

# **LITWORLD INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **LITWORLD INTERNATIONAL, INC.**

**DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of LitWorld International, Inc. ("Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LitWorld International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LitWorld International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LitWorld International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LitWorld International, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sobel & Co, LLC*

Certified Public Accountants

Livingston, New Jersey  
May 16, 2022



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

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	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,543,253	\$ 1,216,308
Contributions receivable, net	62,508	80,146
Prepaid expenses	8,508	8,338
Total Assets	<u>\$ 1,614,269</u>	<u>\$ 1,304,792</u>
 <b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 13,941</u>	<u>\$ 12,631</u>
NET ASSETS:		
Without Donor Restrictions:		
General operating	1,141,527	769,760
Board-designated	458,801	482,801
	<u>1,600,328</u>	<u>1,252,561</u>
With Donor Restrictions	-	39,600
	<u>1,600,328</u>	<u>1,292,161</u>
Total Liabilities and Net Assets	<u>\$ 1,614,269</u>	<u>\$ 1,304,792</u>

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE:						
Donations and contributions	\$ 460,129	\$ -	\$ 460,129	\$ 514,961	\$ 5,601	\$ 520,562
Government income	107,000	-	107,000	107,000	-	107,000
Service income	618,289	-	618,289	82,046	-	82,046
Interest income	882	-	882	2,502	-	2,502
Net assets released from restriction	39,600	(39,600)	-	27,412	(27,412)	-
Total Revenue	1,225,900	(39,600)	1,186,300	733,921	(21,811)	712,110
EXPENSES:						
Program	504,848	-	504,848	532,111	-	532,111
Management leadership	202,910	-	202,910	176,754	-	176,754
Development and fundraising	170,375	-	170,375	165,175	-	165,175
Total Expenses	878,133	-	878,133	874,040	-	874,040
CHANGES IN NET ASSETS	347,767	(39,600)	308,167	(140,119)	(21,811)	(161,930)
Net Assets, Beginning of year	1,252,561	39,600	1,292,161	1,392,680	61,411	1,454,091
Net Assets, End of year	\$ 1,600,328	\$ -	\$ 1,600,328	\$ 1,252,561	\$ 39,600	\$ 1,292,161

**LITWORLD INTERNATIONAL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Program	Management Leadership	Development and Fundraising	Total	Program	Management Leadership	Development and Fundraising	Total
Salaries	\$ 207,335	\$ 98,532	\$ 129,019	\$ 434,886	\$ 212,739	\$ 93,768	\$ 124,748	\$ 431,255
Fringe benefits	36,773	17,476	22,883	77,132	36,283	15,992	21,276	73,551
Grants to foreign partners	246,079	-	-	246,079	264,866	-	-	264,866
Occupancy and insurance costs	4,118	1,611	2,478	8,207	8,106	3,170	4,877	16,153
Supplies and postage	617	136	6,551	7,304	684	284	4,313	5,281
Printing and production costs	-	-	7,081	7,081	-	136	7,694	7,830
Promotion and marketing	109	2,496	-	2,605	70	2,934	-	3,004
Professional services	9,817	82,004	2,205	94,026	8,620	58,870	2,032	69,522
Staff travel, entertainment, team-building	-	655	25	680	159	612	140	911
Program, cultivation, client travel, entertainment, team-building	-	-	101	101	435	-	95	530
Other expenses	-	-	32	32	149	988	-	1,137
<b>Total Expenses</b>	<b>\$ 504,848</b>	<b>\$ 202,910</b>	<b>\$ 170,375</b>	<b>\$ 878,133</b>	<b>\$ 532,111</b>	<b>\$ 176,754</b>	<b>\$ 165,175</b>	<b>\$ 874,040</b>

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

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	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 308,167	\$ (161,930)
Changes in certain assets and liabilities:		
Contributions receivable	17,638	(8,594)
Prepaid expenses	(170)	16,370
Security deposit	-	2,500
Accounts payable and accrued expenses	1,310	7,962
Net Cash Provided by (Used for) Operating Activities	<u>326,945</u>	<u>(143,692)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 326,945	 (143,692)
 CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,216,308</u>	<u>1,360,000</u>
 End of year	 <u>\$ 1,543,253</u>	 <u>\$ 1,216,308</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Non-cash Items:		
Paycheck Protection Program forgiveness	<u>\$ 107,000</u>	<u>\$ 107,000</u>



# LITWORLD INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2021 AND 2020

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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 revenues, 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:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - 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. Also, other 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

##### ***Cash and Cash Equivalents:***

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

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

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***Contributions Receivable:***

Contributions receivable are receivables that the Organization expects to be collected within one year and are recorded at their net realizable value. The Organization charges uncollectible receivables to an allowance for doubtful accounts when determined to be uncollectible. At December 31, 2020, an allowance for doubtful accounts has been reviewed by management and, based on historical experience, has been created for approximately \$6,000. At December 31, 2021, an allowance was deemed not necessary.

