

WORLD COMPUTER EXCHANGE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

WORLD COMPUTER EXCHANGE, INC.

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One West Foster Street
Melrose, MA 02176.3852
Telephone 781.665.7100
Facsimile 781.665.9380

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, 2017 and 2016, 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
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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, 2017 and 2016, 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
April 19, 2018

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash - operating	\$ 7,412	\$ 5,201
Investment, at market	-	439
Accounts receivable, net of allowance for doubtful accounts of \$-0- for both 2017 and 2016	1,526	21,774
Unconditional promises to give	15,000	-
Inventory, at estimated value	914,575	819,825
Prepaid expenses	2,016	2,016
Total Current Assets	<u>940,529</u>	<u>849,255</u>
Long-Term Assets		
Cash - restricted for internship	30,050	20,736
Investment - restricted for internship, at market	59,388	61,186
Due from affiliate	19,089	19,044
Total Long-Term Assets	<u>108,527</u>	<u>100,966</u>
 Total Assets	 <u>\$ 1,049,056</u>	 <u>\$ 950,221</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 38,471	\$ 33,467
Total Current Liabilities	<u>38,471</u>	<u>33,467</u>
Long-Term Liabilities		
Due to officer	570,608	576,098
Total Liabilities	<u>609,079</u>	<u>609,565</u>
Net Assets		
Unrestricted - Operating	277,267	200,531
Unrestricted - Designated	55,728	55,656
	<u>332,995</u>	<u>256,187</u>
Temporarily restricted	106,982	84,469
Total Net Assets	<u>439,977</u>	<u>340,656</u>
 Total Liabilities and Net Assets	 <u>\$ 1,049,056</u>	 <u>\$ 950,221</u>

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

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Support and Revenue		
Sourcing income (loss)	\$ (12,312)	\$ 42,533
Reimbursed shipping expenses	8,297	25,829
Contributions - shipping sponsors	76,469	88,665
Contributions - other	30,105	24,611
Interest income	4	2
Donated goods, services, and facilities	<u>587,594</u>	<u>611,753</u>
Total Unrestricted Support and Revenue Before Cost of Sales	690,157	793,393
Less cost of sales	<u>(190,263)</u>	<u>(428,972)</u>
Total Unrestricted Support and Revenue	<u>499,894</u>	<u>364,421</u>
Net Assets Released from Restrictions		
Purpose restrictions satisfied	-	527
Total Unrestricted Support, Revenue and Reclassifications	<u>499,894</u>	<u>364,948</u>
Expenses and Losses		
Program expenses	375,625	388,106
General and administrative	37,178	40,304
Fundraising	<u>9,845</u>	<u>9,893</u>
Total Expenses	422,648	438,303
Unrealized loss on investment	<u>438</u>	<u>876</u>
Total Expenses and Losses	<u>423,086</u>	<u>439,179</u>
Change in Unrestricted Net Assets	<u>76,808</u>	<u>(74,231)</u>
Temporarily Restricted Net Assets		
Unrealized gain (loss) on investment	(1,798)	(19,963)
Dividend income	9,311	15,881
Contributions	15,000	-
Net Assets Released from Restrictions		
Purpose restrictions satisfied	<u>-</u>	<u>(527)</u>
Change in Temporarily Restricted Net Assets	<u>22,513</u>	<u>(4,609)</u>
Change in Net Assets	99,321	(78,840)
Net Assets, Beginning of Period	<u>340,656</u>	<u>419,496</u>
Net Assets, End of Period	<u>\$ 439,977</u>	<u>\$ 340,656</u>

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

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016		
	Program Expenses	General and Administrative Fundraising	Program Expenses	General and Administrative Fundraising	
				Total	
Bad debt expense	\$ 6,906	\$ -	\$ 1,604	\$ -	\$ 1,604
Contract labor	254,865	-	267,357	-	267,357
Credit card charges	-	3,337	-	3,150	3,150
Disposal	845	-	4,184	-	4,184
Employee benefits	8,255	1,032	6,147	768	7,683
Insurance	5,416	-	5,774	-	5,774
Miscellaneous	769	-	1,600	-	1,600
Office and general	1,229	1,872	552	1,911	2,463
Professional fees - accounting	-	7,000	-	6,600	6,600
Program development	9,905	-	7,696	-	7,696
Rent	8,250	4,250	6,000	6,000	12,000
Salaries	77,750	19,687	81,500	9,125	112,500
Travel	1,435	-	5,692	-	5,692
	<u>\$ 375,625</u>	<u>\$ 37,178</u>	<u>\$ 388,106</u>	<u>\$ 40,304</u>	<u>\$ 438,303</u>
		<u>\$ 9,845</u>		<u>\$ 9,893</u>	
		<u>\$ 422,648</u>			

