

CITIZENS OF THE WORLD
CHARTER SCHOOLS
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS

June 30, 2012

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Independent Accountants' Compilation Report

Board of Directors
Citizens of the World Charter Schools
Los Angeles, California

We have compiled the accompanying statement of financial position of Citizens of the World Charter Schools (a California nonprofit public benefit corporation) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the period July 22, 2011 (Inception) to June 30, 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Gursey | Schneider LLP

April 9, 2013
Los Angeles, California

*Accredited in Business Valuation
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CITIZENS OF THE WORLD CHARTER SCHOOLS
Statement of Financial Position
June 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 129,842
Prepaid expenses	<u>376</u>

Total Current Assets 130,218

PROPERTY AND EQUIPMENT, NET 16,114

TOTAL ASSETS \$ 146,332

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,668
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NET ASSETS

Unrestricted	<u>132,664</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 146,332

CITIZENS OF THE WORLD CHARTER SCHOOLS
Statement of Activities
For the Period July 22, 2011 (Inception) to June 30, 2012

	Unrestricted
SUPPORT AND REVENUES	
Contributions	907,661
TOTAL SUPPORT AND REVENUES	907,661
 EXPENSES	
Program services	672,329
Supporting services:	
Management and general	70,534
Fundraising	32,134
TOTAL EXPENSES	774,997
<i>INCREASE IN NET ASSETS</i>	132,664
NET ASSETS, Inception, July 22, 2011	-
NET ASSETS, End of year	\$ 132,664

See Accountants' Compilation Report and Notes to Financial Statements

CITIZENS OF THE WORLD CHARTER SCHOOLS
Statement of Functional Expenses
For the Period July 22, 2011 (Inception) to June 30, 2012

	<u>Program Expenses</u>	<u>Support Services</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Salaries and Expenses				
Salaries and wages	\$ 184,696	\$ 42,498	\$ 21,500	\$ 248,694
Payroll taxes	119,250	6,375	3,225	128,850
Pension contributions	20,193	-	-	20,193
Employee benefits	11,773	3,057	3,057	17,887
Total Salaries and Expenses	<u>335,912</u>	<u>51,930</u>	<u>27,782</u>	<u>415,624</u>
Other Expenses				
Accounting	-	4,664	-	4,664
Consultants	106,346	-	-	106,346
Depreciation	1,539	-	-	1,539
Information technology	5,796	1,194	-	6,990
Insurance	11,807	-	-	11,807
Legal	53,823	-	-	53,823
Occupancy	53,822	11,093	-	64,915
Office	1,629	1,129	1,593	4,351
Other	874	-	651	1,525
Outreach	12,500	-	-	12,500
Personnel search firm	28,800	-	-	28,800
Public relations	15,000	-	-	15,000
Travel	40,043	-	2,108	42,151
Utilities	4,438	524	-	4,962
Total Other Expenses	<u>336,417</u>	<u>18,604</u>	<u>4,352</u>	<u>359,373</u>
TOTAL EXPENSES	<u>\$ 672,329</u>	<u>\$ 70,534</u>	<u>\$ 32,134</u>	<u>\$ 774,997</u>

CITIZENS OF THE WORLD CHARTER SCHOOLS
Statement of Cash Flows
For the Period July 22, 2011 (Inception) to June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 132,664
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	1,539
(Increase) decrease in assets:	
Prepaid expenses and other current assets	(376)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>13,668</u>
CASH PROVIDED BY OPERATING ACTIVITIES	147,495
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for purchases of fixed assets	<u>(17,653)</u>
CASH USED FOR INVESTING ACTIVITIES	(17,653)
NET INCREASE IN CASH	129,842
CASH AT INCEPTION, JULY 22, 2011	<u>-</u>
CASH AT END OF YEAR	<u><u>\$ 129,842</u></u>

See Accountants' Compilation Report and Notes to Financial Statements

CITIZENS OF THE WORLD CHARTER SCHOOLS

Notes to Financial Statements

June 30, 2012

NOTE 1 – GENERAL AND ORGANIZATION

Citizens of the World Charter Schools (“CWCS”) was organized on July 22, 2011 as a California nonprofit public benefit corporation. The specific purpose of the organization is to facilitate the creation and operation of new nonprofit public charter schools.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation – The financial statements are presented utilizing the accrual basis of accounting. CWCS recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CWCS and / or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2012.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Promises to Give – Contributions are recognized when the donor makes a promise to give CWCS that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services and Equipment – Donated Services are recognized if the services received create or enhance long-lived assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. CWCS did not receive any donated services during the current year.

Property and Equipment – Property and equipment are stated at cost or, if contributed, at fair value at the date of contribution. Depreciation and amortization are provided over the estimated useful life of each class of depreciable asset and are computed using the straight-line method. Depreciation expense is calculated on straight-line method over five years for computer hardware.

CITIZENS OF THE WORLD CHARTER SCHOOLS
Notes to Financial Statements
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts are long-lived assets such as property and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Impairment of Long-Lived Assets – Long-lived assets to be held are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Further, long-lived assets held for sale are to be stated at the lower cost or fair market value less costs to sell. CWCS has determined that no events occurred during the period ended June 30, 2012 that would give rise to impairment of its long-lived assets.

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on estimates determined by management. CWCS allocates salary, program administrative, general administrative and facilities expenses to programs based upon level of effort, time reporting and employee headcount.

Concentration of Risk – Through December 31, 2012, the Federal Deposit Insurance Corporation (“FDIC”) provided unlimited insurance coverage on non-interest-bearing accounts. This coverage was reduced to its former level of \$250,000 starting in 2013. The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Income Taxes – CWCS is exempt from federal income and excise taxes and California franchise taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and related state codes. However, the organization is subject to income taxes on any net income that is derived from a trade business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The organization evaluates tax positions and recognizes a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, the organization’s policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense.

All of CWC’s’ income tax returns remain subject to examination with regard to all tax positions and the results.

Subsequent Events – Subsequent events have been evaluated through April 9, 2013, the date the financial statements were available to be issued.

CITIZENS OF THE WORLD CHARTER SCHOOLS

Notes to Financial Statements

June 30, 2012

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as at June 30, 2012:

Computer equipment	\$	17,653
Less accumulated depreciation		<u>(1,539)</u>
	\$	<u>16,114</u>

Citizens of the World Charter Schools incurred depreciation expense of \$1,539 for the period July 22, 2011 (Inception) to June 30, 2012.

NOTE 4– COMMITMENTS

Lease Obligations - CWCS leases office space and under an operating lease that expires on December 31, 2015. Minimum lease payments under non-cancelable operating leases at June 30, 2012 are summarized as follows:

<u>Year ending June 30,</u>		
2013	\$	49,403
2014		32,651
2015		33,957
2016		<u>17,312</u>
	\$	<u>133,323</u>

Rent expenses under the operating leases amounted to \$64,915 for the period July 22, 2011 (Inception) to June 30, 2012.