BOOKS FOR AFRICA, INC.

FINANCIAL STATEMENTS
June 30, 2011 and 2010

BOOKS FOR AFRICA, INC.

CONTENTS

CML CHRISTOPHER M. LEWIS, CPA

To the Board of Directors
Books for Africa, Inc.
St. Paul, Minnesota

I have audited the accompanying statement of financial position of Books for Africa, Inc. (a nonprofit organization) as of June 30, 2011 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Books For Africa, Inc. as of June 30, 2010 were audited by other auditors whose report dated November 3, 2010, expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Books for Africa, Inc. as of June 30, 2011, 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.

Christopher M. Lewis, CPA

Christopher M. Lewis, CPA

Minneapolis, MN
September 26, 2011

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BOOKS FOR AFRICA, INC

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 378,113	$ 340,054
Investments	844,352	713,497
Inventory	3,359,648	3,333,038
Other assets	1,252	-
Total current assets	4,583,365	4,386,589
Property and equipment	99,783	99,783
Less accumulated depreciation	(70,160)	(56,185)
Net property and equipment	29,623	43,598
Other assets		
Security deposits	10,798	10,798
Total other assets	10,798	10,798
Total assets	$ 4,623,786	$ 4,440,985
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 5,967	$ -
Accrued expenses	25,326	23,377
Total current liabilities	31,293	23,377
Net assets		
Unrestricted	589,107	555,784
Temporarily restricted	4,003,386	3,861,824
Total net assets	4,592,493	4,417,608
Total liabilities and net assets	$ 4,623,786	$ 4,440,985

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
June 30, 2011 and 2010

	2011			
	Unrestricted	Temporarily Restricted	Total	2010
Support and revenue				
Books contributed	$ 18,805,660	$ 3,359,648	$ 22,165,308	$ 17,248,000
In-kind contributions	109,625	-	109,625	191,700
Contributions	473,673	1,178,901	1,652,574	1,555,082
Interest and dividends	25,229	-	25,229	16,311
Unrealized gain on investments	16,559	-	16,559	21,744
Net assets released from restriction	4,396,987	(4,396,987)	-	-
Total support and revenue	23,827,733	141,562	23,969,295	19,032,837
Expenses:				
Program services	23,571,390	-	23,571,390	18,467,270
General and administrative	76,106	-	76,106	69,082
Fundraising	146,913	-	146,913	137,898
Total expenses	23,794,410	-	23,794,410	18,674,250
Change in net assets	33,323	141,562	174,885	358,587
Net assets - beginning of year	555,784	3,861,824	4,417,608	4,059,021
Net assets - end of year	$ 589,107	$ 4,003,386	$ 4,592,493	$ 4,417,608

BOOKS FOR AFRICA, INC

STATEMENTS OF FUNCTIONAL EXPENSES
June 30, 2011 and 2010

	2011				
	Program Services	General and Administrative	Fundraising	Total	2010
Books shipped	$ 22,023,746	$ -	$ -	$ 22,023,746	$ 16,972,118
Special initiatives	83,508	-	-	83,508	86,739
Shipping costs	727,590	-	-	727,590	673,293
Partnership payments	15,250	-	-	15,250	41,504
Salaries	348,866	40,534	57,811	447,210	438,482
Payroll taxes	24,912	4,317	3,724	32,952	29,924
Employee benefits	52,698	9,327	7,881	69,906	65,984
Special events	3,886	-	9,067	12,953	14,731
Shipping supplies	54,532	-	-	54,532	50,002
Automobile	2,250	300	450	3,000	3,000
Office rent	7,200	960	1,440	9,600	9,600
Warehouse rent	132,874	-	-	132,874	125,990
Office supplies	11,766	2,353	2,689	16,809	6,265
Telephone	6,984	1,297	1,696	9,977	6,808
Postage	3,897	2,008	5,905	11,810	8,678
Printing	10,512	2,503	12,014	25,029	23,619
Promotion	5,412	-	15,404	20,816	18,676
Insurance	1,848	320	276	2,445	2,195
Travel	15,586	-	3,896	19,482	25,269
Workshops and conferences	1,916	-	1,916	3,832	2,804
Depreciation	12,577	1,398	-	13,975	13,024
Miscellaneous	11,393	2,379	15,356	29,127	27,153
Professional fees	12,187	8,411	7,389	27,987	28,392
Total	$ 23,571,390	$ 76,106	$ 146,913	$ 23,794,410	$ 18,674,250

BOOKS FOR AFRICA, INC

STATEMENTS OF CASH FLOWS
June 30, 2011 and 2010

	2011	2010
Cash flows from operations		
Change in net assets	$ 174,885	$ 358,587
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	13,975	13,024
Unrealized gain on investments	(16,559)	(21,744)
Change in assets and liabilities		
Inventory	(26,610)	(58,893)
Other assets	(1,252)	10,478
Accounts payable and accrued expenses	7,916	4,091
Net cash from operating activites	152,355	305,543
Cash flows from investing activities		
Purchase of investments	(114,296)	(60,812)
Purchase of property and equipment	-	(10,898)
Net cash from investing activities	(114,296)	(71,710)
Net change in cash and equivalents	38,059	233,833
Cash and equivalents - beginning of year	340,054	106,221
Cash and equivalents - end of year	$ 378,113	$ 340,054

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Books for Africa, Inc. (the Organization) is a nonprofit organization founded in 1988 with operations that began in September 1989. The Organization's administrative offices and warehouse are located in Saint Paul, Minnesota. The Organization collects books from schools, libraries, and publishers and donates them to agencies in the African Countries of Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Democratic Republican of Congo, Djibouti, Eritrea, Ethiopia, Ghana, Guinea, Guinea Bisseau, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Uganda, The Gambia, Zambia and Zimbabwe.

