



Books For Africa, Inc.

Audited Financial Statements

June 30, 2020 & 2019

BOOKS FOR AFRICA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Books For Africa, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 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 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. 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 Books For Africa, Inc. as of June 30, 2020, and the changes in its activities and net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Books For Africa, Inc. as of June 30, 2019 were audited by other auditors whose report dated September 23, 2019, expressed an unmodified opinion on those statements.



Minneapolis, Minnesota
November 12, 2020

BOOKS FOR AFRICA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and equivalents	\$ 438,058	\$ 405,772
Investments	2,435,535	2,247,047
Inventory - in-kind	12,028,281	15,556,804
Contributions receivable	79,086	20,216
Other assets	5,319	9,501
Total current assets	<u>14,986,279</u>	<u>18,239,340</u>
Property and equipment	67,815	67,815
Less: accumulated depreciation	<u>(56,740)</u>	<u>(51,614)</u>
Net property and equipment	11,075	16,201
Other assets		
Security deposits	<u>29,149</u>	<u>29,149</u>
Total other assets	29,149	29,149
Total assets	<u>\$ 15,026,503</u>	<u>\$ 18,284,690</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
PPP Loan	\$ 190,400	\$ -
Accounts payable	139,493	141,826
Accrued expenses	<u>92,364</u>	<u>94,496</u>
Total current liabilities	<u>422,257</u>	<u>236,322</u>
Net assets		
Net assets without donor restriction	1,725,138	1,524,590
Net assets without donor restriction - board designated	<u>77,184</u>	<u>160,460</u>
Total net assets without restriction	1,802,322	1,685,050
Net assets with restriction	<u>12,801,924</u>	<u>16,363,318</u>
Total net assets	14,604,246	18,048,368
Total liabilities and net assets	<u>\$ 15,026,503</u>	<u>\$ 18,284,690</u>

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2020 and 2019

	2020		
	Net Assets Without Restriction	Net Assets With Restriction	Total
Support and revenue			
Books contributed	\$ 22,106,230	\$ 12,028,281	\$ 34,134,511
In-kind contributions	227,000	-	227,000
Contributions	1,386,556	1,591,336	2,977,892
Interest and dividends	58,282	-	58,282
Unrealized (loss) on investments	147,145	-	147,145
Net assets released from restriction	17,181,011	(17,181,011)	-
Total support and revenue	41,106,224	(3,561,394)	37,544,830
Expenses:			
Program services	40,646,169	-	40,646,169
General and administrative	113,777	-	113,777
Fundraising	229,006	-	229,006
Total expenses	40,988,952	-	40,988,952
Change in net assets	117,272	(3,561,394)	(3,444,122)
Net assets - beginning of year	1,685,050	16,363,318	18,048,368
Net assets - end of year	\$ 1,802,322	\$ 12,801,924	\$ 14,604,246

	2019		
	Net Assets Without Restriction	Net Assets With Restriction	Total
Support and revenue			
Books contributed	\$ 20,589,410	\$ 15,556,804	\$ 36,146,214
In-kind contributions	154,000	-	154,000
Contributions	1,094,621	1,642,986	2,737,607
Interest and dividends	66,831	-	66,831
Unrealized gain on investments	79,500	-	79,500
Net assets released from restriction	12,066,524	(12,066,524)	-
Total support and revenue	34,050,886	5,133,266	39,184,152
Expenses:			
Program services	33,619,743	-	33,619,743
General and administrative	101,837	-	101,837
Fundraising	192,482	-	192,482
Total expenses	33,914,062	-	33,914,062
Change in net assets	136,824	5,133,266	5,270,090
Net assets - beginning of year	1,548,226	11,230,052	12,778,278
Net assets - end of year	\$ 1,685,050	\$ 16,363,318	\$ 18,048,368

