

**MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)**

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT**

YEAR ENDED JUNE 30, 2007

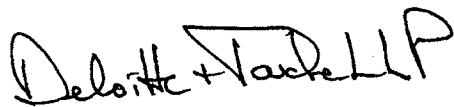
Independent Accountants' Review Report

Board of Directors
Majuro Cooperative School:

We have reviewed the accompanying statement of financial position of Majuro Cooperative School (the School) (a nonprofit corporation) as of June 30, 2007, and the related statements of activities and of cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the School's management.

A review consists principally of inquiries of the School's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



September 9, 2009

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Statement of Financial Position
June 30, 2007
(See Accompanying Independent Accountants' Review Report)

ASSETS

Current assets:	
Cash	\$ 167,227
Tuition and fees receivables:	19,776
Less allowance for doubtful accounts	<u>(16,002)</u>
Net receivables	<u>3,774</u>
Books, materials and supplies	7,425
Prepaid expenses	<u>11,504</u>
Total current assets	189,930
Buildings and equipment, net	<u>483,284</u>
	<u>\$ 673,214</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of bank loan	\$ 9,680
Accounts payable	5,124
Other liabilities and accruals	8,801
Deferred tuition and fees	<u>64,925</u>
Total current liabilities	88,530
Bank loan, net of current maturity	<u>50,320</u>
Total liabilities	<u>138,850</u>
Commitment and contingency	
Net assets:	
Unrestricted	487,544
Temporarily restricted	<u>46,820</u>
Total net assets	<u>534,364</u>
	<u>\$ 673,214</u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Statement of Activities
Year Ended June 30, 2007
(See Accompanying Independent Accountants' Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Tuition and fees	\$ 411,482	\$ -	\$ 411,482
Contributions	32,747	88,843	121,590
Summer school	3,608	-	3,608
Other sources	19,801	-	19,801
Net assets released from restrictions:			
Satisfaction of program restrictions	54,853	(54,853)	-
Total revenues, gains and other support	<u>522,491</u>	<u>33,990</u>	<u>556,481</u>
Expenses:			
Program services:			
Instruction and student activities	142,547	-	142,547
Auxiliary activities	64,471	-	64,471
Total program services	<u>207,018</u>	<u>-</u>	<u>207,018</u>
Supporting services:			
Employee benefits	156,596	-	156,596
Depreciation	75,284	-	75,284
Salaries and wages	52,240	-	52,240
Supplies	360	7,270	7,630
Communications	6,474	-	6,474
Utilities	6,015	-	6,015
Professional services	5,500	-	5,500
Insurance	554	-	554
Loss on demolition of building improvements	39,280	-	39,280
Miscellaneous	12,016	-	12,016
Total supporting services	<u>354,319</u>	<u>7,270</u>	<u>361,589</u>
Total expenses	<u>561,337</u>	<u>7,270</u>	<u>568,607</u>
Total change in net assets	(38,846)	26,720	(12,126)
Net assets at beginning of year	<u>526,390</u>	<u>20,100</u>	<u>546,490</u>
Net assets at end of year	<u>\$ 487,544</u>	<u>\$ 46,820</u>	<u>\$ 534,364</u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Statement of Cash Flows
Year Ended June 30, 2007
(See Accompanying Independent Accountants' Review Report)

Cash flows from operating activities:	
Change in net assets	\$ (12,126)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	75,284
Loss on demolition of building improvements	39,280
(Increase) decrease in assets:	
Grant receivable	30,920
Tuition and fees receivable	3,078
Books, materials and supplies	(7,425)
Prepaid expenses	(10,504)
Increase (decrease) in liabilities:	
Accounts payable	(91,435)
Other liabilities and accruals	198
Deferred tuition and fees	3,723
Net cash provided by operating activities	<u>30,993</u>
Cash provided by financing activities:	
Proceeds from bank loan	<u>60,000</u>
Cash used in investing activities:	
Acquisition of property and equipment	<u>(16,654)</u>
Net change in cash	74,339
Cash at beginning of year	<u>92,888</u>
Cash at end of year	<u><u>\$ 167,227</u></u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Notes to Financial Statements
June 30, 2007

(See Accompanying Independent Accountants' Review Report)

(1) Organization and Purpose

The Majuro Cooperative School (the School) was incorporated on August 8, 1986 as a nonprofit corporation under the laws of the Republic of the Marshall Islands (RepMar). The School operates an educational institution in Majuro, Marshall Islands for grades pre-school through eight under the direction of a Board of Directors.

