

**LITWORLD INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **LITWORLD INTERNATIONAL, INC.**

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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.

### ***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, 2020 and 2019, and the changes in its net assets, and its functional expenses, 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  
May 26, 2021

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

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	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,216,308	\$ 1,360,000
Contributions receivable, net	80,146	71,552
Prepaid expenses	8,338	24,708
Security deposit	-	2,500
Total Assets	<u>\$ 1,304,792</u>	<u>\$ 1,458,760</u>
 <b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 12,631</u>	<u>\$ 4,669</u>
NET ASSETS:		
Without Donor Restrictions:		
General operating	769,760	1,209,879
Board-designated	482,801	182,801
	<u>1,252,561</u>	<u>1,392,680</u>
With Donor Restrictions	39,600	61,411
	<u>1,292,161</u>	<u>1,454,091</u>
Total Liabilities and Net Assets	<u>\$ 1,304,792</u>	<u>\$ 1,458,760</u>

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUE:</b>						
Donations and contributions	\$ 514,961	\$ 5,601	\$ 520,562	\$ 619,891	\$ -	\$ 619,891
Government income	107,000	-	107,000	-	-	-
In-kind revenue	-	-	-	1,478	-	1,478
Service income	82,046	-	82,046	713,183	-	713,183
Interest income	2,502	-	2,502	4,449	-	4,449
Net realized and unrealized loss on investments	-	-	-	(54)	-	(54)
Net assets released from restriction	27,412	(27,412)	-	122,939	(122,939)	-
<b>Total Revenue</b>	<b>733,921</b>	<b>(21,811)</b>	<b>712,110</b>	<b>1,461,886</b>	<b>(122,939)</b>	<b>1,338,947</b>
<b>EXPENSES:</b>						
Program	532,111	-	532,111	666,057	-	666,057
Management leadership	176,754	-	176,754	173,107	-	173,107
Development and fundraising	165,175	-	165,175	289,115	-	289,115
<b>Total Expenses</b>	<b>874,040</b>	<b>-</b>	<b>874,040</b>	<b>1,128,279</b>	<b>-</b>	<b>1,128,279</b>
<b>CHANGES IN NET ASSETS</b>	<b>(140,119)</b>	<b>(21,811)</b>	<b>(161,930)</b>	<b>333,607</b>	<b>(122,939)</b>	<b>210,668</b>
Net Assets, Beginning of year	1,392,680	61,411	1,454,091	1,059,073	184,350	1,243,423
Net Assets, End of year	\$ 1,252,561	\$ 39,600	\$ 1,292,161	\$ 1,392,680	\$ 61,411	\$ 1,454,091

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

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

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program	Management Leadership	Development and Fundraising	Total	Program	Management Leadership	Development and Fundraising	Total
Salaries	\$ 212,739	\$ 93,768	\$ 124,748	\$ 431,255	\$ 252,319	\$ 76,864	\$ 130,243	\$ 459,426
Fringe benefits	36,283	15,992	21,276	73,551	42,429	12,925	21,901	77,255
Occupancy and insurance costs	8,106	3,170	4,877	16,153	33,920	9,183	79,263	122,366
Supplies and postage	684	284	4,313	5,281	921	879	8,793	10,593
Printing and production costs	-	136	7,694	7,830	-	378	8,383	8,761
Promotion and marketing	70	2,934	-	3,004	-	2,164	-	2,164
Professional services	8,620	58,870	2,032	69,522	4,937	62,978	37,800	105,715
Staff travel, entertainment, team-building	159	612	140	911	5,171	3,540	148	8,859
Program, cultivation, client travel, entertainment, team-building	435	-	95	530	1,470	-	-	1,470
Grants to foreign partners	264,866	-	-	264,866	324,890	-	-	324,890
Partner payments - Global G.L.O.W.	-	-	-	-	-	-	-	-
Other expenses	149	988	-	1,137	-	4,196	2,584	6,780
<b>Total Expenses</b>	<b>\$ 532,111</b>	<b>\$ 176,754</b>	<b>\$ 165,175</b>	<b>\$ 874,040</b>	<b>\$ 666,057</b>	<b>\$ 173,107</b>	<b>\$ 289,115</b>	<b>\$ 1,128,279</b>