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	2020			
	Program Services	General and Administrative	Fundraising	Total
Books shipped	\$ 37,663,034	\$ -	\$ -	\$ 37,663,034
Special initiatives	538,940	-	-	538,940
Shipping costs	1,027,940	-	-	1,027,940
Partnership payments	14,500	-	-	14,500
Salaries	622,161	54,684	74,062	750,907
Payroll taxes	28,464	4,932	4,255	37,651
Employee benefits	129,359	23,337	19,704	172,400
Special events	5,982	-	13,957	19,939
Shipping supplies	71,100	-	-	71,100
Automobile	2,250	300	450	3,000
Office rent	30,571	4,076	6,114	40,761
Warehouse rent	340,022	-	-	340,022
Office supplies	12,500	2,500	2,857	17,857
Telephone	7,603	1,412	1,847	10,862
Postage	4,621	2,381	7,002	14,004
Printing	9,396	2,237	10,738	22,371
Promotion	9,818	-	27,942	37,760
Insurance	2,944	510	440	3,894
Travel	12,220	-	3,055	15,275
Workshops and conferences	2,470	-	2,470	4,940
Depreciation	4,613	513	-	5,126
Miscellaneous	29,646	4,492	36,086	70,224
Bad debt	10,000	-	-	10,000
Professional fees	66,015	12,403	18,027	96,445
Total	<u>\$ 40,646,169</u>	<u>\$ 113,777</u>	<u>\$ 229,006</u>	<u>\$ 40,988,952</u>

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2019

	2019			
	Program Services	General and Administrative	Fundraising	Total
Books shipped	\$ 31,014,956	\$ -	\$ -	\$ 31,014,956
Special initiatives	186,587	-	-	186,587
Shipping costs	1,043,241	-	-	1,043,241
Partnership payments	18,155	-	-	18,155
Salaries	592,127	47,746	66,680	706,553
Payroll taxes	39,473	6,840	5,900	52,213
Employee benefits	106,514	19,320	16,309	142,143
Special events	1,447	-	3,376	4,823
Shipping supplies	68,106	-	-	68,106
Automobile	2,250	300	450	3,000
Office rent	29,649	3,953	5,930	39,532
Warehouse rent	326,051	-	-	326,051
Office supplies	9,679	1,936	2,212	13,827
Telephone	7,934	1,473	1,927	11,334
Postage	4,436	2,285	6,721	13,442
Printing	9,537	2,271	10,899	22,707
Promotion	7,742	-	22,034	29,776
Insurance	2,944	510	440	3,894
Travel	17,866	-	4,466	22,332
Workshops and conferences	904	-	904	1,808
Depreciation	3,592	399	-	3,991
Miscellaneous	19,831	2,352	26,305	48,488
Professional fees	106,722	12,452	17,929	137,103
Total	<u>\$ 33,619,743</u>	<u>\$ 101,837</u>	<u>\$ 192,482</u>	<u>\$ 33,914,062</u>

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets:	\$ (3,444,122)	\$ 5,270,090
Adjustment to reconcile the change in net assets to net cash from operating activities:		
Depreciation	5,126	3,991
Unrealized (gain)/loss on investments	(147,145)	(79,500)
Net change in assets and liabilities:		
Inventory	3,528,523	(5,117,946)
Contributions receivable	(58,870)	(2,197)
Other assets	4,182	2,985
Accounts payable and accrued expenses	(4,465)	9,150
Net cash flows from operating activities	<u>(116,771)</u>	<u>86,573</u>
Cash flows from investing activities:		
Net investment activity	<u>(41,343)</u>	<u>(69,368)</u>
Net cash flows from investing activities	<u>(41,343)</u>	<u>(69,368)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	<u>190,400</u>	<u>-</u>
Net cash flows from financing activities	<u>190,400</u>	<u>-</u>
Net change in cash and equivalents	32,286	17,205
Cash and equivalents - beginning of year	405,772	388,567
Cash and equivalents - end of year	<u>\$ 438,058</u>	<u>\$ 405,772</u>

See Accompanying Notes to Financial Statements

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 Republic of Congo, Djibouti, Eritrea, Ethiopia, Ghana, Guinea, Guinea Bissau, 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.

The Organization accounts for uncertainty in income taxes recognized in the financial statements annually assessing its exposure for uncertain tax positions. If required, the Organization would accrue income taxes plus a related interest and penalty as a liability. For the years presented the Organization has recorded no liability for uncertain tax positions. Tax years ending after June 30, 2016 remain open and subject to examination for both federal and state returns.

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

- Net assets without donor restriction represent the portion of net assets that are not subject to donor restrictions.
- Net assets with donor restriction arise from contributions that are restricted by donors for specific purposes or time periods or arise from contributions that are permanently restricted by donors for specific purposes.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

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.

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.

