

NABU GLOBAL INC.

Independent Auditor's Report

As of and For the Year Ended December 31, 2020

NABU GLOBAL INC.
Independent Auditor's Report
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EXPERIENCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nabu Global Inc.

New York, New York

I have audited the accompanying financial statements of Nabu Global Inc. (a Nonprofit Organization), which comprise the statement of financial position as of December 31, 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

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 Nabu Global Inc. as of December 31, 2020, 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

May 1, 2021
Wantagh, New York

NABU GLOBAL INC.
Statement of Financial Position
December 31, 2020

Assets

Cash and Cash Equivalents (Note B)	\$ 714,918
Pledges Receivable, net of discount of \$342 (Note D)	158,458
Accounts Receivable (Note D)	3,366
Prepaid Expenses (Note E)	6,870
Property and Equipment, net (Note G)	20,155
Website and Mobile Application, net (Note F)	124,619
Security Deposits (Note H)	4,500
Total Assets	<u>\$ 1,032,886</u>

Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses (Note I)	\$ 82,821
Loan Payable (Note K)	150,000
Total Liabilities	<u>232,821</u>

Net Assets

Without Donor Restrictions (Note B)	50,407
With Donor Restrictions (Note B and Note L)	749,658
Total Liabilities and Net Assets	<u>\$ 1,032,886</u>

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

NABU GLOBAL INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Foundation Contributions	\$ 142,793	\$ -	\$ 142,793
Corporate Contributions	24,000	52,950	76,950
Individual Contributions	250,033	600,000	850,033
Government Grants (Note J)	53,069	-	53,069
Special Event Revenue	5,843	-	5,843
Board Contributions	91,031	-	91,031
Other Income	13,455	-	13,455
Net Assets Released from Restrictions	205,000	(205,000)	-
TOTAL SUPPORT AND REVENUES	<u>785,224</u>	<u>447,950</u>	<u>1,233,174</u>
 EXPENSES:			
Program Services	692,134	-	692,134
Management & General	104,940	-	104,940
Fundraising	106,964	-	106,964
Total Expenses	<u>904,038</u>	<u>-</u>	<u>904,038</u>
 Change In Net Assets, Current Year	<u>(118,814)</u>	<u>447,950</u>	<u>329,136</u>
 NET ASSETS:			
Net Assets, Beginning of Year	169,221	301,708	470,929
Net Assets, End of Year	<u>\$ 50,407</u>	<u>\$ 749,658</u>	<u>\$ 800,065</u>

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

NABU GLOBAL INC.
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 329,136
Depreciation and Amortization	111,547
Changes in Operating Assets and Liabilities:	
Decrease in Pledges Receivable	2,250
Increase in Accounts Receivable	(3,366)
Decrease in Prepaid Expenses	54
Increase in Accounts Payable and Accrued Expenses	22,229
Net Cash Provided by Operating Activities	<u>461,850</u>
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	(12,750)
Payment for Software Development Cost	(120,960)
Net Cash Used in Investing Activities	<u>(133,710)</u>
Cash Flows from Financing Activities:	
Proceeds from Economic Injury Disaster Loan	150,000
Repayments of Loan from Former Board Member	(39,300)
Net Cash Provided by Financing Activities	<u>110,700</u>
Net Increase in Cash	438,840
Cash at Beginning of Year	276,078
Cash at End of Year	<u><u>\$ 714,918</u></u>

Supplemental Disclosure: Interest Expense: \$2,164

NABU GLOBAL INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and Payroll Taxes	\$ 134,860	\$ 21,142	\$ 84,818	\$ 240,820
Professional Fees and Contracted Services	326,696	38,126	4,490	369,312
Occupancy	4,695	8,140	-	12,835
Employee Benefits	12,342	275	2,057	14,674
Staff Development	-	-	597	597
Content Licensing and Technology	57,705	474	409	58,588
Office and Supplies	386	1,941	784	3,111
Insurance	1,302	3,137	-	4,439
Community Engagement	18,830	-	-	18,830
Marketing	13,679	-	11,827	25,506
Staff Travel	8,071	-	484	8,555
Special Event Expense	511	180	1,377	2,068
Depreciation	-	3,177	-	3,177
Software Amortization	108,370	-	-	108,370
Subscription & Dues	-	16,281	121	16,402
Interest Expense	-	2,164	-	2,164
Bank Fees and Payroll Fees	3,794	9,650	-	13,444
Miscellaneous Expense	893	253	-	1,146
Total Expenses	\$ 692,134	\$ 104,940	\$ 106,964	\$ 904,038

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

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A: NATURE OF ORGANIZATION

On June 30, 2020, the Organization officially changed its name to Nabu Global Inc. The Organization's mission statement is, "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 Nabu Global Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of Nabu Global Inc. 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 (Topic 958)*. 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, and are available for general operations. 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 \$749,658, as of December 31, 2020.

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 are generally available for use in the Organization's primary activity, unless specifically designated by the donor.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2020

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 pledges receivable is necessary as of December 31, 2020. 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 of 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.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020.