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

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

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	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (161,930)	\$ 210,668
Changes in certain assets and liabilities:		
Contributions receivable	(8,594)	92,238
Prepaid expenses	16,370	(112)
Security deposit	2,500	8,100
Accounts payable and accrued expenses	7,962	2,612
Net Cash (Used for) Provided by Operating Activities	<u>(143,692)</u>	<u>313,506</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(143,692)	313,506
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,360,000</u>	<u>1,046,494</u>
End of year	<u>\$ 1,216,308</u>	<u>\$ 1,360,000</u>



**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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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.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

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***Cash and Cash Equivalents:***

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

***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 fundraising when determined to be uncollectible. 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, 2020 and 2019.

***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.

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 curriculum 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.

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.

***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 be typically 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, 2020 AND 2019**

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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, 2020 and 2019. At December 31, 2020 and 2019, 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.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 3 - CONTRIBUTIONS RECEIVABLE:**

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Contributions receivable consist of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Donations and contributions	\$ 80,146	\$ 71,552
Other receivables	5,905	5,905
	<u>86,051</u>	<u>77,457</u>
Less: Allowance for doubtful accounts	(5,905)	(5,905)
Contributions Receivable, Net	<u>\$ 80,146</u>	<u>\$ 71,552</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>2020</b>	<b>2019</b>
General Operating Net Assets	\$ 769,760	\$ 1,209,879
Board-designated Net Assets	482,801	182,801
	<u>\$ 1,252,561</u>	<u>\$ 1,392,680</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.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**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>2020</b>	<b>2019</b>
Story21	\$ -	\$ 9,247
Lit! Lantern Solar Project	39,600	39,600
General Motors - Detroit	-	12,564
	<u>\$ 39,600</u>	<u>\$ 61,411</u>

Net assets released from time-and-use restrictions for the years ended December 31, 2020 and 2019, amounted to \$27,412 and \$122,939, respectively.

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

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The Organization obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in April 2020 for \$107,000. The loan is to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during the stay-at-home period ordered by the governor of New York. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

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. As of December 31, 2020, 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.

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

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The Organization currently has an agreement with Scholastic, Inc. to create a summer program called “LitCamp,” which is a 5-week summer school curriculum for grades K-5.

The Organization is paid from the program when they reach various thresholds. During the years ended December 31, 2020 and 2019, the Organization received \$81,136 and \$609,271, respectively, for this program. The decrease in service income received in 2020 from 2019 is related to less Scholastic sales in 2020. There was no balance owed as of December 31, 2020 and 2019.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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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 11% and 46% of its support and revenue, during the years ended December 31, 2020 and 2019, 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.

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

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Costs of providing the Organization's programs, management and general, and fundraising activities are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among those program services, management and general, and fundraising activities benefited. Management and general 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.

**LITWORLD INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**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>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,216,308	\$ 1,360,000
Contributions receivable, net	80,146	71,552
Total financial assets	1,296,454	1,431,552
Less amounts not available to be used within one year:		
Board-designated net assets	(482,801)	(182,801)
Net assets with donor restrictions	(39,600)	(61,411)
Estimated releases	27,000	120,000
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 801,053</u>	<u>\$ 1,307,340</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.

**NOTE 11 - SUBSEQUENT EVENTS:**

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The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2020 through May 26, 2021, the date that the financial statements were available to be issued.

In February 2021, the Organization applied for, and received, a second PPP loan for approximately \$107,000. The Organization may receive partial or full forgiveness of the debt if they maintain employee count, as well as salary levels, during such specified period. Any portion of the loan that is not forgiven must be repaid. The loan is uncollateralized and guaranteed by the Small Business Association.