(2) Summary of Significant Accounting Policies

Reporting Entity

The School has adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting of Contributions Received and Contributions Made* (SFAS 116) and Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS 117). SFAS 116 establishes standards for accounting for contributions. SFAS 117 establishes broad standards for reporting information in financial statements issued by not-for-profit organizations and requires these financial statements to focus on the entity as a whole. Amounts related to an organization's financial position and activities are to be reported in three classes of net assets: permanently restricted, temporarily restricted and unrestricted.

These financial statements must classify an organization's assets, liabilities, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The three classes of net assets are now classified as one of the following types:

- Unrestricted
- Temporarily restricted
- Permanently restricted

The School has determined that all assets, liabilities, revenues, expenses, gains and losses resulting from tuition and related fees and contributions and local donations are unrestricted and temporarily restricted. The School has determined that buildings and equipment and loans for financing of asset acquisitions are unrestricted. The School made this determination as of July 1, 2006 and therefore, the accompanying financial statements have been accordingly reclassified.

Net Assets

The School reports grants or gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 are reported in the statement of activities as net assets released from restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

MAJURO COOPERATIVE SCHOOL
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Notes to Financial Statements
June 30, 2007
(See Accompanying Independent Accountants' Review Report)

(2) Summary of Significant Accounting Policies, Continued

Cash

For the purposes of the statements of financial position and cash flows, cash is defined as cash in checking accounts. At June 30, 2007, the carrying amount of cash was \$167,227 and the corresponding bank balance was \$177,215. A total of \$171,566 is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and the remaining balance is not insured. The School does not require collateralization of its deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

Receivables

The School grants credit to individuals for tuition and fees and others on an unsecured basis, substantially all of whom are situated in Majuro. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluation of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Buildings and Equipment

Buildings and equipment purchased by the School are recorded at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs which do not improve or extend the life of the asset are expensed in the year incurred.

Revenue Recognition

Tuition and fees are recorded as revenue over the applicable school term.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. The School is specifically exempt from this tax.

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. Actual results could differ from those estimates.

MAJURO COOPERATIVE SCHOOL
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Notes to Financial Statements
June 30, 2007

(See Accompanying Independent Accountants' Review Report)

(3) Buildings and Equipment

A summary of buildings and equipment at June 30, 2007, is as follows:

	<u>Estimated Useful Lives</u>	
Buildings and improvements	18 years	\$ 778,702
Equipment	5 years	168,394
Furniture, fixtures and equipment	3 years	19,773
Vehicles	5 years	<u>14,200</u>
		981,069
Less accumulated depreciation		<u>(497,785)</u>
		<u>\$ 483,284</u>

During the year, the School's apartment with net book value of \$39,280 was demolished. The net book value of the apartment was charged to losses during the year and is separately presented in the statement of activities.

(4) Bank Loan

The bank loan consists of monthly installments of \$1,283 including interest at the bank's rate of return plus 2% (interest rate at 9.5% at June 30, 2007), with maturity date on June 28, 2012, collateralized by all School assets.

	\$ 60,000
Less current portion	<u>9,680</u>
	<u>\$ 50,320</u>

Scheduled maturities of the bank loan are as follows:

<u>Year ending June 30</u>		
2008	\$	9,680
2009		10,722
2010		11,875
2011		13,154
2012		<u>14,569</u>
	\$	<u>60,000</u>

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Notes to Financial Statements
June 30, 2007
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(5) Contributions

Contributions as of June 30, 2007 include the following grants:

RepMar Aid to Private School Program	\$ 42,698
Huisking Foundation	30,000
RepMar Special Aid Grant	24,120
New Zealand Government	12,025
Parent and Teachers Association	10,000
Other	<u>2,747</u>
	\$ <u>121,590</u>

(6) Commitment

The School has a forty-year land lease underlying the School's facilities, effective July 29, 1990. Total minimum future payments for subsequent years ending June 30, are as follows:

<u>Year ending</u> <u>June 30,</u>	
2008	\$ 5,914
2009	5,914
2010	5,914
2011	5,914
2012	5,914
Thereafter	<u>102,424</u>
	\$ <u>131,994</u>

(7) Contingency

The School does not carry general liability insurance coverage on its operations. In the event of a loss, the School may be self-insured to a material extent.