

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED JUNE 30, 2008

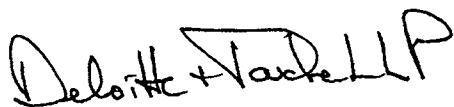
Independent Auditors' Report

Board of Directors
Majuro Cooperative School:

We have audited the accompanying statement of financial position of Majuro Cooperative School (the School) (a nonprofit corporation) as of June 30, 2008, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended 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, 2008

ASSETS

Current assets:	
Cash	\$ 151,988
Tuition and fees receivables:	20,906
Less allowance for doubtful accounts	<u>(17,730)</u>
Net receivables	<u>3,176</u>
Books, materials and supplies	12,638
Prepaid expenses	<u>6,474</u>
Total current assets	174,276
Buildings and equipment, net	<u>626,030</u>
	<u>\$ 800,306</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of bank loan	\$ 10,722
Accounts payable	900
Other liabilities and accruals	12,085
Deferred tuition and fees	<u>101,613</u>
Total current liabilities	125,320
Bank loan, net of current maturity	<u>37,278</u>
Total liabilities	<u>162,598</u>
Commitment and contingency	
Net assets:	
Unrestricted	576,440
Temporarily restricted	<u>61,268</u>
Total net assets	<u>637,708</u>
	<u>\$ 800,306</u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Statement of Activities
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Tuition and fees	\$ 473,920	\$ -	\$ 473,920
Contributions	27,472	237,390	264,862
Summer school	3,237	-	3,237
Other sources	9,498	-	9,498
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>176,121</u>	<u>(176,121)</u>	<u>-</u>
Total revenues, gains and other support	<u>690,248</u>	<u>61,269</u>	<u>751,517</u>
Expenses:			
Program services:			
Instruction and student activities	197,973	29,782	227,755
Auxiliary activities	<u>62,155</u>	<u>-</u>	<u>62,155</u>
Total program services	<u>260,128</u>	<u>29,782</u>	<u>289,910</u>
Supporting services:			
Employee benefits	177,730	1,561	179,291
Depreciation	81,931	-	81,931
Salaries and wages	52,049	-	52,049
Communications	10,244	-	10,244
Supplies	6,175	2,648	8,823
Utilities	6,728	-	6,728
Interest	3,392	-	3,392
Bad debts	1,728	-	1,728
Insurance	466	-	466
Miscellaneous	<u>13,611</u>	<u>-</u>	<u>13,611</u>
Total supporting services	<u>354,054</u>	<u>4,209</u>	<u>358,263</u>
Total expenses	<u>614,182</u>	<u>33,991</u>	<u>648,173</u>
Other changes in net assets:			
Acquisition of property and equipment	<u>12,830</u>	<u>(12,830)</u>	<u>-</u>
Total change in net assets	88,896	14,448	103,344
Net assets at beginning of year	<u>487,544</u>	<u>46,820</u>	<u>534,364</u>
Net assets at end of year	<u>\$ 576,440</u>	<u>\$ 61,268</u>	<u>\$ 637,708</u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
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Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:	
Change in net assets	\$ 103,344
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	81,931
Bad debts	1,728
(Increase) decrease in assets:	
Tuition and fees receivable	(1,130)
Books, materials and supplies	(5,213)
Prepaid expenses	5,030
Increase (decrease) in liabilities:	
Accounts payable	(4,224)
Other liabilities and accruals	3,284
Deferred tuition and fees	<u>36,688</u>
Net cash provided by operating activities	<u>221,438</u>
Cash used in financing activities:	
Payment of bank loan	<u>(12,000)</u>
Cash used in investing activities:	
Acquisition of property and equipment	<u>(224,677)</u>
Net change in cash	(15,239)
Cash at beginning of year	<u>167,227</u>
Cash at end of year	<u>\$ 151,988</u>

See accompanying notes to financial statements.

MAJURO COOPERATIVE SCHOOL
(A Nonprofit Corporation)

Notes to Financial Statements
June 30, 2008

(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.

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, 2008

(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, 2008, the carrying amount of cash was \$151,988 and the corresponding bank balance was \$151,521. A total of \$149,763 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, deposits 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, 2008

(3) Buildings and Equipment

A summary of buildings and equipment at June 30, 2008, is as follows:

	<u>Estimated Useful Lives</u>	
Buildings and improvements	18 years	\$ 985,838
Equipment	5 years	182,746
Furniture, fixtures and equipment	3 years	22,961
Vehicles	5 years	<u>14,200</u>
		1,205,745
Less accumulated depreciation		<u>(579,715)</u>
		<u>\$ 626,030</u>

(4) Bank Loan

Bank loan, monthly installments of \$1,283 including interest at bank rate of return plus 2% (interest rate at 9.75% at June 30, 2008), maturity on June 28, 2012, collateralized by all School assets.

	\$ 48,000
Less current portion	<u>10,722</u>
	<u>\$ 37,278</u>

Scheduled maturities of the bank loan are as follows:

<u>Year ending June 30</u>	
2009	\$ 10,722
2010	11,875
2011	13,154
2012	<u>12,249</u>
	<u>\$ 48,000</u>

(5) Contributions

Contributions as of June 30, 2008 include the following grants:

Japanese Government	\$ 84,503
European Union	62,550
RepMar Special Aid Grant	42,000
RepMar Aid to Private School Program	33,621
Parent and Teachers Association	10,375
Huisking Foundation	10,000
New Zealand Government	9,716
Other	<u>12,097</u>
	<u>\$ 264,862</u>

MAJURO COOPERATIVE SCHOOL
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Notes to Financial Statements
June 30, 2008

(6) Commitment

The School entered into 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 June 30,</u>	
2009	\$ 11,247
2010	11,247
2011	11,247
2012	11,247
2013	11,247
Thereafter	<u>101,844</u>
	<u>\$ 158,079</u>

(7) Contingency

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