

**LITWORLD INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

**LITWORLD INTERNATIONAL, INC.**

**DECEMBER 31, 2015 AND 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
LitWorld International, Inc.  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of LitWorld International, Inc. ("Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the Organization'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 Organization'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 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 LitWorld International, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Sobel & Co., LLC*

Certified Public Accountants

Livingston, New Jersey  
May 5, 2016

**LITWORLD INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

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	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 700,714	\$ 632,588
Accounts receivable	152,848	50,000
Prepaid expenses	21,500	20,000
Security deposit and other assets	17,456	11,385
Total current assets	<u>892,518</u>	<u>713,973</u>
Property and equipment, net	250	2,533
	<u>\$ 892,768</u>	<u>\$ 716,506</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 47,882	\$ 7,574
Deferred revenue	50,000	-
	<u>97,882</u>	<u>7,574</u>
<b>NET ASSETS:</b>		
Unrestricted	595,921	499,332
Temporarily restricted	198,965	209,600
	<u>794,886</u>	<u>708,932</u>
Total Liabilities and Net Assets	<u>\$ 892,768</u>	<u>\$ 716,506</u>

**LITWORLD INTERNATIONAL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUE:</b>						
Donations and contributions	\$ 1,064,494	\$ 192,784	\$ 1,257,278	\$ 1,309,512	\$ 171,150	\$ 1,480,662
In-kind revenue	155,408	-	155,408	-	-	-
Service income	123,781	-	123,781	33,571	-	33,571
Interest income	1,040	-	1,040	207	-	207
Net assets released from restriction	203,419	(203,419)	-	25,520	(25,520)	-
Total Revenue	1,548,142	(10,635)	1,537,507	1,368,810	145,630	1,514,440
<b>EXPENSES:</b>						
Programming	735,248	-	735,248	519,532	-	519,532
Fundraising	149,350	-	149,350	89,423	-	89,423
Salaries and wages	355,662	-	355,662	283,430	-	283,430
General and administrative	150,767	-	150,767	127,244	-	127,244
Payroll taxes and employee benefits	60,526	-	60,526	41,513	-	41,513
Total Expenses	1,451,553	-	1,451,553	1,061,142	-	1,061,142
CHANGES IN NET ASSETS	96,589	(10,635)	85,954	307,668	145,630	453,298
Net Assets, Beginning of year	499,332	209,600	708,932	191,664	63,970	255,634
Net Assets, End of year	\$ 595,921	\$ 198,965	\$ 794,886	\$ 499,332	\$ 209,600	\$ 708,932

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

**LITWORLD INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**

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	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 85,954	\$ 453,298
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,283	4,135
Changes in certain assets and liabilities:		
Accounts receivable	(102,848)	(50,000)
Prepaid expenses	(1,500)	2,450
Security deposit and other assets	(6,071)	(2,535)
Accounts payable	40,308	(7,055)
Deferred income	50,000	-
Net Cash Provided by Operating Activities	<u>68,126</u>	<u>400,293</u>
NET INCREASE IN CASH	68,126	400,293
CASH:		
Beginning of year	<u>632,588</u>	<u>232,295</u>
End of year	<u>\$ 700,714</u>	<u>\$ 632,588</u>

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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LitWorld International, Inc. (“Organization”) is a not-for-profit 501(c)(3) organization located in New York, New York. The Organization runs programs to help children and families improve their academic achievement, positive sense of self and future outlook, and increase their civic engagement.

The Organization works with locally based, grassroots organizations to run and expand literacy-based programs, building sustainable outcomes for young people and their communities around the world. The Organization’s programs are designed and written by staff members with support from consultants where needed. Local community leaders manage and lead the programs after receiving training and access to the Organization’s innovative curricula.

The Organization creates permanent, positive change in the world by implementing these on-the-ground programs to address the hard-to-tackle challenge of illiteracy worldwide. The Organization uniquely combines the power of children’s own stories, access to diverse reading and writing experiences, peer-to-peer support networks and adult mentor relationships, all of which lead to productive and transformational literacy.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation:***

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

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations and currently available for use by the Organization’s Board of Directors.

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 all or part of the income earned on any related investments for general or specific purposes.

The Organization does not have any permanently restricted net assets.



**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Cash and Cash Equivalents:***

Cash and cash equivalents consist of cash in bank accounts and money market funds.

***Accounts Receivable:***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible receivables to operations when determined to be uncollectible. The allowance for uncollectible receivables has been reviewed by management and it has been determined that no allowance is necessary based on historical collection trends.

