

LITWORLD INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

LITWORLD INTERNATIONAL, INC.

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of LitWorld International, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit 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 auditor considers 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.

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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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of LitWorld International, Inc. as of December 31, 2011 were audited by other auditors whose report, dated August 22, 2012, expressed an unqualified opinion on those statements.

A handwritten signature in cursive script that reads "Sobel & Co., LLC".

Certified Public Accountants

Livingston, New Jersey
August 21, 2013

LITWORLD INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 272,033	\$ 148,596
Prepaid expenses	32,541	34,505
Total Current Assets	<u>304,574</u>	<u>183,101</u>
Property and Equipment, Net	10,128	4,539
	<u>\$ 314,702</u>	<u>\$ 187,640</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,054	\$ 17,131
Accrued expense	8,024	6,881
	<u>10,078</u>	<u>24,012</u>
NET ASSETS:		
Unrestricted	<u>304,624</u>	<u>163,628</u>
Total Liabilities and Net Assets	<u>\$ 314,702</u>	<u>\$ 187,640</u>

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

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES:						
Donations and Contributions	\$ 787,889	\$ 5,000	\$ 792,889	\$ 630,868	\$ -	\$ 630,868
Net assets released from restriction	5,000	(5,000)	-	29,917	(29,917)	-
Total Revenues	792,889	-	792,889	660,785	(29,917)	630,868
EXPENSES:						
Contract services	73,758	-	73,758	72,589	-	72,589
Fundraising	57,180	-	57,180	55,282	-	55,282
General and administrative	86,534	-	86,534	110,614	-	110,614
Payroll taxes	70,088	-	70,088	61,390	-	61,390
Programming	171,953	-	171,953	105,822	-	105,822
Salaries and wages	192,380	-	192,380	172,929	-	172,929
Total Expenses	651,893	-	651,893	578,626	-	578,626
CHANGES IN NET ASSETS	140,996	-	140,996	82,159	(29,917)	52,242
Net Assets, Beginning of year	163,628	-	163,628	81,469	29,917	111,386
Net Assets, End of year	\$ 304,624	\$ -	\$ 304,624	\$ 163,628	\$ -	\$ 163,628

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

LITWORLD INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2012	2011
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 140,996	\$ 52,242
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,377	1,883
Changes in certain assets and liabilities:		
Prepaid expenses	1,964	(17,950)
Accounts payable	(15,077)	17,006
Accrued expenses	1,143	4,975
Net Cash Provided by Operating Activities	<u>132,403</u>	<u>58,156</u>
 <u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>(8,966)</u>	<u>-</u>
 NET INCREASE IN CASH	123,437	58,156
 CASH:		
Beginning of year	<u>148,596</u>	<u>90,440</u>
End of year	<u>\$ 272,033</u>	<u>\$ 148,596</u>

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF ORGANIZATION:

LitWorld International, Inc. (“Organization”) is a not-for-profit 501(c)3 entity located in New York, New York. Funding for the Organization is provided primarily by public contributions and special events. The primary mission of the Organization is to promote childhood literacy throughout the world by working with teachers, families and community members to serve the world’s most vulnerable children in areas with limited resources in the United States and around the world. The Organization equips all community members to teach children how learning to read and write transforms their lives.

LitWorld’s primary focus is to use the power of story to cultivate literacy skills in the world’s most vulnerable children through three core pillars: Education, Advocacy and Innovation. LitWorld creates reading and writing experiences that build resilience and connect and fortify communities.

LitWorld has developed educational initiatives with specialized curriculum that can be implemented by all members of the community to reach as many children as possible. The LitWorld LitClubs and LitCamps foster resilience through the power of literacy and use the skills of reading and writing to promote learning experiences that build social and capital and increase the chances of economic success in the participants.

LitWorld’s focus on literacy as a human right that belongs to all children is the central message for advocacy work. LitWorld sponsors two major events a year, Stand up for Girls and World Read Aloud Day, but sharing the core idea that literacy is an essential skill that is taught through access to resources and quality education.

LitWorld innovates new ideas for the teaching of reading and writing by incubating them at hub sites throughout the world, working closely with community based partners to spread the ideas and to give all children access to the power of literature, stories and information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

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 that are not subject to donor-imposed stipulations and are currently available for use by the Organization's Board of Trustees.

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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in bank accounts and money market funds with original maturities of three months or less.

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.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. 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.

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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

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.

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 de-recognition, classification, interest and penalties, disclosure and transition. No interest and penalties were recorded during years ended December 31, 2012 and 2011. The tax years subject to audit by federal and state jurisdictions are the years ended December 31, 2009, and forward. At December 31, 2012 and 2011, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's financial statements.

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.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2012 through August 21, 2013, the date that the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	December 31,	
	2012	2011
Computers	\$ 14,697	\$ 5,732
Furnishings and Equipment	1,515	1,515
Less: Accumulated depreciation	(6,084)	(2,708)
Property and Equipment, Net	<u>\$ 10,128</u>	<u>\$ 4,539</u>

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - LEASE COMMITMENT:

During 2012 the Organization entered into a one year lease for office space. The lease expires August 31, 2013. Future minimum rents on the lease for the year ended December 31, 2013, amounts to \$24,800. Rent expense for the years ended December 31, 2012 and 2011, was approximately \$36,000.

NOTE 5 - CONCENTRATIONS OF RISK:

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.