

African Library Project

Financial Statements
Year Ended December 31, 2021



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AFRICAN LIBRARY PROJECT

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
African Library Project
Mount Royal, New Jersey**

Opinion

We have audited the accompanying financial statements of the African Library Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the African Library Project as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the African Library Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the African Library Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 African Library Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the African Library Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BBD, LLP.

Philadelphia, Pennsylvania
December 2, 2022

AFRICAN LIBRARY PROJECT

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

| | |
|-----------------------------------|--------------------------|
| Cash | \$ 502,541 |
| Accounts receivable | 10,000 |
| Contributions receivable | 9,634 |
| Prepaid expenses and other assets | 116 |
| Investments | <u>112,876</u> |
| Total assets | <u>\$ 635,167</u> |

LIABILITIES

| | |
|---------------------------------------|-----------------|
| Accounts payable and accrued expenses | <u>\$ 9,920</u> |
|---------------------------------------|-----------------|

NET ASSETS

| | |
|---|--------------------------|
| Without donor restrictions | 620,614 |
| With donor restrictions | <u>4,633</u> |
| Total net assets | <u>625,247</u> |
| Total liabilities and net assets | <u>\$ 635,167</u> |

See accompanying notes

AFRICAN LIBRARY PROJECT

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------|
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 255,873 | \$ 4,633 | \$ 260,506 |
| Contributions, in-kind books | 300,670 | - | 300,670 |
| Forgiveness of Loan Payable - Paycheck Protection Program | 48,745 | - | 48,745 |
| Special event | 12,329 | - | 12,329 |
| Investment income | 2,287 | - | 2,287 |
| Net assets released from restrictions | <u>18,789</u> | <u>(18,789)</u> | <u>-</u> |
| Total revenue and support | <u>638,693</u> | <u>(14,156)</u> | <u>624,537</u> |
| EXPENSES | | | |
| Program services | 384,099 | - | 384,099 |
| Supporting services | | | |
| Management and general | 77,734 | - | 77,734 |
| Fundraising | <u>65,034</u> | <u>-</u> | <u>65,034</u> |
| Total expenses | <u>526,867</u> | <u>-</u> | <u>526,867</u> |
| CHANGE IN NET ASSETS | 111,826 | (14,156) | 97,670 |
| NET ASSETS | | | |
| Beginning of year | <u>508,788</u> | <u>18,789</u> | <u>527,577</u> |
| End of year | <u>\$ 620,614</u> | <u>\$ 4,633</u> | <u>\$ 625,247</u> |

See accompanying notes

AFRICAN LIBRARY PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and benefits | \$ 1,835 | \$ 3,320 | \$ 3,629 | \$ 8,784 |
| Bank and credit card fees | - | 3,467 | 771 | 4,238 |
| Books, in-kind | 300,670 | - | - | 300,670 |
| Insurance | - | 1,788 | - | 1,788 |
| Management fees | 28,141 | 50,909 | 55,618 | 134,668 |
| Office expenses | 109 | 454 | 1,516 | 2,079 |
| Professional fees | - | 9,408 | 3,500 | 12,908 |
| Shipping fees | 53,344 | - | - | 53,344 |
| Software and website | - | 6,853 | - | 6,853 |
| Travel | - | 765 | - | 765 |
| Miscellaneous | - | 770 | - | 770 |
| Total expenses | <u>\$ 384,099</u> | <u>\$ 77,734</u> | <u>\$ 65,034</u> | <u>\$ 526,867</u> |

See accompanying notes

AFRICAN LIBRARY PROJECT

STATEMENT OF CASH FLOWS

Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------|
| Change in net assets | \$ 97,670 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | |
| Realized and unrealized gain | (2,076) |
| Forgiveness of Loan Payable - Paycheck Protection Program | (48,745) |
| (Increase) decrease in | |
| Accounts and contributions receivable | (845) |
| Prepaid expenses and other assets | 172 |
| Increase (decrease) in | |
| Accounts payable and accrued expenses | <u>487</u> |
| Net cash provided by operating activities | <u>46,663</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------------|-------------|
| Purchase of investments | <u>(64)</u> |
| Change in cash | 46,599 |

CASH

| | |
|--------------------|-------------------|
| Beginning of year | <u>455,942</u> |
| End of year | <u>\$ 502,541</u> |

See accompanying notes

AFRICAN LIBRARY PROJECT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(1) NATURE OF OPERATIONS

The African Library Project (the "**Organization**") is a California not-for-profit corporation founded in 2005. The Organization's mission is to change lives book by book, together with partners in Africa and North American volunteers, to create, improve, and sustain libraries in African communities.

(2) SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution. The Organization had no net assets to be maintained indefinitely at December 31, 2021.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

AFRICAN LIBRARY PROJECT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statements of activities. Investment income is recorded as earned.

Contributions

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Contributions In-Kind

Contributed books are recorded at a value of \$1 per book.

Contributed Services

The Organization receives significant amounts of time from individuals who perform various functions for the Organization without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include management fees which are allocated based on estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in the standard.

AFRICAN LIBRARY PROJECT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Concentration of Credit Risk

Cash, accounts and contributions receivable and investments represent financial instruments that potentially subject the Organization to concentration of credit risk. The Organization maintains its cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Accounts and contributions receivable were collected in 2022.

(3) INVESTMENTS

Investments at December 31, 2021 consisted of the following:

| | |
|--------------------|------------------|
| Money market funds | \$107,100 |
| Common stocks | <u>5,776</u> |
| | <u>\$112,876</u> |

Investments were valued using Level 1 valuation inputs.

Investment income consisted of the following for the year ended December 31, 2021:

| | |
|----------------------------------|-----------------|
| Interest and dividends | \$ 211 |
| Net realized and unrealized gain | <u>2,076</u> |
| | <u>\$ 2,287</u> |

(4) LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization received loan proceeds in the amount of \$48,745 under the Paycheck Protection Program ("**PPP**"). Established as part of the Coronavirus Aid, Relief and Economic Security Act (Cares Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

In April 2021, the Small Business Administration forgave 100% of the PPP loan payable and, as a result, the Organization has recorded a gain in the statement of activities for the year ended December 31, 2021.

(5) NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions at December 31, 2021 were available for future periods.

(6) CONTRIBUTIONS IN-KIND

The Organization receives significant donations of books during the year. The donated books have been recorded as both a non-cash contribution and a corresponding program expense on the statement of activities based on management's estimate of fair value (\$1 per book).

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(7) MANAGEMENT AGREEMENT

The Organization receives various management services from Talley Management Group pursuant to a management agreement that continues through July 31, 2023. The agreement may be terminated by either party without cause with 90 days written notice. Management fees incurred by the Organization were \$134,668 for the year ended December 31, 2021.

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of the statement of financial position date, which are all available for general expenditures within one year.

| | |
|--|------------------|
| Cash | \$502,541 |
| Accounts and contributions receivable | 19,634 |
| Investments | <u>112,876</u> |
| Financial assets available within one year | <u>\$635,051</u> |

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that would require recognition or disclosure in the financial statements.