

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG**

Independent Auditor's Report

As of and For the Year Ended December 31, 2018

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
Independent Auditor's Report
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EXPERIENCE

INTEGRITY

SERVICE

LIFMS is a certified Woman Owned Business

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of LFA INTERNATIONAL INC. D/B/A NABU.ORG

New York, New York

I have audited the accompanying financial statements of LFA International Inc. d/b/a NABU.org (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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

My responsibility is to express an opinion on these financial statements based on my audit. 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LFA International Inc. d/b/a NABU.org as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Long Island Financial Management Services

July 2, 2019

Long Island Financial Management Services

Wantagh, New York

LFA INTERNATIONAL INC.
D/B/A NABU.ORG
Statement of Financial Position
December 31, 2018

Assets

| | |
|--------------------------------------|-----------------------|
| Cash and Cash Equivalents (Note B) | \$ 28,705 |
| Investments (Note H) | 3,135 |
| Accounts Receivable (Note B) | 439,195 |
| Prepaid Expenses (Note M) | 17,394 |
| Property and Equipment, net (Note D) | 10,373 |
| Software Cost, net (Note C) | 14,943 |
| Security Deposits (Note E) | 19,300 |
| Total Assets | <u>\$ 533,045</u> |

Liabilities and Net Assets

Liabilities

| | |
|--|-----------|
| Accounts Payable and Accrued Expenses (Note F) | \$ 85,956 |
| Loan Payable (Note G and Note P) | 67,300 |
| Security Deposit Payable (Note M) | 33,479 |
| Sub-Tenant Rent Prepaid (Note N) | 15,750 |

Total Liabilities 202,485

Net Assets

| | |
|---|-------------------|
| Without Donor Restrictions (Note B) | (104,440) |
| With Donor Restrictions (Notes B and I) | 435,000 |
| Total Liabilities and Net Assets | <u>\$ 533,045</u> |

See Independent Auditor's Report and Notes to Financial Statements.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
Statement of Activities
For the Year Ended December 31, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| SUPPORT AND REVENUES: | | | |
| Government Grants | \$ - | \$ 6,892 | \$ 6,892 |
| Foundation Contributions | 47,000 | 186,000 | 233,000 |
| Individual Contributions | 292,304 | 436,158 | 728,462 |
| Special Event Revenue , net direct benefit expense of \$5,174 | 2,722 | - | 2,722 |
| Corporate Contributions | 23,202 | - | 23,202 |
| Board Contributions | 20,357 | - | 20,357 |
| Net Assets Released from Restrictions | 194,050 | (194,050) | - |
| TOTAL SUPPORT AND REVENUES | \$ 579,635 | \$ 435,000 | \$ 1,014,635 |
| EXPENSES: | | | |
| Program Services | 453,953 | - | 453,953 |
| Management & General | 149,892 | - | 149,892 |
| Fundraising | 41,005 | - | 41,005 |
| Total Expenses | \$ 644,850 | \$ - | \$ 644,850 |
| Change In Net Assets, Current Year | \$ (65,215) | \$ 435,000 | \$ 369,785 |
| NET ASSETS: | | | |
| Net Assets, Beginning of Year | \$ 13,649 | \$ - | \$ 13,649 |
| Adjustment to Beginning of Year Net Assets (Note O) | (52,874) | - | (52,874) |
| Net Assets, End of Year | \$ (104,440) | \$ 435,000 | \$ 330,560 |

See Independent Auditor's Report and Notes to Financial Statements.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
Statement of Cash Flow
For the Year Ended December 31, 2018**

Cash Flows from Operating Activities:

| | | |
|--|----|-----------|
| Increase in Net Assets | \$ | 369,785 |
| Decrease in Cash held by an Unrelated Organization | | 7,323 |
| Depreciation and Amortization | | 14,906 |
| Changes in Operating Assets and Liabilities: | | |
| Increase in Donated Investments | | (3,135) |
| Increase in Account Receivable | | (409,676) |
| Increase in Security Deposit | | (1,500) |
| Increase in Accounts Payable and Accrued Expenses | | 26,469 |
| Increase in Security Deposit Payable | | 8,082 |
| Increase in Payable to Sub-Tenant | | 3,251 |

| | | |
|--|-----------|---------------|
| Net Cash provided by Operating Activities | \$ | 13,111 |
|--|-----------|---------------|

Cash flows from Investing Activities:

| | | |
|--|--|----------|
| Increase Property, Equipment, and Software | | (11,810) |
|--|--|----------|

| | | |
|---|--|-----------------|
| Net Cash used for Investing Activities | | (11,810) |
|---|--|-----------------|

| | | |
|----------------------|--|-------|
| Net Increase in Cash | | 1,301 |
|----------------------|--|-------|

| | | |
|----------------------------------|-----------|---------------|
| Cash at Beginning of Year | \$ | 27,404 |
|----------------------------------|-----------|---------------|

| | | |
|----------------------------|-----------|---------------|
| Cash at End of Year | \$ | 28,705 |
|----------------------------|-----------|---------------|

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A: NATURE OF ORGANIZATION

LFA International Inc. d/b/a/ "Nabu.org" (the "Organization"), formerly "Library For All", continues to operate independently of the Australian operation, which was until 2017 a part of the international foundation Organization. The restructuring of the Organization's Board of Directors is now complete and the rebrand has been successfully implemented to avoid confusion between the two entities. The organization recently revised its stated mission as, "To solve the imbalance in the creation and distribution of children's books, so that all children can read and rise to their full potential."

