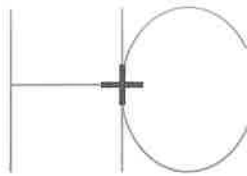


WORLD COMPUTER EXCHANGE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

WORLD COMPUTER EXCHANGE, INC.

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Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

Independent Auditor's Report

To the Board of Directors
World Computer Exchange, Inc.
Hull, Massachusetts

We have audited the accompanying financial statements of World Computer Exchange, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control.

To the Board of Trustees
Page Two

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting 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 World Computer Exchange, Inc. as of June 30, 2019 and 2018, 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.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
February 25, 2020

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash - operating	\$ 13,132	\$ 16,336
Accounts receivable	4,892	13,941
Inventory, at estimated value	1,143,125	1,063,325
Prepaid expenses	3,516	2,016
Total Current Assets	<u>1,164,665</u>	<u>1,095,618</u>
Long-Term Assets		
Cash - restricted for internship	45,888	37,846
Investment - restricted for internship, at market	66,351	61,325
Due from affiliate	-	8,046
Total Long-Term Assets	<u>112,239</u>	<u>107,217</u>
 Total Assets	 <u>\$ 1,276,904</u>	 <u>\$ 1,202,835</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,404	\$ 16,632
Payroll tax withholdings	893	4,442
Total Current Liabilities	<u>9,297</u>	<u>21,074</u>
Long-Term Liabilities		
Due to officer	375,782	417,032
Total Liabilities	<u>385,079</u>	<u>438,106</u>
Net Assets		
Net Assets without Donor Restrictions		
Undesignated	670,770	586,160
Board Designated	109,079	76,901
Total Net Assets without Donor Restrictions	<u>779,849</u>	<u>663,061</u>
Net Assets with Donor Restrictions	<u>111,976</u>	<u>101,668</u>
Total Net Assets	<u>891,825</u>	<u>764,729</u>
 Total Liabilities and Net Assets	 <u>\$ 1,276,904</u>	 <u>\$ 1,202,835</u>

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

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets without Donor Restrictions		
Support and Revenue		
Sourcing income, net	\$ 38,347	\$ 29,521
Reimbursed shipping expenses	892	315
Contributions - shipping sponsors	139,619	133,911
Contributions - other	65,951	67,807
Interest income	-	48
Donated goods, services, and facilities	859,635	988,482
Total Support and Revenue without Donor Restrictions	<u>1,104,444</u>	<u>1,220,084</u>
Before Cost of Sales		
Less cost of sales	<u>(487,177)</u>	<u>(356,722)</u>
Total Support and Revenue without Donor Restrictions before Restriction Releases	<u>617,267</u>	<u>863,362</u>
Net Assets Released from Restrictions		
Purpose and time restrictions satisfied	<u>2,761</u>	<u>15,000</u>
Total Support and Revenue without restrictions	<u>620,028</u>	<u>878,362</u>
Expenses		
Program expenses	440,507	490,466
General and administrative	46,217	41,748
Fundraising	16,516	16,082
Total Expenses	<u>503,240</u>	<u>548,296</u>
Change in Net Assets without Donor Restrictions	<u>116,788</u>	<u>330,066</u>
Changes in Net Assets with Donor Restrictions		
Investment income	13,069	9,686
Net assets released from restrictions	<u>(2,761)</u>	<u>(15,000)</u>
Change in Net Assets with Donor Restrictions	<u>10,308</u>	<u>(5,314)</u>
Change in Net Assets	127,096	324,752
Net Assets, Beginning of Period	<u>764,729</u>	<u>439,977</u>
Net Assets, End of Period	<u>\$ 891,825</u>	<u>\$ 764,729</u>

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

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	Program Expenses	General and Administrative Fundraising Total	Program Expenses	General and Administrative Fundraising Total
Bad debt expense	\$ 7,957	\$ -	\$ 10,587	\$ -
Contract labor	253,198	-	308,199	-
Credit card charges	-	2,023	-	2,513
Employee benefits	5,951	744	7,436	929
Insurance	5,619	-	5,500	-
Miscellaneous	111	-	298	-
Office and general	1,697	1,697	597	1,381
Payroll taxes	5,003	1,075	1,831	377
Professional fees - accounting	-	6,800	-	6,400
Program development	6,186	-	2,235	-
Rent	12,060	5,940	8,040	3,960
Salaries	130,000	27,938	127,000	26,188
Travel and meetings	12,725	-	18,743	-
	<u>\$ 440,507</u>	<u>\$ 46,217</u>	<u>\$ 490,466</u>	<u>\$ 16,082</u>
		<u>\$ 503,240</u>		<u>\$ 548,296</u>

