

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2009

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
WorldTeach, Inc.

We have audited the accompanying statements of financial position of **WorldTeach, Inc.** (A Not-for-Profit Organization) as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets and cash flows – indirect method for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the activities and 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.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

November 30, 2009

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

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>2009</u>	<u>June 30,</u> <u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,040,159	\$ 606,058
Accounts receivable, countries	152,166	256,880
Accounts receivable, volunteer fees	267,372	311,226
Prepaid expenses	<u>154,837</u>	<u>274,586</u>
TOTAL CURRENT ASSETS	<u>1,614,534</u>	<u>1,448,750</u>
FURNITURE, FIXTURES, AND EQUIPMENT	34,812	31,523
Less accumulated depreciation	<u>28,124</u>	<u>24,663</u>
NET FURNITURE, FIXTURES, AND EQUIPMENT	<u>6,688</u>	<u>6,860</u>
INVESTMENTS	<u>622,023</u>	<u>720,038</u>
TOTAL ASSETS	<u>\$ 2,243,245</u>	<u>\$ 2,175,648</u>

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

LIABILITIES AND NET ASSETS

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 102,953	\$ 92,054
Accrued volunteer support	160,968	230,556
Deferred revenue	828,245	673,870
	<u>1,092,166</u>	<u>996,480</u>
TOTAL CURRENT LIABILITIES		
	<u>1,092,166</u>	<u>996,480</u>
NET ASSETS		
Unrestricted	1,047,982	1,100,508
Temporarily restricted	103,097	78,660
	<u>1,151,079</u>	<u>1,179,168</u>
TOTAL NET ASSETS		
	<u>1,151,079</u>	<u>1,179,168</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 2,243,245</u>	<u>\$ 2,175,648</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Public support	\$ 1,450,423	\$ 151,866	\$ 1,602,289
Revenue:			
Volunteer fees	1,172,004	-	1,172,004
Investment income	23,122	-	23,122
Other revenue	13,852	-	13,852
Unrealized (loss) on investments	(118,120)	-	(118,120)
	<u>1,090,858</u>	<u>-</u>	<u>1,090,858</u>
NET ASSETS RELEASED FROM SATISFACTION OF PROGRAM RESTRICTIONS			
	<u>127,429</u>	<u>(127,429)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE			
	<u>2,668,710</u>	<u>24,437</u>	<u>2,693,147</u>
EXPENSES			
Program expenses	2,576,353	-	2,576,353
General and administrative	141,952	-	141,952
Fundraising	2,931	-	2,931
	<u>2,721,236</u>	<u>-</u>	<u>2,721,236</u>
CHANGES IN NET ASSETS			
	(52,526)	24,437	(28,089)
NET ASSETS AT BEGINNING OF YEAR			
	<u>1,100,508</u>	<u>78,660</u>	<u>1,179,168</u>
NET ASSETS AT END OF YEAR			
	<u>\$ 1,047,982</u>	<u>\$ 103,097</u>	<u>\$ 1,151,079</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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Public support	\$ 1,330,008	\$ 53,987	\$ 1,383,995
Revenue:			
Volunteer fees	1,036,425	-	1,036,425
Investment income	27,758	-	27,758
Other revenue	22,127	-	22,127
Unrealized (loss) on investments	(53,952)	-	(53,952)
	<u>1,032,358</u>	<u>-</u>	<u>1,032,358</u>
NET ASSETS RELEASED FROM SATISFACTION OF PROGRAM RESTRICTIONS			
	<u>62,972</u>	<u>(62,972)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE			
	<u>2,425,338</u>	<u>(8,985)</u>	<u>2,416,353</u>
EXPENSES			
Program expenses	2,194,580	-	2,194,580
General and administrative	93,155	-	93,155
Fundraising	2,618	-	2,618
	<u>2,290,353</u>	<u>-</u>	<u>2,290,353</u>
CHANGES IN NET ASSETS, AS RESTATED			
	134,985	(8,985)	126,000
NET ASSETS AT BEGINNING OF YEAR			
	<u>965,523</u>	<u>87,645</u>	<u>1,053,168</u>
NET ASSETS AT END OF YEAR			
	<u>\$ 1,100,508</u>	<u>\$ 78,660</u>	<u>\$ 1,179,168</u>

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

WORLDTEACH, INC.
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STATEMENTS OF CASH FLOWS - INDIRECT METHOD

	Year Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (28,089)	\$ 126,000
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,821	10,352
Unrealized loss on investments	118,120	53,952
(Increase) decrease in assets:		
Accounts receivable, countries	104,714	281,136
Accounts receivable, volunteer fees	43,854	(119,317)
Prepaid expenses	119,749	(104,524)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	10,899	11,860
Accrued volunteer support	(69,588)	109,670
Deferred revenue	154,375	(176,370)
	<u>459,855</u>	<u>192,759</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividends	(20,102)	(19,651)
Purchases of investments	-	(250,000)
Acquisitions of furniture, fixtures, and equipment	(5,652)	(773)
	<u>(25,754)</u>	<u>(270,424)</u>
NET CASH (USED) BY INVESTING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	434,101	(77,665)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>606,058</u>	<u>683,723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,040,159</u>	<u>\$ 606,058</u>

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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.