Property and Equipment Property and Equipment is recorded at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the respective assets ranging from 3 to 7 years 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.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 net assets with restriction depending on the nature of restrictions. When a restriction expires, net assets with restriction are reclassified to net assets without restriction and reported in the statement of activity as satisfaction of donor restrictions.

Adoption of new accounting standards – In May 2014, the FASB issued ASU 2017-09, *Revenue from Contracts with Customers* (Topic 606). This ASU provides a single principles based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that an Organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization has analyzed the provisions of FASB's ASC Topic 606 and concluded that no changes are necessary to conform with the new standard as of and for the year ended June 30, 2020.

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, 2020 and 2019

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 November 12, 2020 which is the date the financial statements were available to be issued.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. INVESTMENTS

Investments consist of the following at June 30:

	2020	2019
Money market funds	\$ 100,364	\$ 49
Mutual funds	2,335,171	2,246,998
Total investments	<u>\$ 2,435,535</u>	<u>\$ 2,247,047</u>

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

	2020	2019
Unrealized gain/(loss)	\$ 147,145	\$ 79,500
Interest and dividends	58,282	66,831
Total	<u>\$ 205,427</u>	<u>\$ 146,331</u>

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, 2020 and 2019 all investments are considered level 1 in the fair value hierarchy.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

3. PPP LOAN

The Organization obtained a Paycheck Protection Program loan from the small business administration in the amount of \$190,400. The Organization believes the loan will be forgiven in the 2021 fiscal year and has classified the loan as a current liability. If it is not forgiven interest will be charged at 1% and amortized over 2 years.

4. 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 \$12.00 per school book and \$20.00 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 \$12,028,281 and \$15,556,804 at June 30, 2020 and 2019, respectively.

5. 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 \$227,000 and \$154,000 for the year ended June 30, 2020 and 2019, 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, 2020 and 2019

6. NET ASSETS

Net assets with donor restriction are restricted for the following purposes at June 30:

	2020	2019
Books in inventory	\$ 12,028,281	\$ 15,556,804
Container sponsorships	773,643	806,514
Total	<u>\$ 12,801,924</u>	<u>\$ 16,363,318</u>

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

	2020	2019
Satisfaction of donor restrictions		
Books shipped	\$ 15,556,804	\$ 10,425,546
Container sponsorships	1,624,207	1,640,978
Total	<u>\$ 17,181,011</u>	<u>\$ 12,066,524</u>

7. 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 \$47,924 and \$40,140 for the years ended June 30, 2020 and 2019, respectively.

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

8. OPERATING LEASES

The Organization leases office space requiring monthly payments of \$3,448 and expire in fiscal year 2021. Rent expense was \$40,761 and \$39,532 for the years ended June 30, 2020 and 2019, respectively.

The Organization leases warehouse space in Minnesota and Georgia requiring total monthly payments ranging from approximately \$18,000 to \$22,000, expiring at various times thru fiscal year 2026. Rent expense for warehouse space was \$340,022 and \$326,051 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments as of June 30, 2020 are as follows:

2021	\$ 247,926
2022	258,173
2023	265,728
2024	269,067
2025	257,096
Thereafter	<u>155,101</u>
Total	<u>\$ 1,453,091</u>

9. LIQUIDITY

The Organization has \$2,099,950 of financial assets available within one year of the statement of financial position date, June 30, 2020, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents. At June 30, 2019, the Organization had \$1,846,305 of financial assets available within one year, to meet cash needs for general operating expenditures, consisting of cash and cash equivalents. The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 2,873,593	\$ 2,652,819
less those unavailable for general expenditures with in one year due to donor imposed restrictions	(773,643)	(806,514)
Financial assets available, at year end	<u>\$ 2,099,950</u>	<u>\$ 1,846,305</u>

BOOKS FOR AFRICA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

10. LIQUIDITY (continued)

Management of the Organization reviews cash balances and cash use on a daily and weekly basis. Additionally, its Board of Directors and Finance Committee review the cash balance, and specifically, the months of cash on hand, monthly. The Organization uses a benchmark of three months of operating expenditures. At June 30, 2020 and 2019, the Organization had 7.5 and 7.6 months of financial assets available for future general operating expenditures, respectively.

11. CONTINGENCIES

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. While the Organization expects this matter to negatively impact its operating results, the financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.