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

WORLD COMPUTER EXCHANGE, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 127,096	\$ 324,752
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investments	(5,026)	(1,937)
In-kind donation of accrued payroll	(100,000)	(200,000)
(Increase) Decrease in:		
Accounts receivable	9,049	(12,415)
Unconditional promises to give	-	15,000
Due from affiliate	8,046	11,043
Inventory	(79,800)	(148,750)
Prepaid expenses	(1,500)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	(8,228)	(21,839)
Payroll tax withholdings	(3,549)	4,442
Net Cash Provided by (Used in) Operating Activities	<u>(53,912)</u>	<u>(29,704)</u>
Cash Flows from Financing Activities:		
Officer loan (borrowings) proceeds, net	<u>58,750</u>	<u>46,424</u>
Net Cash Provided by Financing Activities	<u>58,750</u>	<u>46,424</u>
Net Increase in Cash	4,838	16,720
Cash, Beginning	<u>54,182</u>	<u>37,462</u>
Cash, Ending	<u>\$ 59,020</u>	<u>\$ 54,182</u>
Supplemental cash flows information:		
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

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

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Organization

World Computer Exchange, Inc. (the Organization) is a non-profit organization based in Hull, Massachusetts funded to help bridge the global digital divide for youth, promote cultural understanding between students, and build local capacity for the use of information and communication technology in education. The Organization's major source of revenue is contributions which sponsor shipments of computers to various locations around the world. Other sources of revenue include payments for computers and reimbursement of shipping costs by partners of the Organization in other countries.

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. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions, net assets for future shipments of computers.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a nonprofit Massachusetts corporation. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

Information Returns filed for the years ended June 30, 2018, 2017, and 2016, are subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services.

Payroll and associated costs are allocated to functions based upon reasonable estimates of time and effort. Occupancy costs are allocated based upon square footage of office space used. Various other expenses such as travel, training, telephone, postage, printing and computer expenses are charged largely to programs with a small portion considered management and general.

Cash Flow Information

For purposes of the cash flows statement, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows as of June 30:

	<u>2019</u>	<u>2018</u>
Cash - Operating	\$ 13,132	\$ 16,336
Cash - restricted for internship	45,888	37,846
Total Cash and Restricted Cash	<u>\$ 59,020</u>	<u>\$ 54,182</u>

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk - Cash Balances

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits with commercial banks and brokerage firms. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization had no uninsured cash balances at June 30, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income and unrealized capital gains and losses, less external and direct internal investment expenses. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with the Organization's investments and the level of uncertainty related to changes in the value of the investments, it is at least reasonably possible that changes in risks in the near term would materially affect the assets reported in the financial statements.

The Organization owns 438,215 shares of Omni Reliant Holdings, Inc., which was donated on December 31, 2009, and is stated at market value. The price per share is so low, this investment is recorded at \$-0- as of June 30, 2019 and 2018.

Investment - restricted for internship is stated at market value. Unrealized gain or loss on this investment is included in the change in net assets with donor restrictions.

Inventory

Inventory consists of donated computer equipment. Inventory has been valued at the estimated fair market value on the date of donation.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales in the Statements of Activities.

WORLD COMPUTER EXCHANGE, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Goods, Services and In-Kind Gifts

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers who provide assistance with the collection and packing of donated equipment are not recognized as contributions in the financial statements.

During the years ended June 30, 2019 and 2018, the Organization received and recognized donated goods, services, and in-kind gifts valued at fair market value, as follows:

	<u>2019</u>	<u>2018</u>
Inventory	\$ 455,000	\$ 422,800
Contract labor	250,400	308,000
Direct services	-	6,719
Supplies	1,210	838
Facilities	9,900	7,000
Salary - President	111,625	187,625
Salary - Director of Operations/Clerk	31,500	55,500
Total	<u>\$ 859,635</u>	<u>\$ 988,482</u>

Fair Value of Financial Instruments

Carrying amounts of certain of the Organization's financial instruments, including cash and cash equivalents, receivables and payables, and other accrued liabilities, approximate fair value because of their short maturities.

Subsequent Events

The Organization has evaluated subsequent events through February 25, 2020 which is the date the financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. World Computer Exchange, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 4 - Cost of Sales

Cost of sales for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Computers shipped	\$ 195,825	\$ 165,200
Computers salvaged	179,375	108,850
Shipping and storage	88,040	67,038
Packing, parts and equipment	23,937	15,634
Total	<u>\$ 487,177</u>	<u>\$ 356,722</u>

Computers salvaged consists of computers that are no longer considered usable and have been disposed of. The figures for computers shipped and salvaged are the product of the number of computers shipped and salvaged in a given year multiplied by the estimated fair market value of the computers, currently \$175. The increase in cost of sales is directly caused by the increase in shipments.

