

INTERNATIONAL BOOK PROJECT, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
International Book Project, Inc.  
Lexington, Kentucky

**Opinion**

We have audited the accompanying financial statements of International Book Project, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2021 and 2020, and the related statements of support, revenue, and expenses—modified cash basis, functional expenses—modified cash basis, and cash flows—modified cash basis for the years 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 assets, liabilities, and net assets of International Book Project, Inc. (the Organization) as of December 31, 2021 and 2020, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note B.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization 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.

**Basis of Accounting**

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**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, including omissions, 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 Organization'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 Organization'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.

The image shows a handwritten signature in blue ink. The signature reads "B. Eaton + D. Dief, LLC". The letters are cursive and somewhat stylized, with a plus sign between the two names.

Lexington, Kentucky  
April 6, 2021

INTERNATIONAL BOOK PROJECT, INC.  
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31,

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 51,055	\$ 37,623
TOTAL CURRENT ASSETS	51,055	37,623
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Building and improvements	918,461	918,461
Machinery and equipment	89,015	89,015
TOTAL PROPERTY, PLANT, AND EQUIPMENT	1,007,476	1,007,476
Accumulated depreciation	(337,109)	(288,172)
NET PROPERTY, PLANT, AND EQUIPMENT	670,367	719,304
<b>OTHER ASSETS</b>		
Investment trust account	414,727	439,165
TOTAL ASSETS	\$ 1,136,149	\$ 1,196,092
<b>LIABILITIES AND NET ASSETS</b>		
<b>LONG-TERM LIABILITIES</b>		
Lines of credit	\$ 16,488	\$ 50,610
TOTAL LIABILITIES	16,488	50,610
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	696,845	662,871
Designated	414,727	439,165
With donor restrictions	8,089	43,446
TOTAL NET ASSETS	1,119,661	1,145,482
TOTAL LIABILITIES AND NET ASSETS	\$ 1,136,149	\$ 1,196,092

See Independent Auditors' Report and Notes to Financial Statements.

INTERNATIONAL BOOK PROJECT, INC.  
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
General and shipping contributions	\$ 77,583	\$ -	\$ 77,583
Grants and capital projects	124,204	8,089	132,293
Fundraising event	2,208	-	2,208
Sales	19,855	-	19,855
Program fees	10,945	-	10,945
Other income	214	-	214
PPP loan forgiveness	34,655	-	34,655
Net assets released from restriction:			
Satisfaction of program restrictions	43,446	(43,446)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>313,110</u>	<u>(35,357)</u>	<u>277,753</u>
 <b>INVESTMENT ACTIVITY</b>			
Investment income, net of fees	2,096	-	2,096
Unrealized gains (losses)	23,466	-	23,466
<b>TOTAL INVESTMENT ACTIVITY</b>	<u>25,562</u>	<u>-</u>	<u>25,562</u>
 <b>EXPENSES</b>			
Program services	235,350	-	235,350
Supporting services:			
Management and general administration	47,924	-	47,924
Fundraising	45,862	-	45,862
<b>TOTAL EXPENSES</b>	<u>329,136</u>	<u>-</u>	<u>329,136</u>
CHANGE IN NET ASSETS	9,536	(35,357)	(25,821)
NET ASSETS - BEGINNING OF YEAR	<u>1,102,036</u>	<u>43,446</u>	<u>1,145,482</u>
NET ASSETS - END OF YEAR	<u>\$ 1,111,572</u>	<u>\$ 8,089</u>	<u>\$ 1,119,661</u>

See Independent Auditors' Report and Notes to Financial Statements.

INTERNATIONAL BOOK PROJECT, INC.  
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
General and shipping contributions	\$ 84,315	\$ -	\$ 84,315
Grants and capital projects	82,569	43,446	126,015
Fundraising event	4,301	-	4,301
Sales	27,429	-	27,429
Program fees	29,579	-	29,579
Other income	848	-	848
PPP loan forgiveness	31,900	-	31,900
Net assets released from restriction:			
Satisfaction of program restrictions	23,529	(23,529)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>284,470</u>	<u>19,917</u>	<u>304,387</u>
 <b>INVESTMENT ACTIVITY</b>			
Investment income, net of fees	4,513	-	4,513
Unrealized gains (losses)	75,270	-	75,270
<b>TOTAL INVESTMENT ACTIVITY</b>	<u>79,783</u>	<u>-</u>	<u>79,783</u>
 <b>EXPENSES</b>			
Program services	242,688	-	242,688
Supporting services:			
Management and general administration	44,675	-	44,675
Fundraising	44,718	-	44,718
<b>TOTAL EXPENSES</b>	<u>332,081</u>	<u>-</u>	<u>332,081</u>
 CHANGE IN NET ASSETS	 32,172	 19,917	 52,089
 NET ASSETS - BEGINNING OF YEAR	 <u>1,069,864</u>	 <u>23,529</u>	 <u>1,093,393</u>
 NET ASSETS - END OF YEAR	 <u>\$ 1,102,036</u>	 <u>\$ 43,446</u>	 <u>\$ 1,145,482</u>

See Independent Auditors' Report and Notes to Financial Statements.