NOTE B: SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of LFA International Inc. d/b/a NABU.org. is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of LFA International Inc. d/b/a NABU.org management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements were prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with FASB Accounting Standards Codification (FASB ASC) 958-210, *Not-for-Profit Entities*. On August 18, 2016 the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic958)*. The amendments in this ASU requires the Organization to present on the face of the statement of financial position amounts for two classes of net assets-*net assets with donor restrictions and net assets without donor restrictions*-as opposed to three. Net assets without donor restrictions represent the part of net assets of the Organization that is not subject to donor-imposed restrictions. Net assets with donor restrictions represent the part of the net assets of the Organization, that is subject to donor-imposed restrictions which can be restricted for purpose or time period. The Organization has net assets with donor restrictions in the amount of \$435,000 as of December 31, 2018.

Contributions

Contributions are recognized when the donor makes a promise to give to the organization that, is, in substance, unconditional. Contributions that are restricted are reported as increases in donor restricted net assets, depending on the nature of the restrictions, and are reclassified to net assets without donor restrictions upon expiration. Individual foundation and corporate support is generally available for use in the Organization's primary activity unless specifically designated by the donor.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE B: SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Allowance for Doubtful Accounts

Management has determined that no allowance for uncollectable accounts for accounts receivable or contributions receivable is necessary as of December 31, 2018. Such estimate is based on management's assessment of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Cash and Cash Equivalents

The Organization maintains its cash balances at various financial institutions. Accounts may at times exceed federally insured limits of \$250,000. The Organization classifies all highly liquid debt instruments purchased with and original maturity of ninety days or less as cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Expense Allocation

All costs of providing various programs, other activities and general expenses have been summarized in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. The allocation of expenses between program and supporting services expense, are based upon management's estimates using rational allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE B: SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

The Organization receives, recognizes and records, in-kind contributions when services or goods are donated and: 1) create or enhance nonfinancial assets or 2) require specialized skills and are provided by someone possessing those skills and typically would be purchased, if not donated. In-kind contributions are recorded at fair market value as unrestricted donated services for the respective recipient program, on the schedule of functional expenses and on the statement of activities. No in-kind donations were recognized during the year ended December 31, 2018.

Fair Value Measurements

Fair value is defined 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.

U.S. 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 the most observable units 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 assumption about inputs market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 – Valuation based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Valuation based on inputs that are unobservable and significant to the overall 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.

Income Taxes

The Organization is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State income taxes has been provided for in the accompanying financial statements. As of December 31, 2018, the Organization does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statements.

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE C: SOFTWARE

Software is recorded at cost and amortized over the estimated useful life of the asset. Expenses for repair and maintenance are charged to expense as incurred. Amortization expense for the year ended December 31, 2018 is \$12,172.

NOTE D: PROPERTY AND EQUIPMENT

Fixed assets are recorded when placed into service. All fixed assets are depreciated on a straight-line basis based on their estimated useful life. Depreciation expense for the year is \$2,735. Property and equipment consisted of the following:

| | December 31, 2018 | |
|--------------------------------|-------------------|---------|
| Equipment | \$ | 7,481 |
| Furniture and fixtures | | 6,654 |
| Leasehold improvements | | 4,180 |
| Less: Accumulated Depreciation | | (7,942) |
| | \$ | 10,373 |

NOTE E: SECURITY DEPOSIT

The Organization has been required to pay a security deposit to their landlord in the amount of \$19,300 per terms of their current lease.

NOTE F: ACCRUED EXPENSES:

Accrued expenses appearing on the Statement of Financial Position as of December 31, 2018 in the amount of \$85,956, includes payroll liabilities for \$30,495, and other expenses that were incurred, but unpaid, at December 31, 2018 in the normal course of operations.

NOTE G: LOAN PAYABLE:

The Organization had two loan balances payable to related parties as of December 31, 2018 in the amounts of \$28,000 (former board member, See Note P-Subsequent Events) and \$39,300 (current board member).