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

WORLD COMPUTER EXCHANGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 99,321	\$ (78,840)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized loss on investments	2,238	20,839
(Increase) Decrease in:		
Accounts receivable	20,248	(20,377)
Unconditional promises to give	(15,000)	-
Cash restricted for internship	(9,314)	(15,732)
Due from affiliate	(45)	2,500
Inventory	(94,750)	47,450
Increase (Decrease) in:		
Accounts payable and accrued expenses	5,003	3,612
Net Cash Provided by (Used in) Operating Activities	<u>7,701</u>	<u>(40,548)</u>
Cash Flows from Financing Activities:		
Officer loan (borrowings) proceeds, net	<u>(5,490)</u>	<u>38,581</u>
Net Cash Provided by Financing Activities	<u>(5,490)</u>	<u>38,581</u>
Net Increase (Decrease) in Cash	2,211	(1,967)
Cash, Beginning	<u>5,201</u>	<u>7,168</u>
Cash, Ending	<u>\$ 7,412</u>	<u>\$ 5,201</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, 2017 AND 2016

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

The Organization is required to report information regarding its financial position and activities according to three classes:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. As of June 30, 2017 and 2016, the Organization designated \$55,728 and \$55,656 respectively, for future shipments of computers.

Temporarily Restricted Net Assets - Net assets for which use is limited by donor-imposed restrictions that will either expire with the passage of time or be fulfilled by the Organization. As of June 30, 2017 and 2016, the Organization had \$106,982 and \$84,469 respectively, of temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets which must be held in perpetuity as stipulated by the donor. As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

Donor restricted gifts that are received and expended within the same year are reported as unrestricted.

WORLD COMPUTER EXCHANGE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

World Computer Exchange, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program, administrative and fundraising categories.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 through a charge to bad debt expense and a credit to accounts receivable.

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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The organization has one unconditional promise to give for general program support in the amount of \$15,000 at June 30, 2017.

WORLD COMPUTER EXCHANGE, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

The Organization owns 438,215 shares of Omni Reliant Holdings, Inc., which was donated on December 31, 2009, and is stated at market value. Unrealized gain or loss on this investment is included in the change in unrestricted net assets. The price per share is so low, this investment is recorded at \$-0- as of June 30, 2017.

Investment - restricted for internship consists of mutual funds held at Merrill Lynch and is stated at market value. Unrealized gain or loss on this investment is included in the change in temporarily restricted net assets.

Inventory

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

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, 2017 and 2016, the Organization received and recognized donated goods, services, and in-kind gifts valued at fair market value, as follows:

	<u>2017</u>	<u>2016</u>
Inventory	\$ 224,350	\$ 300,125
Contract labor	254,525	266,850
Direct services	1,762	2,050
Supplies	707	228
Facilities	9,000	-
Salary - President	75,750	30,000
Salary - Clerk	21,500	12,500
Total	<u>\$ 587,594</u>	<u>\$ 611,753</u>

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, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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 April 19, 2018 which is the date the financial statements were available to be issued.

Note 3 - Defined Contribution Plan

Eligible employees are participants in a defined contribution 403(b) retirement plan. The Organization occasionally contributes to this Plan for the benefit of these employees. There were no contributions to the retirement plan in 2017 or 2016.

Note 4 - Cost of Sales

Cost of sales for the years ended June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Computers shipped	\$ 78,225	\$ 233,800
Computers salvaged	46,375	112,175
Commissions	-	2,500
Shipping and storage	57,693	70,809
Packing, parts and equipment	7,970	9,688
Total	<u>\$ 190,263</u>	<u>\$ 428,972</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 decrease in cost of sales is directly caused by the decrease in shipments.

WORLD COMPUTER EXCHANGE, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017 AND 2016

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 \$12,000 for both years ended June 30, 2017 and 2016.

The Organization has an affiliate, WCE-CA, with a similar charitable purpose which shares several board members. The Organization loans funds to and pays the expenses of the affiliate when needed and is occasionally reimbursed. As of June 30, 2017 and 2016, the Organization was owed \$19,089 and \$19,044 from the affiliate, respectively.

Note 6 - Due to Officer

The Organization has an outstanding payable to an officer in the amount of \$570,608 and \$576,098 for the years ended June 30, 2017 and 2016, 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. Included in the Due to Officer is accrued payroll of \$525,898 and \$516,899 as of June 30, 2017 and 2016, respectively.

Note 7 - Restrictions on Net Assets

Temporarily restricted net assets in the amount of \$106,982 and \$84,469 as of June 30, 2017 and 2016, respectively, are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Direct costs of annual WCE internship	\$ 91,982	\$ 84,469
Program Support fiscal year 2018	15,000	-
	\$ 106,982	\$ 84,469

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. The funds are currently invested in a mutual fund and the investment earnings are added to temporarily restricted net assets. 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 fiscal year 2017 and 2016, the Organization spent \$-0- and \$527 respectively, of the funds for costs related to the intern program.

WORLD COMPUTER EXCHANGE, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017 AND 2016

Note 8 - Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2017, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2016, 2015 and 2014 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

Note 9 - Fair Value Measurements

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 reported at fair value and consist of the following:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (See Note 2)	<u>\$ 59,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,388</u>
<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (See Note 2)	<u>\$ 61,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,625</u>