

AUDITED FINANCIAL STATEMENTS
INTERNATIONAL BOOK PROJECT, INC.
LEXINGTON, KENTUCKY
December 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of International Book Project, Inc. (a non-profit organization) as of December 31, 2011, and the related statements of support, revenue and expenses and change in net assets - modified cash basis and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B, these financial statements were 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.

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. as of December 31, 2011, and the support, revenue and expenses and cash flows for the year then ended, in conformity with the basis of accounting described in NOTE B.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 10 is presented for the purposes of additional analysis and is not a required part of basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

June 14, 2012

Brown & Dougherty, Psc

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS

INTERNATIONAL BOOK PROJECT, INC.

December 31, 2011

ASSETS	
CURRENT ASSETS	
Cash - Checking	\$224,927
Investment Trust Account	<u>410,212</u>
	635,139
PROPERTY, PLANT AND EQUIPMENT -	
on the basis of cost	
Building and improvements	152,110
Machinery and equipment	<u>67,300</u>
	219,410
Allowance for depreciation (deduction)	<u>(200,984)</u>
	18,426
TOTAL ASSETS	<u>\$653,565</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Payroll taxes payable	\$ 1,817
TOTAL LIABILITIES	<u>1,817</u>
NET ASSETS	
Unrestricted	623,004
Temporarily restricted	<u>28,744</u>
TOTAL NET ASSETS	<u>651,748</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$653,565</u>

See independent auditors' report and notes to financial statements.

STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND CHANGE
IN NET ASSETS - MODIFIED CASH BASIS

INTERNATIONAL BOOK PROJECT, INC.

Year ended December 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
General & shipping contributions	\$122,756	\$ -	\$122,756
Grants & capital projects	92,961	28,744	121,705
Fundraising event	27,182	-	27,182
Sales	43,641	-	43,641
Interest	2,069	-	2,069
Books as Bridges	3,126	-	3,126
Net assets released from restriction: Satisfaction of program restrictions	-	-	-
TOTAL SUPPORT AND REVENUE	<u>291,735</u>	<u>28,744</u>	<u>320,479</u>
INVESTMENT ACTIVITY			
Interest and dividends	11,435	-	11,435
Realized gains	11,552	-	11,552
Unrealized gains (losses)	<u>(22,093)</u>	<u>-</u>	<u>(22,093)</u>
	894	-	894
EXPENSES			
Program services - general	219,370	14,705	234,075
Supporting services			
Management and general administration	32,165	-	32,165
Fundraising	<u>22,735</u>	<u>-</u>	<u>22,735</u>
TOTAL EXPENSES	<u>274,270</u>	<u>14,705</u>	<u>288,975</u>
CHANGE IN NET ASSETS	18,359	14,039	32,398
NET ASSETS - BEGINNING OF YEAR	<u>604,645</u>	<u>14,705</u>	<u>619,350</u>
NET ASSETS - END OF YEAR	<u>\$623,004</u>	<u>\$ 28,744</u>	<u>\$651,748</u>

See independent auditors' report and notes to financial statements.

STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS

INTERNATIONAL BOOK PROJECT, INC.

December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets - modified cash basis	\$ 32,398
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5,643
Increase (decrease) in accrued expenses and payroll taxes	<u>(905)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	37,136
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Equipment	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	-
NET INCREASE IN CASH FLOWS	37,136
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>598,003</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$635,139</u>

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
INTERNATIONAL BOOK PROJECT, INC.

December 31, 2011

NOTE A - ORGANIZATION

The International Book Project, Inc. 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 peoples of the developing world, the International Book Project 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

1. Method of accounting - These financial statements have been prepared on the modified cash basis of accounting. International Book Project maintains its accounting records on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Also, book inventory is not recorded. The cash basis is modified to record property and equipment purchased as assets, record depreciation of capitalized assets and record liabilities arising from receipt of borrowed cash and for payroll withholdings.
2. 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.
3. Financial Statement Presentation - The International Book Project is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, and are required to present a statement of cash flows.
4. Donated Property and Services - Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the fundraising campaigns and operations. There was no donated property during the year. Volunteer hours of 1,352 were documented and management determined that this approximated \$22,335 dollars of donated time. In addition, shipment values of assorted books in the amount of \$3,839,784 were noted for 2011.

NOTES TO FINANCIAL STATEMENTS - Continued

INTERNATIONAL BOOK PROJECT, INC.

December 31, 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fixed Assets - The provision for depreciation has been computed by the straight-line method using the following asset lives:

Buildings	20 years
Equipment	3-7 years
Building Additions	7-10 years

NOTE C - TRUST - BANK OF THE BLUEGRASS, TRUSTEE

International Book Project, Inc. maintains a trust portfolio held at Bank of the Bluegrass. The Trustee shall apply the net income from the trust to the Corporation's use as directed by the Corporation. The Trustee may apply to the use of the Corporation so much or all of the principal of this Trust as the Corporation 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.

At 12/31/11, the account has an appreciated cost balance of \$355,724 and market value of \$410,212.

The following schedule summarizes the investment return and its classification in the statement of support, revenue and expenses - modified cash basis for the year ended December 31, 2011:

	<u>Unrestricted</u>
Interest and dividends	\$ 11,435
Realized gains (losses)	11,552
Unrealized gains (losses)	<u>(22,093)</u>
Total investment return	<u>\$ 894</u>

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The supplemental schedule of functional expenses presents the expenses by natural classification.

NOTE E - INCOME TAXES

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS - Continued

INTERNATIONAL BOOK PROJECT, INC.

December 31, 2011

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted donations were received in the current year and the excess will be carried over and used in the 2012 year.

NOTE G - RETIREMENT FUND

The organization has a SIMPLE - IRA plan for all full-time employees. The organization contributed \$2,033 for three employees in 2011. The plan is administered by the Fidelity Management Trust Company.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events thru June 14, 2012, the date which financial statements were available to be issued.

SCHEDULE OF FUNCTIONAL EXPENSES
INTERNATIONAL BOOK PROJECT, INC.

Year ended December 31, 2011

Program Services	Supporting Services			Total
General	Management and General Administration	Fundraising General		
Salaries	\$ 58,053	\$15,596	\$12,998	\$ 86,647
Employee benefits	5,731	1,540	1,282	8,553
Payroll taxes	4,846	1,302	1,085	7,233
Accounting and auditing	2,400	3,200	-	5,600
Volunteers	2,617	-	-	2,617
Supplies/office expense	3,432	2,059	1,372	6,863
Telephone	1,237	479	279	1,995
Postage and shipping	124,981	-	-	124,981
Utilities	2,146	831	484	3,461
Equipment leases	787	786	-	1,573
Printing	-	2,387	796	3,183
Travel	-	-	518	518
Miscellaneous expenses	-	538	-	538
Taxes and licenses	22	-	-	22
Insurance	1,661	1,661	-	3,322
Depreciation	5,214	429	-	5,643
Staff training	-	1,357	-	1,357
Book acquisition	3,348	-	-	3,348
Marketing Expense	3,921	-	3,921	7,842
Investment Expense	1,500	-	-	1,500
Books as Bridges	12,179	-	-	12,179
	<u>\$234,075</u>	<u>\$32,165</u>	<u>\$22,735</u>	<u>\$288,975</u>
	<u>81.0%</u>	<u>11.1%</u>	<u>7.9%</u>	

See independent auditors' report and notes to financial statements.