NOTE H: FAIR VALUE MEASUREMENTS

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE H: FAIR VALUE MEASUREMENTS, continued

The Organization received a stock donation subject to fair value measurements at December 31, 2018, which was sold in early 2019.

| Description | Quoted Prices in Active Market for Identical Assets Level 1 | Total |
|---------------------------|--|----------|
| Equities | \$ 3,135 | \$ 3,135 |
| Total Investment Holdings | \$ 3,135 | \$ 3,135 |

NOTE I: NET ASSETS WITH DONOR RESTRICTIONS

December 31, 2018

| | |
|------------------------------------|------------------|
| Purpose Restriction | \$10,000 |
| Time Restricted for future periods | <u>\$425,000</u> |
| | <u>\$435,000</u> |

NOTE J: LIQUIDITY DISCLOSURE

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

| | |
|------------------------------------|------------|
| Cash and Cash Equivalents | \$ 28,705 |
| Short-term Investments | 3,135 |
| Accounts Receivable | 439,195 |
| Less: Payable to Sub-tenants | (33,479) |
| Less: Loan Payable (Notes G and P) | (53,000) |
| | \$ 384,556 |

NOTE K: CONTINGENCIES

The Organization is a subject to various claims and legal proceedings that arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from such resolutions, will not have a material adverse effect on the financial condition or results of operations of the Organization.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE L: LEASE COMMITMENTS

The Organization initially signed a lease on May 8, 2015 for one year, which had been renewing annually, for one-year time periods. On March 7, 2018 the Organization signed a new lease amendment for their office headquarters expiring on May 31, 2019. Minimum future rental payments under this lease following the year ended December 31, 2018 are as follows:

| <u>Year Ended December 31</u> | <u>Total</u> |
|-------------------------------|------------------|
| 2019 | \$ 78,750 |
| | <u>\$ 78,750</u> |

Rent paid in 2018 was \$18,500. Rent has been included as part of occupancy expense, and presented net of sub-tenant income, in the Statement of Activities.

NOTE M: SECURITY DEPOSIT PAYABLE

The Organization rented part of its office space to Ollie Pets in 2018. The Organization has received a security deposits in the amount of \$31,500 per terms of the lease and \$1,979 for utilities. From time to time this deposit has been transferred to the operating account as a loan to fund operations.

NOTE N: PREPAID EXPENSES:

Prepaid expenses appearing on the Statement of Financial Position as of December 31, 2018, are for rent and insurance paid in advance the amount of \$17,394.

NOTE O: ADJUSTMENT TO BEGINNING OF YEAR NET ASSETS

It was determined that certain transactions recorded as donations during the prior year were a loan and opening net assets were adjusted to record this as a liability, certain overseas petty cash accounts were written off at year end and other correcting entries were made as deemed necessary.

NOTE P: SUBSEQUENT EVENTS

The Organization performed an evaluation of subsequent events through July 2, 2019 the date the statements were available to be issued. The organization renegotiated a \$28,000 loan payable in June 2019, paying \$14,000 on July 1, 2019, with the balance to be paid by Library For All Australia by the end of July 2019. The organization relocated to another office location in June 2019, and has returned the security deposit to their former sub-tenant. No other events have occurred subsequent to the statement of financial position date through June 28, 2019, that would require adjustment or disclosure in the financial statements.

**LFA INTERNATIONAL INC.
D/B/A NABU.ORG
Statement of Functional Expenses
For the Year Ended December 31, 2018**

| | <u>Program</u> | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-------------------|-------------------|--------------------|-------------------|
| Payroll and Payroll Taxes | \$ 159,105 | \$ 7,913 | \$ 27,821 | \$ 194,839 |
| Professional Fees and Contracted Services | 223,267 | 70,808 | 4,161 | 298,236 |
| Occupancy | 6,605 | 12,722 | 2,500 | 21,827 |
| Employee Benefits | 14,774 | 2,593 | 4,374 | 21,741 |
| Staff Development | 50 | - | 231 | 281 |
| Content Licensing and Technology | 13,512 | 1,409 | 565 | 15,486 |
| Office and Supplies | 498 | 7,140 | - | 7,638 |
| Insurance | - | 822 | - | 822 |
| Staff Travel | 18,177 | 3,402 | 646 | 22,225 |
| Special Event Expense | - | 4,674 | - | 4,674 |
| In-Kind Expense and Charitable Contribution | 4,733 | 3,630 | - | 8,363 |
| Depreciation | - | 2,735 | - | 2,735 |
| Software Amortization | - | 12,172 | - | 12,172 |
| Subscription & Dues | - | 9,014 | - | 9,014 |
| Bank Fees and Payroll Fees | 660 | 8,578 | 270 | 9,508 |
| Miscellaneous Expense | 12,572 | 2,280 | 437 | \$ 15,289 |
| Total Expenses | \$ 453,953 | \$ 149,892 | \$ 41,005 | \$ 644,850 |

See Independent Auditor's Report and Notes to Financial Statements.