***Revenue Recognition:***

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue from government grants is considered a conditional contribution and is not recognized until the conditions related to this revenue are substantially met or explicitly waived.

The Organization receives service income from Scholastic, Inc. These revenues are recognized when various consulting and technical assistance services are rendered to Scholastic, Inc. for the development and creation of reading curricula in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. For the performance obligation relating to service income, control transfers to the Organization at a point in time when the services are provided to Scholastic, Inc. There are no significant financing components or variable considerations provided to clients.

***In-kind Revenue:***

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 typically be 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.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

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***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 derecognition, classification, interest and penalties, disclosure and transition. No interest and penalties were recorded during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, 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.

***Recent Accounting Pronouncements:***

In February 2016, the Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An organization may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual reporting periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Organization is currently evaluating the effect the provisions of this standard will have on the financial statements.

***Subsequent Events***

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2021 through May 16, 2022, the date that the financial statements were available to be issued.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 3 - CONTRIBUTIONS RECEIVABLE:**

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Contributions receivable consist of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Donations and contributions	\$ 62,508	\$ 80,146
Other receivables	-	5,905
	<u>62,508</u>	<u>86,051</u>
Less: Allowance for doubtful accounts	-	(5,905)
Contributions Receivable, Net	<u>\$ 62,508</u>	<u>\$ 80,146</u>

**NOTE 4 - NET ASSETS WITHOUT DONOR RESTRICTIONS:**

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Net assets without donor restrictions are comprised of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
General operating net assets	\$ 1,141,527	\$ 769,760
Board-designated net assets	458,801	482,801
	<u>\$ 1,600,328</u>	<u>\$ 1,252,561</u>

The Board-designated net assets funds are only to be released as time lapses and/or for purposes specifically appropriated for by the Board of Directors.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:**

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The following net assets with donor restrictions are available for the following purposes:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Lit! Lantern Solar Project	\$ -	\$ 39,600

Net assets released from time-and-use restrictions for the years ended December 31, 2021 and 2020, amounted to \$39,600 and \$27,412, respectively.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN:**

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The Organization obtained Paycheck Protection Program (“PPP”) loans under the CARES Act in April 2020 for \$107,000 and February 2021 for \$107,000. The Organization recorded the PPP funds received as a conditional government grant and recognized revenue as expenses were incurred, which satisfied the conditions set forth by the U.S. Small Business Administration (“SBA”). As of December 31, 2021, all amounts received under the PPP were expended and recognized as revenue from government grants on the statements of activities and changes in net assets. The Organization formally received full forgiveness in January 2021 and June 2021. The SBA reserves the right to audit loan forgiveness for six years from the date forgiveness was awarded.

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**NOTE 7 - PARTNERSHIP WITH SCHOLASTIC, INC.:**

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The Organization currently has an agreement with Scholastic, Inc. to create and develop summer programs called Lticamp, LitCamp At Home” or “LitCamp En Casa” or “Digital LitCamp” or “LitCamp at Home – Powered by Literacy Pro and Scholastic Digital” – available in English and Spanish which is a summer school curriculum for grades PK through 9th.

The Organization records the revenue when it is received once Scholastic, Inc. notifies the Organization of the milestones it reaches. During the years ended December 31, 2021 and 2020, the Organization received \$616,249 and \$81,136, respectively, for this program. There was no known balance owed as of December 31, 2021 and 2020.

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**NOTE 8 - SIGNIFICANT RISKS AND UNCERTAINTIES:**

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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 received approximately 52% and 11% of its support and revenue, during the years ended December 31, 2021 and 2020, respectively, from Scholastic, Inc.

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, clients, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES:**

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Costs of providing the Organization's program, management leadership, development and fundraising activities are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among those program, management leadership, development and fundraising activities benefited. Management leadership costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization.

Salaries and fringe benefits are allocated based on time and effort. Occupancy, insurance costs, supplies and postage, and professional services are allocated on a combination of time and effort, and direct costs. All other expenses are direct costs.

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

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The following represents the Organization's financial assets reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,543,253	\$ 1,216,308
Contributions receivable, net	62,508	80,146
Total financial assets	1,605,761	1,296,454
Less amounts not available to be used within one year:		
Board-designated net assets	(458,801)	(482,801)
Net assets with donor restrictions	-	(39,600)
Estimated releases	-	27,000
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,146,960</u>	<u>\$ 801,053</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. The Organization also has Board-designated funds that can be released for operations after formal approval from the Board of Directors.