INTERNATIONAL BOOK PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total
	Program	Management and General Administration	Fundraising General	
Salaries	\$ 90,025	\$ 21,435	\$ 31,437	\$ 142,897
Employee benefits	20,278	4,828	7,081	32,187
Payroll taxes	7,028	1,674	2,455	11,157
Professional fees	2,582	2,583	-	5,165
Other personnel expense	1,985	-	-	1,985
Supplies/office expense	2,902	1,741	1,161	5,804
Repairs and maintenance	-	1,033	-	1,033
Telephone	446	173	101	720
Postage and shipping	46,649	-	-	46,649
Bank fees	809	-	-	809
Utilities	4,094	1,584	924	6,602
Equipment	497	498	-	995
Board expense	-	2,841	-	2,841
Miscellaneous expense	-	1,460	-	1,460
Insurance	2,954	2,952	-	5,906
Depreciation	45,022	3,915	-	48,937
Fundraising	-	-	2,223	2,223
Bookstore expense	3,427	-	-	3,427
Interest	-	981	-	981
Security	-	226	-	226
Book acquisition	2,919	-	-	2,919
Marketing expense	479	-	480	959
Program expense	2,665	-	-	2,665
Books as Bridges	589	-	-	589
Total Expenses	<u>\$ 235,350</u>	<u>\$ 47,924</u>	<u>\$ 45,862</u>	<u>\$ 329,136</u>
Percentage of Total	<u>71.5%</u>	<u>14.6%</u>	<u>13.9%</u>	

See Independent Auditors' Report and Notes to Financial Statements.



INTERNATIONAL BOOK PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
	Program	Management and General Administration	Fundraising General	
Salaries	\$ 88,568	\$ 21,088	\$ 30,928	\$ 140,584
Employee benefits	18,692	4,451	6,528	29,671
Payroll taxes	6,963	1,658	2,432	11,053
Professional fees	2,475	2,475	-	4,950
Other personnel expense	1,218	-	-	1,218
Supplies/office expense	989	593	395	1,977
Repairs and maintenance	-	560	-	560
Postage and shipping	55,659	-	-	55,659
Bank fees	136	-	-	136
Utilities	4,209	1,629	950	6,788
Equipment	566	567	-	1,133
Board expense	-	401	-	401
Miscellaneous expense	-	165	-	165
Insurance	3,453	3,452	-	6,905
Depreciation	45,127	3,924	-	49,051
Fundraising	-	-	3,046	3,046
Bookstore expense	5,320	-	-	5,320
Interest	-	3,502	-	3,502
Renovation	-	15	-	15
Security	-	195	-	195
Book acquisition	4,002	-	-	4,002
Marketing expense	438	-	439	877
Program expense	1,921	-	-	1,921
Books as Bridges	2,952	-	-	2,952
Total Expenses	<u>\$ 242,688</u>	<u>\$ 44,675</u>	<u>\$ 44,718</u>	<u>\$ 332,081</u>
Percentage of Total	<u>73.1%</u>	<u>13.4%</u>	<u>13.5%</u>	

See Independent Auditors' Report and Notes to Financial Statements.

INTERNATIONAL BOOK PROJECT, INC.  
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (25,821)	\$ 52,089
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized (gain) loss	(23,466)	(75,270)
Depreciation	48,937	49,051
NET CASH FLOWS FROM OPERATING ACTIVITIES	(350)	25,870
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,096)	(4,513)
Sales of investments	50,000	130,000
NET CASH FLOWS FROM INVESTING ACTIVITIES	47,904	125,487
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance (payments) on line of credit	(34,122)	(134,200)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(34,122)	(134,200)
 NET CHANGE IN CASH FLOWS	13,432	17,157
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	37,623	20,466
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 51,055	\$ 37,623
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 981	\$ 3,502
Cash paid for income taxes	\$ -	\$ -

See Independent Auditors' Report and Notes to Financial Statements.