Basis of accounting The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Tax status The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes.

Basis of presentation Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes. The Organization has no permanently restricted net assets.

Use of estimates The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations and credit risk The Organization maintains cash balances in financial institutions. From time to time, the cash balances may exceed the federally insured limit. Management regularly reviews the credit worthiness of the financial institutions and has not experienced any losses.

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

Contributions receivable Contributions receivable represent unconditional promises to give and are due within one year.

Inventory Inventory consists of donated books and is recorded at estimated fair market value.

Investments Investments are recorded at their market value based upon quoted market prices. Donated investments are initially recorded at market value on the date of contribution and at the estimated current value thereafter. Investment income and related gains and losses, both realized and unrealized, are accounted for within unrestricted net assets upon the absence of donor restrictions.

Equipment Equipment is recorded at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for equipment over $2,500 with determinable lives are capitalized and depreciated. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

Contributed materials Contributed materials are recorded as contributions, when received, at their estimated fair value where such value can be objectively and accurately determined.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills provided by an individual possessing those skills, and would need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the requirements of generally accepted accounting principles for recognition in financial statements.

Contributions Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as satisfaction of donor restrictions.

Functional expenses Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries,
- All other expenses are allocated based on management estimates.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements The Organization complies with Topic 820 of the Accounting Standards Codification. ASC Topic 820 defines fair value, establishes framework for measuring fair value and expands disclosure about fair value.

Under ASC Topic 820, fair value is determined using assumptions that market participants would use to determine the price of the asset or liability as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. To determine those market participant assumptions, ASC Topic 820 establishes a hierarchy of inputs that the entity must consider including both independent market data and the entities' assumptions about the market participant assumptions. This hierarchy us as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices in markets that are not active, as those quoted market prices included in level 1, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs, used when there is little or no market activity, for the asset or liability at the measurement date. These inputs represent the entity's own assumptions about the assumptions that market participants would use to price the asset or liability.

The Organization uses the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Subsequent events Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 26, 2011 which is the date the financial statements were available to be issued.

2. INVESTMENTS

Investments consist of the following at June 30:

	2011	2010
Money market funds	$ 365	$ 166,570
Certificates of deposit	100,000	200,000
Mutual funds	743,987	346,927
Total investments	$ 844,352	$ 713,497

Investment income is comprised of the following for the year ended June 30:

Unrealized gain	$ 16,559	$ 21,744
Interest and dividends	25,229	16,311
Total	$ 41,788	$ 38,055

Following is a description of the valuation methodologies used for investments measured at fair value, including the general classification pursuant to the valuation hierarchy.

Mutual fund investments are valued at the closing price reported on the active market on which the individual securities are traded.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2011 all investments are considered level I in the fair value hierarchy.

3. DONATED BOOKS INVENTORY

If a publisher's estimate of the fair value of books donated is not available, donated books received are generally valued at $9.00 per school book and $16.00 per post-secondary book, which is management's estimate of the average fair value. The number of useable books shipped and on hand is a significant estimate made by management.

The Organization's ending book inventory is classified as a temporarily restricted net asset until the books are shipped, and totaled $3,359,648 and $3,333,038 at June 30, 2011 and 2010, respectively.

4. DONATED SERVICES

In addition to the receipt of donated books described in Note 3, the Organization also received and recorded donated shipping costs in the amount of $109,625 and $191,700 in fiscal 2011 and 2010, respectively.

Donated services provided by numerous volunteers to sort and catalog the books are not valued and have not been reported in the accompanying statement of activity, since they do not meet the criteria for recognition in the financial statements under accounting principles generally accepted in the United States of America.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

5. NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30:

	2011	2010
Books in inventory	$ 3,359,648	$ 3,333,038
Container sponsorships	643,738	528,786
Total	$ 4,003,386	$ 3,861,824

Net assets released from restriction as of June 30 were as follows:

Satisfaction of donor restrictions	2011	2010
Books shipped	$ 3,333,038	$ 3,274,145
Container sponsorships	1,063,949	827,641
Total	$ 4,396,987	$ 4,101,786

6. RETIREMENT PLAN

The Organization has established a SEP/IRA defined contribution plan for its employees. The Organization contributes 6% to the plan on behalf of its employees. Contributions to the SEP/IRA were $21,236 and $23,415 in June 30, 2011 and 2010, respectively. It also sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan provides for elective employee deferrals. No contributions are made by the Organization.

7. OPERATING LEASES

The Organization leases office space on a month to month basis. Rent expense was $9,600 and $9,600 for the years ended June 30, 2011 and 2010, respectively.

The Organization leases warehouse space in Minnesota and Georgia requiring total monthly payments of $16,835 that expire in September of 2014. Rent expense for warehouse space was $132,874 and $125,990 for the year ended June 30, 2011 and 2010, respectively.

Future minimum lease payments as of June 30, 2011 are as follows:

2012	$ 202,020
2013	97,020
2014	57,015
	$ 356,055