

THE TRAVELING SCHOOL
AUDITED FINANCIAL STATEMENTS
June 30, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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 10, 2018



**THE TRAVELING SCHOOL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 501,386	\$ 484,509
Accounts receivable	15,351	7,362
Grants receivable	2,000	-
Pledges receivable	-	3,000
Prepaid expenses	7,856	19,786
Total current assets	526,593	514,657
FIXED ASSETS		
Computers and software	5,538	17,741
Field equipment	1,330	3,416
Office equipment	3,901	5,047
Less: accumulated depreciation	(5,784)	(15,474)
Total fixed assets	4,985	10,730
Total assets	\$ 531,578	\$ 525,387

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,641	\$ 7,182
Payroll liabilities	16,143	9,899
Accrued leave payable	6,326	3,447
Credit cards payable	9,667	13,134
Deferred tuition revenue	115,224	78,539
Total current liabilities	150,001	112,201
NET ASSETS		
Unrestricted	381,577	386,732
Temporarily restricted	-	26,454
Total net assets	381,577	413,186
Total liabilities and net assets	\$ 531,578	\$ 525,387

See notes to financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
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
Interest 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>\$ 381,577</u>	<u>\$ -</u>	<u>\$ 381,577</u>

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			
Tuition fees	\$ 771,855	\$ -	\$ 771,855
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
Satisfaction of program restrictions	28,800	(28,800)	-
	<u>915,446</u>	<u>(22,590)</u>	<u>892,856</u>
Total revenue and support			
EXPENSES			
Program	700,958	-	700,958
Administration	68,228	-	68,228
Fundraising	97,781	-	97,781
	<u>866,967</u>	<u>-</u>	<u>866,967</u>
Total expenses			
OTHER INCOME AND EXPENSE			
Rental income	1,600	-	1,600
Interest income	733	-	733
	<u>2,333</u>	<u>-</u>	<u>2,333</u>
Total other income and expense			
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 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
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
Bad debt	650	-	-	650
Bank service charges	1,339	60	1,083	2,482
Business fees and licenses	50	20	-	70
Curriculum	7,352	-	-	7,352
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	10,566	3,930	2,192	16,688
Insurance	8,032	3,958	1,350	13,340
Medical/security	19,015	-	-	19,015
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 and training	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
STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (31,609)	\$ 28,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,505	2,424
Loss on disposal of assets	3,240	-
(Increase) decrease in current assets:		
Receivables	(6,989)	20,344
Prepaid expenses	11,930	(1,244)
Increase (decrease) in current liabilities:		
Accounts payable	(4,541)	6,705
Credit cards payable	(3,467)	(9,748)
Accrued payroll liabilities	9,123	(1,002)
Deferred revenue	36,685	(67,710)
Net cash provided (used) by operating activities	16,877	(22,009)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchases of equipment	-	(3,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,877	(25,910)
Cash and cash equivalents at beginning of year	484,509	510,419
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 501,386	\$ 484,509

See notes to financial statements.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017, bank deposits exceeded federally insured limits by \$168,755 and \$158,448, 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, 2018 and 2017 was \$2,505 and \$2,424, 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, 2018 and 2017

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. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of June 30, 2018 and 2017.

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, 2018 and 2017

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, 2017 balances to conform to the June 30, 2018 presentation.

2. PLEDGES RECEIVABLE

Pledges receivable activity for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable, beginning of year	\$ 3,000	\$ 28,800
New amounts pledged	-	3,000
Payments received	<u>(3,000)</u>	<u>(28,800)</u>
Pledges receivable, end of year	<u>\$ -</u>	<u>\$ 3,000</u>

3. OFFICE LEASE

The Organization entered into a lease for office space beginning June 2016. The lease runs through May 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 \$26,257 for fiscal year 2019.

THE TRAVELING SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017, the Organization made matching contribution to the SIMPLE plan of \$6,472 and \$5,422, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by the donor as of June 30, 2018 and 2017 are as follows:

	2018	2017
Pledges receivable	\$ -	\$ 3,000
Alumnae scholarship	-	23,454
	\$ -	\$ 26,454

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, 2018, are as follows:

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

The fair value of donated goods and services included as contributions in the financial statements for the year ended June 30, 2017, are as follows:

	Program	Administration	Total
Office supplies	\$ 500	\$ -	\$ 500
Food and lodging	600	-	600
Professional fees	-	100	100
	\$ 1,100	\$ 100	\$ 1,200

7. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 10, 2018, the date on which the financial statements were available to be issued.