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

International Book Project, Inc. (the Organization) is a nonprofit organization whose purpose is to stimulate international communication and understanding and to broaden the education of people throughout the world through the distribution of literature. By providing needed quality books to the people of the developing world, the Organization seeks to promote education and literacy in developing countries and in areas of need in the USA; to broaden Americans' understanding of their neighbors; and to foster global friendships and strengthen world unity.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that revenue and support are recognized when received instead of when the service is provided, payments to vendors are recognized when paid instead of when goods or services are received, and losses resulting from collection of amounts due are recognized as the amounts due are paid instead of when the loss is believed probable and can be reasonably estimated. The cash basis is modified to capitalize property and equipment purchased, record depreciation of capitalized assets, record investments at fair market value, and record liabilities arising from receipt of borrowed cash.

Basis of Presentation

The Organization presents the accompanying financial statements in accordance with Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash in banks and certificates of deposit to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities, and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. The Organization reports donor-restricted support whose restrictions are met in the same reporting period as without donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. As tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Donated Property and Services

No amounts have been recorded in these financial statements for donated materials, equipment, or services; however, a substantial number of volunteers have donated significant amounts of their time in the fundraising campaigns and operations. Volunteer hours of 556 and 2,635 were documented and, for purposes of disclosure in the footnotes only, management determined that this approximated \$9,177 and \$45,925 of donated time during 2021 and 2020, respectively. In addition, for purpose of disclosure in the footnotes only, management determined shipment values of assorted books of \$3,018,929 and \$3,082,388 for 2021 and 2020, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of support, revenue, and expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The schedule of functional expenses presents the expenses by natural classification.

Fixed Assets

Property is stated at cost, if purchased, and at estimated fair value if donated. Maintenance and repairs are charged to expense as incurred and expenditures for major improvements are capitalized. Depreciation expense is computed using the straight-line method using the following asset lives: Buildings – 20 years, Equipment – 3-7 years, and Building Additions – 7-10 years.

Date of Management's Review

Management has evaluated subsequent events through April 6, 2022, which is the date the financial statements were available to be issued.

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS

The Organization maintains a trust portfolio held at LPL Financial. The Trustee shall use the net income from the trust for the Organization's operations as directed by the Organization. The Trustee may use as much or all of the principal of this trust as the Organization may direct.

The Trustee shall have, with respect to any property at any time held by it, the power to invest and reinvest in any one or more of the Common Trust Funds managed by the named Trustee.

Total cost and fair values at December 31, 2021 and 2020 were as follows:

As of December 31, 2021:			
<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and cash equivalents	\$ 15,285	\$ 15,285	\$ -
Equities and options	101,389	205,437	104,048
Mutual and exchange traded funds	195,642	194,005	(1,637)
	<u>\$ 312,316</u>	<u>\$ 414,727</u>	<u>\$ 102,411</u>

As of December 31, 2020:			
<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and cash equivalents	\$ 19,667	\$ 19,667	\$ -
Equities and options	88,408	161,764	73,356
Mutual and exchange traded funds	164,489	257,734	93,245
	<u>\$ 272,564</u>	<u>\$ 439,165</u>	<u>\$ 166,601</u>

NOTE D – ENDOWMENT FUND

Designated net assets without donor restrictions at December 31, 2021 and 2020 include an endowment fund established to support program services. Contributions to the endowment fund are not subject to donor restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide both current income for programs and growth while managing investment risk. Endowment assets are invested in a broad array of cash, stocks, ETF's, mutual funds, and other publicly tradable securities and managed by a professional asset management firm. The Organization also seeks to build endowment assets through additional contributions.

The composition of endowment net assets and the changes in endowment net assets as of December 31, 2021 and 2020 are as follows:

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE D – ENDOWMENT FUND - continued

<u>As of December 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Beginning of year	\$ 439,165	\$ -	\$ 439,165
Contributions	-	-	-
Net appreciation (depreciation)	23,466	-	23,466
Investment income	5,222	-	5,222
Investment fees	(3,126)	-	(3,126)
Appropriated for expenditure	(50,000)	-	(50,000)
End of year	<u>\$ 414,727</u>	<u>\$ -</u>	<u>\$ 414,727</u>

<u>As of December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Beginning of year	\$ 489,382	\$ -	\$ 489,382
Contributions	-	-	-
Net appreciation (depreciation)	75,270	-	75,270
Investment income	7,357	-	7,357
Investment fees	(2,844)	-	(2,844)
Appropriated for expenditure	(130,000)	-	(130,000)
End of year	<u>\$ 439,165</u>	<u>\$ -</u>	<u>\$ 439,165</u>

