

LITWORLD INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

LITWORLD INTERNATIONAL, INC.

DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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
September 17, 2015

LITWORLD INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 632,588	\$ 232,295
Accounts receivable	50,000	-
Prepaid expenses	20,000	22,450
Security deposit and other assets	11,385	8,850
Total current assets	713,973	263,595
Property and equipment, net	2,533	6,668
	<u>\$ 716,506</u>	<u>\$ 270,263</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,796	\$ 5,996
Accrued expenses	2,778	8,633
	<u>7,574</u>	<u>14,629</u>
NET ASSETS:		
Unrestricted	499,332	191,664
Temporarily restricted	209,600	63,970
	<u>708,932</u>	<u>255,634</u>
Total Liabilities and Net Assets	<u>\$ 716,506</u>	<u>\$ 270,263</u>

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

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Temporarily			Temporarily		
	Unrestricted	Restricted	Totals	Unrestricted	Restricted	Totals
REVENUE:						
Donations and contributions	\$ 1,309,719	\$ 171,150	\$ 1,480,869	\$ 665,438	\$ 195,440	\$ 860,878
Service income	33,571	-	33,571	34,567	-	34,567
Net assets released from restriction	25,520	(25,520)	-	133,344	(133,344)	-
Total Revenue	1,368,810	145,630	1,514,440	833,349	62,096	895,445
EXPENSES:						
Programming	519,532	-	519,532	398,912	-	398,912
Fundraising	89,423	-	89,423	113,843	-	113,843
Salaries and wages	283,430	-	283,430	251,542	-	251,542
General and administrative	127,244	-	127,244	132,352	-	132,352
Payroll taxes and employee benefits	41,513	-	41,513	47,786	-	47,786
Total Expenses	1,061,142	-	1,061,142	944,435	-	944,435
CHANGES IN NET ASSETS	307,668	145,630	453,298	(111,086)	62,096	(48,990)
Net Assets, Beginning of year	191,664	63,970	255,634	302,750	1,874	304,624
Net Assets, End of year	\$ 499,332	\$ 209,600	\$ 708,932	\$ 191,664	\$ 63,970	\$ 255,634

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

LITWORLD INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2014	2013
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 453,298	\$ (48,990)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,135	4,959
Changes in certain assets and liabilities:		
Accounts receivable	(50,000)	-
Prepaid expenses	2,450	10,091
Security deposit and other assets	(2,535)	(8,850)
Accounts payable	(1,200)	3,942
Accrued expenses	(5,855)	609
Net Cash Provided by (Used for) Operating Activities	<u>400,293</u>	<u>(38,239)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>-</u>	<u>(1,499)</u>
NET INCREASE (DECREASE) IN CASH	400,293	(39,738)
CASH:		
Beginning of year	<u>232,295</u>	<u>272,033</u>
End of year	<u>\$ 632,588</u>	<u>\$ 232,295</u>

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF ORGANIZATION:

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 leads to productive and transformational literacy.

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.

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

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.

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, 2014 and 2013. The tax years subject to audit by federal and state jurisdictions are the years ended December 31, 2011, and forward. At December 31, 2014 and 2013, 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.

LITWORLD INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 2013 amounts have been reclassified to conform to the 2014 presentation.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2014 through September 17, 2015, the date that the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	December 31,	
	2014	2013
Computers	\$ 16,196	\$ 16,196
Furnishings and equipment	1,515	1,515
Less: Accumulated depreciation	(15,178)	(11,043)
Property and Equipment, Net	<u>\$ 2,533</u>	<u>\$ 6,668</u>

NOTE 4 - 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.

LITWORLD INTERNATIONAL, INC.
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NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:

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

	December 31,	
	2014	2013
Platform development and GOAL programs	\$ 10,000	\$ 16,745
Story21 Broadway House	50,000	8,775
Lit! Lantern Solar Project	39,600	38,450
Program at Harlem Polo Grounds	110,000	-
	<u>\$209,600</u>	<u>\$ 63,970</u>

Net assets released from time-and-use restrictions for the years ended December 31, 2014 and 2013, amounted to \$25,520, and \$133,344, respectively.