Note 5 - Rent/Related Party Transactions

The Organization rents office and storage space from an officer of the Organization. There is no formal lease agreement in place except for approval by the Board of Directors. Rent expense related to this space was \$18,000 and \$12,000 for the years ended June 30, 2019 and 2018, respectively.

The Organization had an affiliate, WCE-CA, with a similar charitable purpose which shared several board members. The Organization loaned funds to and paid the expenses of the affiliate when needed and was occasionally reimbursed. As of June 30, 2019 and 2018, the Organization was owed \$-0- and \$8,045 from the affiliate, respectively. The affiliate has suspended its activities and the receivable has been written off to bad debts in the amount of \$7,957 and \$10,587 at June 30, 2019 and 2018, respectively.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 6 - Due to Officer

The Organization has an outstanding payable to an officer in the amount of \$375,782 and \$417,032 for the years ended June 30, 2019 and 2018, respectively. The officer makes advances to the Organization as needed and is repaid when funds are available. There is no formal repayment schedule. The officer has waived interest on the loan since January 1, 2006. The accrued payroll portion would only be paid off after program expenses are paid and likely at some smaller agreed-upon amount. The officer, at his discretion, donates a portion of the accrued salary each year. In recent years the officer has accelerated the rate of in-kind donation and thus the amount due to the officer has declined substantially. The due to officer activity is summarized in the following table:

	Accrued <u>Payroll</u>	Other Officer <u>Loan</u>	Total Due to Officer
June 30, 2017 Balance	\$ 525,899	\$ 44,710	\$ 570,609
Accrued	93,333	-	93,333
Paid Off	(2,200)	(44,710)	(46,910)
Donated	(200,000)	-	(200,000)
June 30, 2018 Balance	<u>\$ 417,032</u>	<u>\$ -</u>	<u>\$ 417,032</u>
Accrued	58,750	-	58,750
Donated	(100,000)	-	(100,000)
Total	<u><u>\$ 375,782</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 375,782</u></u>

Note 7 - Restrictions on Net Assets

Net assets with donor restrictions in the amount of \$111,976 and \$101,668 as of June 30, 2019 and 2018, respectively, are available for the direct costs of an annual WCE internship.

In September, 2012, the Board of Directors of the Organization voted to accept stewardship of the W. Seavey Joyce S.J. Award and received all of the assets of that organization consisting of \$71,583 in a mutual fund. The Organization is not required to keep the assets in a separate account and the investment earnings are added to net assets with restrictions. Those net assets are restricted for direct costs related to the annual WCE internship. These costs include any related travel to a developing country, bank fees, medallion expenses, or required paid advertising or printing to recruit a student at Boston College who has demonstrated leadership in helping the under served who applies and defines a useful WCE project. During the fiscal years 2019 and 2018, the Organization spent \$2,761 and \$-0-, respectively, of the funds for costs related to the intern program.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 7 - Restrictions on Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Direct costs of annual WCE internship	\$ 2,761	\$ -
Program Support	-	15,000
	\$ 2,761	\$ 15,000

Note 8 - Fair Value Measurements/Investments

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs not corroborated by market data. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 were not available.

The Organization's investments are all Level 1, are reported at fair value, and consist of the following:

	<u>2019</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Investments-Mutual Funds	\$ 66,350	\$ 80,000	\$ (13,650)	
	\$ 61,325	\$ 80,000	\$ (18,675)	

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 8 - Fair Value Measurements/Investments (continued)

The following schedule summarizes the net investment income and its classification in the Statement of Activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest	\$ 60	\$ 48
Dividends	7,983	7,749
Unrealized gain	5,026	1,937
Total Investment Income	<u>\$ 13,069</u>	<u>\$ 9,734</u>
Net assets without donor restrictions	\$ -	\$ 48
Net assets with donor restrictions	13,069	\$ 9,686
	<u>\$ 13,069</u>	<u>\$ 9,734</u>

Note 9 - Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets available to meet general expenditures within one year as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End	\$ 130,263	\$ 129,448
Less amount not available to be used within one year:		
Net assets with donor restrictions	<u>111,976</u>	<u>101,668</u>
Financial assets available to meet general expenditures within one year	<u>\$ 18,287</u>	<u>\$ 27,780</u>

As part of the Organization's liquidity management it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.