NOTE E – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS - continued

The following tables set forth by level, within the fair value hierarchy, the Organization’s investments at fair value at December 31, 2021 and 2020:

As of December 31, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 15,285	\$ -	\$ -
Equities and options	205,437	-	-
Mutual and exchange traded funds	194,005	-	-
	<u>\$ 414,727</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 19,667	\$ -	\$ -
Equities and options	161,764	-	-
Mutual and exchange traded funds	257,734	-	-
	<u>\$ 439,165</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE F - RETIREMENT FUND

The Organization has a SIMPLE - IRA plan for all full-time employees administered by the Fidelity Management Trust Company. The Organization contributed \$3,431 and \$3,353 to the plan during 2021 and 2020, respectively.

NOTE G - LEASES

The Organization entered into a five-year lease agreement for a copier with monthly payments of \$67 beginning in July 2015. At its maturity in June 2019, another lease was signed with the same term through June 2024. Total expenses on these leases for the years ended December 31, 2021 and 2020 was \$804 and \$804, respectively. Total future lease payments are as follows:

2022	\$ 804
2023	804
2024	402
Total	<u>\$ 2,010</u>

NOTE H – CONCENTRATIONS

The Organization has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. The Organization has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

Although the Organization is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of December 31, 2021 and 2020.

The Organization’s investments are exposed to various risks, such as interest rate, credit risks and market. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term.

INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE I – LINE OF CREDIT

On July 12, 2017, the Organization entered into a line of credit agreement in the amount of \$250,000. From July 12, 2017 to July 12, 2020 the interest rate will be 4% per annum. From July 12, 2020 until maturity, the interest rate on the unpaid principal balance will be equal to the Prime Rate (most recently quoted in the Wall Street Journal). However, the interest rate shall never exceed 5% and never be less than 4%. The total balance outstanding on this line of credit at December 31, 2021 and 2020 was \$16,487 and \$50,610, respectively.

NOTE J – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were held by the Organization as of December 31, 2021 and 2020 for shipments, volunteer support, and teacher stipends provided through the Virginia Clark Hagan grant in the amount of \$8,089 and \$43,446, respectively. There were no other remaining net assets with donor restrictions held by the Organization as of December 31, 2021 and 2020.

In prior years the board-designated endowment fund was classified as without donor restrictions - undesignated. Policies were reviewed in 2019 and it was determined by management that the endowment fund and related assets are board-designated. Appropriation of these funds is at the discretion of the Board of Directors.

NOTE K – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of assets, liabilities, and net assets – modified cash basis date, reduced by amounts not available for general use because of contractual restrictions within one year of the statement of assets, liabilities, and net assets – modified cash basis date.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 465,782	\$ 476,788
Less those unavailable for general expenditures within one year due to:		
Board-designated Endowment assets	(414,727)	(439,165)
Donor-restricted Virginia Clark Hagan grant funds	(8,089)	(43,446)
	<u>                    </u>	<u>                    </u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 42,966</u>	<u>\$ (5,823)</u>

The Organization is primarily funded by contributions and fundraising. Occasionally, contributions may contain donor-imposed restrictions. As such, the Organization generally maintains sufficient cash to meet its responsibility to donor-imposed restrictions and has investments available to meet any cash deficiencies.

NOTE L – SMALL BUSINESS ASSOCIATION (SBA) LOAN

On April 23, 2020, the Organization entered into a two-year loan agreement initiated by the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) in the amount of \$31,900. On February 4, 2021, the Organization entered into a second two-year loan agreement initiated by the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) in the amount of \$34,655.

These loans can be forgiven provided the stipulations of Section 1106 of the CARES Act are met. Management believes all funds were used for appropriate purposes and the balances of the notes payable were forgiven in full on October 30, 2020 and August 9, 2021, respectively. Income related to the forgiveness is recognized in the accompanying statement of support, revenue, and expenses – modified cash basis for the years ended December 31, 2021 and 2020.



INTERNATIONAL BOOK PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE M – COVID-19

Beginning in March 2020 and continuing through the date of these financial statements, the Coronavirus pandemic (COVID-19) is adversely affecting, and is expected to continue to adversely affect, the Organization's overall operations.

There is uncertainty around the duration and breadth of the COVID-19 pandemic and as a result the ultimate impact on the Organization's financial condition and operating results cannot be reasonably estimated at this time.

While the Organization expects the impacts of COVID-19 to have an adverse effect on business, financial condition and results of operations, the Organization is unable to predict the extent or nature of these impacts at this time.