***Contributions:***

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

***Deferred Revenue:***

Deferred revenue consists of amounts received in advance of services being performed which will be recognized as income in future periods when the services are performed.

***In-kind Property, Goods and Services:***

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated property, goods and services are recorded as contributions at their estimated fair value at the date of donation.

The Organization also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements.

***Income Taxes:***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Income Taxes: (continued)***

The Organization follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. No interest and penalties were recorded during the years ended December 31, 2015 and 2014. The tax years subject to audit by federal and state jurisdictions are the years ended December 31, 2012, and forward. At December 31, 2015 and 2014, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's financial statements.

***Property and Equipment:***

It is management's policy to capitalize fixed-asset purchases having a useful life. Donated assets are recorded as contributions at their estimated fair value, at the date of the gift. Depreciation is provided on a straight-line basis. The estimated useful life on property and equipment is between 5 and 7 years.

***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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Reclassifications:***

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2015 through May 5, 2016, the date that the financial statements were available to be issued.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 3 - PROPERTY AND EQUIPMENT:**

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Property and equipment consist of the following:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Computers	\$ 16,196	\$ 16,196
Furnishings and equipment	1,515	1,515
	17,711	17,711
Accumulated depreciation	17,461	15,178
Property and Equipment, Net	<u>\$ 250</u>	<u>\$ 2,533</u>

**NOTE 4 - CONCENTRATIONS OF RISK:**

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The Organization maintains cash and cash equivalent balances at several financial institutions. At times, cumulative balances may exceed the insured limit per financial institution.

The Organization also periodically holds small amounts of cash in uninsured accounts.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:**

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The following temporarily restricted net assets are available for the following purposes:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Platform development and GOAL programs	\$ -	\$ 10,000
Story21 Broadway House	-	50,000
Story21 New York City	60,000	-
Lit! Lantern Solar Project	39,600	39,600
Program at Harlem Polo Grounds	-	110,000
Development director position	99,365	-
	<u>\$198,965</u>	<u>\$209,600</u>

Net assets released from time-and-use restrictions for the years ended December 31, 2015 and 2014, amounted to \$203,419, and \$25,520, respectively.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - PARTNERSHIP WITH SCHOLASTIC, INC.:**

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In February 2015, the Organization entered into a 4-year agreement with Scholastic, Inc. to create a summer program called “LitCamp.” The Organization, acting as a consultant and advisor, was to create a 5-week summer school curriculum for grades K-5.

Upon the mutual execution of the agreement, Scholastic, Inc. paid the Organization \$100,000 for partial payment for the curriculum. This payment included an unconditional payment of \$50,000 for curriculum development, which the Organization recognized as revenue in 2015, and a conditional payment of \$50,000, which represented the first half of a \$100,000 First Advance on curriculum, revenue, which, per the agreement, is equal to 7% of Scholastic, Inc.’s net sales of the curriculum to third-parties, mainly school districts. The income on the First Advance was deferred in 2015 subject to receiving a Curriculum Sales Accounting Report from Scholastic, due March 31, 2016.

The \$50,000 second half of the First Advance was to be paid once the curriculum was delivered and accepted by Scholastic, Inc. The agreement stated such acceptance was to be on September 1, 2015, but it occurred in January 2016. As of December 31, 2015, a balance of \$50,000 is due from Scholastic for the second half of the First Advance.

The Organization received the Curriculum Sales Accounting Report from Scholastic, Inc., in April 2016, which showed that Scholastic, Inc. had zero curriculum sales since the Agreement was signed. Given the current high level of interest in the curriculum for summer 2016, and several pending sales, the Organization believes it will be able to substantiate the full \$100,000 First Advance.

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**NOTE 7 - PARTNERSHIP WITH GLOBAL G.L.O.W.:**

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In September 2015, the Organization entered into an agreement with Global G.L.O.W., a 501(c)(3) organization, to create a program called “HerStory.” HerStory is an initiative that seeks to improve and empower high-risk, high-potential girls from around the world who are facing extreme challenges, through storytelling, creative expression, literacy and mentorship under the Organization’s many programs. Under the agreement, the Organization and Global G.L.O.W will share programmatic and fiscal responsibilities. During the year ended December 31, 2015, the Global G.L.O.W. paid \$155,408 in support for the HerStory program, which is included in in-kind revenue on the Organization’s statement of activities and changes in net assets.