction of the time or purpose restrictions.

**Functional Allocation of Expenses** – The costs of providing the various programs of the Organization are summarized on a functional basis in the statements of activities and changes in net assets. Certain costs have been allocated among the programs based upon management's estimate of the percentage attributable to each program. Program costs are charged to operations as period costs when they are incurred.

**Foreign Currency Translation** – Gains or losses on foreign currency translations are calculated monthly using exchange rates in effect at the end of each month. The cumulative net gain or loss is included in program services in the statements of activities and changes in net assets.

**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs** – Advertising costs are expensed as incurred and totaled \$8,480 and \$4,775 for the years ended June 30, 2013 and 2012, respectively.

**Income Taxes** – The Organization was determined to be exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC) and qualifies for the 50% charitable deduction for individual donors. The Internal Revenue Service has not determined whether the Organization is a private foundation. Accordingly, no provisions for federal or state income taxes are required.

The Organization is required to recognize the financial statement impact of a tax position unless it is more likely than not that the position will not be sustained upon examination. If applicable, the Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Currently, the tax years ended June 30, 2010, 2011 and 2012 are open and subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. However, the Organization is not currently under audit nor has the Organization been contacted by either of these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2013.

**Use of 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 the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 – INVESTMENTS**

Investments consist of the following at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Index securities	<u>\$ 1,324,342</u>	<u>\$ 1,687,676</u>	<u>\$ 1,687,676</u>

**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 3 – INVESTMENTS (CONTINUED)**

Investments consist of the following at June 30, 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Index securities	<u>\$ 1,372,739</u>	<u>\$ 1,600,695</u>	<u>\$ 1,600,695</u>

**NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE**

Accounts receivable and deferred revenue relate to the following programs at June 30, 2013:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Colombia	\$ 216,994	\$ 32,000
Ecuador	47,293	60,390
Namibia	56,281	59,900
Tanzania	71,345	7,980
Costa Rica	3,730	3,990
Panama	20,000	-
Poland	3,490	3,990
Pohnpei	8,462	26,300
China	5,600	71,500
Thailand	7,610	9,980
Chile	18,000	-
American Samoa	8,244	20,000
Guyana	5,000	15,000
Marshall Island	500	35,800
Chuuk	1,797	43,500
Bangladesh	1,741	22,500
Kosrae	-	12,000
Vietnam	840	14,000
Other	-	1,500
Allowance for doubtful accounts	<u>(23,082)</u>	<u>-</u>
	<u>\$ 453,845</u>	<u>\$ 440,330</u>

**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE (CONTINUED)**

Accounts receivable and deferred revenue relate to the following programs at June 30, 2012:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Colombia	\$ 151,309	\$ 10,000
Ecuador	126,351	178,170
Namibia	66,223	56,900
Tanzania	63,957	15,970
Costa Rica	41,247	33,819
Panama	36,424	-
Chile	15,030	20,960
Pohnpei	13,962	16,000
South Africa	10,894	11,980
China	9,720	70,000
Thailand	8,980	9,980
India	8,866	14,970
American Samoa	7,130	62,000
Guyana	6,874	14,500
Marshall Island	6,222	42,000
Chuuk	1,500	12,000
Bangladesh	849	22,500
Kosrae	-	12,000
Other	-	2,500
Allowance for doubtful accounts	<u>(20,000)</u>	<u>-</u>
	<u>\$ 555,538</u>	<u>\$ 606,249</u>

**NOTE 5 – COMMITMENTS**

The Organization sub-leased office space in Cambridge, Massachusetts from Harvard University, Kennedy School of Government under a non-cancelable lease through June 30, 2012. As of July 1, 2012 the Organization became a tenant-at-will. Total rent expense was \$86,352 and \$87,119 for 2013 and 2012, respectively (including \$5,974 and \$5,243 for rent in foreign countries for 2013 and 2012, respectively). The lease provided for additional charges, which were based on the Organization's proportionate share of increases in operating costs and real estate taxes. The Organization entered into a one (1) year lease effective July 1, 2013 which provides for a monthly rent of \$4,798 plus the Organization's proportionate share of increases in operating costs and real estate taxes.



**WORLDTEACH, INC.**  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**NOTE 6 – ACCRUED VOLUNTEER SUPPORT**

Accrued volunteer support represents the estimated cost to maintain the field offices and the U.S. office through the term of service of the most recently placed volunteers and relates to the following programs at June 30:

	<u>2013</u>	<u>2012</u>
Chile	\$ 10,415	\$ 9,441
China	2,111	2,953
Colombia	89,297	71,393
Costa Rica	21,500	22,998
Ecuador	21,286	21,522
Guyana	1,176	-
India	18,464	16,153
Namibia	18,241	22,315
Panama	-	32,697
Poland	3,252	3,131
South Africa	1,332	2,315
Tanzania	45,582	36,320
Thailand	3,869	6,369
	<u>\$ 236,525</u>	<u>\$ 247,607</u>

**NOTE 7 – DONATED SERVICES**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with writing manuals, translations and other various services. No value has been assigned to these volunteer services, as the criteria for recognition under generally accepted accounting principles have not been satisfied.

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 10, 2014, the date which the financial statements were available to be issued. There were no events noted that required disclosure in these financial statements except as disclosed in Note 5.