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.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and money market funds which have original maturities of three months or less.

Cash deposits in excess of the Federal Deposit Insurance Corporation's coverage limit, held at a Boston, Massachusetts bank, amounted to \$479,041 and \$308,951 at June 30, 2009 and 2008, respectively. Funds held in uninsured money market funds amounted to \$149,385 and \$146,957 at June 30, 2009 and 2008, respectively. Funds held in foreign countries and not insured by the FDIC amounted to \$141,249 and \$83,926 at June 30, 2009 and 2008, 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, 2009 and 2008, management determined that no allowance for doubtful accounts were 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.

WORLDTEACH, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments – Investments held in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value 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) Statement No. 157, "*Fair Value Measurements*", defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted this standard for 2008. 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 Statement No. 157, 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:

- 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).

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.

WORLDTEACH, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising Costs – Advertising costs are expensed as incurred and totaled \$9,752 and \$16,539 for the years ended June 30, 2009 and 2008, respectively.

Concentrations of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the number volunteers and countries.

Recent Accounting Pronouncements – In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statement in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position No. 48-3 which deferred the effective implementation date of FIN 48 to the Organization's annual financial statements ending on June 30, 2010 and the Organization has elected to defer application of FIN 48. The Organization does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations, or cash flows.

NOTE 3 – INVESTMENTS

Investments consist of the following at June 30, 2009:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Index securities	<u>\$ 720,038</u>	<u>\$ 622,023</u>	<u>\$ 622,023</u>

WORLDTEACH, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 – INVESTMENTS (CONTINUED)

Investments consist of the following at June 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Index securities	\$ 504,339	\$ 720,038	\$ 720,038

NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable and deferred revenue relate to the following programs at June 30, 2009:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Marshall Islands	\$ 3,483	\$ 75,675
Ecuador	77,451	173,650
Chile	108,702	87,750
Costa Rica	28,603	28,940
Namibia	48,431	62,890
China	20,419	152,000
American Samoa	-	74,000
Rwanda	35,867	43,930
Thailand	28,298	39,920
Bangladesh	3,035	22,000
Kosrae	2,518	22,000
Pohnpei	24,712	21,000
Guyana	13,990	18,000
Poland	-	3,990
Colombia	18,286	1,500
Other	5,743	1,000
	<u>\$ 419,538</u>	<u>\$ 828,245</u>

WORLDTEACH, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE (CONTINUED)

Accounts receivable and deferred revenue relate to the following programs at June 30, 2008:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Ecuador	\$ 113,496	\$ 178,640
Bangladesh	111,450	22,000
Chile	99,670	56,600
Namibia	76,964	79,860
Costa Rica	63,370	29,940
Rwanda	53,516	63,920
Pohnpei	25,258	24,000
South Africa	7,000	4,490
Marshall Islands	6,440	57,000
American Samoa	5,006	28,500
China	4,000	103,450
Kenya	1,000	17,970
Other	936	3,000
Guyana	-	4,500
	<u>\$ 568,106</u>	<u>\$ 673,870</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, 2008. Total rent expense was \$72,987 and \$65,705 for 2009 and 2008, respectively (including \$2,902 and \$3,931 for rent in foreign countries for 2009 and 2008, 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. Commencing July 2008 the Organization was a tenant-at-will with a monthly rent payment of \$5,664.

WORLDTEACH, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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>2009</u>	<u>2008</u>
Chile	\$ 63,492	\$ 63,669
Costa Rica	17,641	17,393
Bangladesh	-	91,428
Rwanda	24,904	-
Namibia	22,435	19,613
Ecuador	17,672	26,019
Colombia	4,964	-
Poland	4,512	5,878
Bulgaria	4,452	5,638
South Africa	896	918
	<u>\$ 160,968</u>	<u>\$ 230,556</u>

NOTE 7 – RESTATEMENT

The June 30, 2008 financial statements have been restated to reflect program expenses totaling \$111,001 that were not previously accrued at June 30, 2008. This correction resulted in an increase in accounts payable and accrued expenses and accrued volunteer support of \$20,581 and \$90,420, respectively, at June 30, 2008. Accordingly, program expenses for year ended June 30, 2008 increased by \$111,001 resulting in net assets to decrease by that same amount at June 30, 2008.

NOTE 8 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2009, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is November 30, 2009, which is the date the financial statements were available to be issued.