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.

NOTE C: ADOPTION OF NEW ACCOUNTING STANDARDS

For the fiscal year ended December 31, 2020, the Organization adopted FASB ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists organizations in evaluating whether transfers of assets should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, the ASU clarifies whether a contribution is conditional. The adoption resulted in no changes in recognition of revenue from current or prior fiscal years and therefore had no impact to the statement of financial position upon adoption.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE C: ADOPTION OF NEW ACCOUNTING STANDARDS, (continued)

For the fiscal year ended December 31, 2020, the Organization implemented the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the Organization to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The adoption resulted in no changes in recognition of revenue from current or prior fiscal years and therefore had no impact to the statement of financial position upon adoption.

The Financial Accounting Standards Board (FASB) has issued other accounting standards updates as of December 31, 2020 that will become effective in subsequent periods. Management believes that none of those updates would have significantly affected the Organization's financial accounting measures or disclosures had they been in effect during the fiscal year ended December 31, 2020, and it does not believe that any of those pronouncements will have a significant impact on the Organization's financial statements at the time that they become effective.

NOTE D: PLEDGES RECEIVABLE AND ACCOUNTS RECEIVABLE

Pledges receivable and accounts receivable appear on the Statement of Financial Position as of December 31, 2020 in the amount of \$158,458 and \$3,366, respectively. At December 31, 2020, pledges receivable balances are due as follows:

	December 31, 2020
2021	\$ 96,300
2022	50,000
2023	<u>12,500</u>
	158,800
Discount	<u>(342)</u>
	<u>\$ 158,458</u>

NOTE E: PREPAID EXPENSES:

Prepaid expenses appearing on the Statement of Financial Position as of December 31, 2020, are for software cost and insurance paid in advance, in the amount of \$6,870.

NOTE F: WEBSITE AND MOBILE APPLICATION

Website and mobile application are 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, 2020 is \$108,370.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE G: 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 \$3,177. Property and equipment consisted of the following:

		December 31, 2020
Equipment	\$	23,427
Furniture and fixtures		6,654
Leasehold improvements		4,180
Less: Accumulated Depreciation		(14,106)
	\$	20,155

NOTE H: SECURITY DEPOSIT

The Organization has been required to pay a security deposit related to their shared space in the amount of \$4,500 per terms of their current agreement. The agreement is on a month-to-month basis with a 60-day termination notice.

NOTE I: ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses appearing on the Statement of Financial Position as of December 31, 2020 in the amount of \$82,821, includes software development cost liability for \$43,200, payroll liabilities for \$17,493, and other expenses that were incurred, but unpaid, at December 31, 2020 in the normal course of operations.

NOTE J: GOVERNMENT GRANTS

In April 2020, the Organization received an U.S. Small Business Administration (SBA) Economic Injury Disaster Loan Advance which will not be repaid and has been recognized as a 2020 government grant. In May 2020, the Organization received a U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for \$50,069. The PPP loan bears interest at 1.0% per year and matures two years from the date of disbursement of proceeds. There was a six-month payment deferral period, and equal monthly installments of principal and interest were to begin thereafter. In June 2020, the Paycheck Protection Program Flexibility Act of 2020 was enacted into law, extending the deferral period for the payments of principal and interest on all PPP loans to the date that SBA remits the loan forgiveness amount to the lender, or if loan forgiveness is not applied for, ten months after the end of the loan forgiveness covered period. The PPP loan allows for loan forgiveness up to the full amount of the loan, provided that funds are used for uses permitted by the loan program. The Organization has used the funds for its intended use as permitted by the program, but has not applied for full loan forgiveness as of May 1, 2021.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE K: LOAN PAYABLE

In August 2020, the Organization received a U.S. Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) for \$150,000. The EIDL bears interest at 2.75% per year and matures thirty years from the date of the loan. There is a twenty-four month payment deferment period, and equal monthly installments of principal and interest of \$641 is to begin, thereafter. Payments will be applied first to interest accrued to the date of receipt of each payment, with the balance, if any, applied to principal. Interest expense of \$2,164 has been accrued at December 31, 2020.

NOTE L: NET ASSETS WITH DONOR RESTRICTIONS

	December 31, 2020
Time Restricted for Future Periods	\$ 600,000
Purpose Restricted for Swahili Children's Book Fund	149,658
Total Net Assets With Donor Restrictions	\$ 749,658

NOTE M: 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	\$ 714,918
Pledges Receivable	161,824
Less: Restricted Net Assets	(550,000)
	\$ 326,742

NOTE N: CONTINGENCIES

The Organization is 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.

NABU GLOBAL INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE O: 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, 2020, 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.

NOTE P: SUBSEQUENT EVENTS

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which may potentially impact the Organizations grants, contributions and fundraising revenues. The financial impact cannot be reasonably estimated.

The Organization performed an evaluation of subsequent events through May 1, 2021 the date the statements were available to be issued. No other events have occurred subsequent to the statement of financial position date through May 1, 2021, that would require adjustment or disclosure in the financial statements.