

AFRICA CLASSROOM CONNECTION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

FAIRCHILD MADDOX + LEONIDAS, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

AFRICA CLASSROOM CONNECTION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Africa Classroom Connection
106 East 24th Street
Minneapolis, MN 55404

Fairchild
Maddox
+
Leonidas

CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying financial statements of Africa Classroom Connection (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, 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 controls 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

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 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 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, we 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.

Opinion

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Africa Classroom Connection as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fairchild Maddox + Leonidas, Ltd.
Certified Public Accountants
Minneapolis, Minnesota
January 16, 2014

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AFRICA CLASSROOM CONNECTION

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Current assets	
Cash - general	\$ 14,329
Cash - cultural exchange	332
Accounts receivable	5,151
Prepaid expenses	308
Total current assets	<u>20,120</u>

TOTAL ASSETS \$ 20,120

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ -
Total current liabilities	<u>-</u>

Net assets	
Unrestricted	20,120
Total net assets	<u>20,120</u>

TOTAL LIABILITIES AND NET ASSETS \$ 20,120

AFRICA CLASSROOM CONNECTION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Total
SUPPORT AND REVENUE		
Grants and contributions	\$ 113,722	\$ 113,722
Program service revenue	34,853	34,853
Events	30,130	30,130
Less: Direct expenses	(2,445)	(2,445)
In-kind donations	14,825	14,825
TOTAL SUPPORT AND REVENUE	191,085	191,085
EXPENSES		
Program	185,573	185,573
Management and general	9,597	9,597
Fundraising and development	1,399	1,399
TOTAL EXPENSES	196,569	196,569
Increase in net assets	(5,484)	(5,484)
Net assets, beginning of year	25,604	25,604
Net assets, end of year	\$ 20,120	\$ 20,120

AFRICA CLASSROOM CONNECTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
ECAG expense	\$ 132,386	\$ -	\$ -	\$ 132,386
Trip expense	39,268	-	-	39,268
Professional fees	-	5,400	-	5,400
Insurance	617	307	307	1,231
Credit card & bank fees	-	944	-	944
Advertising	701	351	351	1,403
Other expenses	-	898	-	898
In-kind expenses	12,601	1,483	741	14,825
Miscellaneous expenses	-	214	-	214
TOTAL EXPENSES	<u>\$ 185,573</u>	<u>\$ 9,597</u>	<u>\$ 1,399</u>	<u>\$ 196,569</u>

AFRICA CLASSROOM CONNECTION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (5,484)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Accounts receivable	5,690
Increase (decrease) in:	
Accounts payable	<u>(58,385)</u>
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(58,179)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	(58,179)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>72,840</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 14,661</u></u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Africa Classroom Connection (the Organization) is a nonprofit, 501(c)(3) tax-exempt organization. The Organization raises funds to support building school classrooms in Kwazulu Natal province of South Africa, as well as to provide an emergency stay-in school fund for South African students.

Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies.

Financial Statement Presentation

Africa Classroom Connection is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2013, the Organization did not have any temporarily restricted net assets or permanently restricted net assets.

Public Support and Revenue

The Organization receives support in the form of donations from public and private sources. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-kind Services and Donations

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program activities, special events, and fundraising. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Contributions of donated services that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. Donated goods are recorded at their fair values in the period received.

Advertising Costs

The Organization expenses all advertising costs as they are incurred. Total advertising costs were \$1,403 for the year ended December 31, 2013.

AFRICA CLASSROOM CONNECTION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Continued)

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with maturities of 90 days or less to be cash equivalents.

Short-term Investments

The Company records short-term investments at fair value, which approximates cost.

Fair Value Measurement

The Organization's financial instruments consist primarily of cash, accounts receivable, and accounts payable.

The carrying amount of cash, accounts receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments.

Functional Allocation of Expenses

Expenses which are not directly identifiable by program or supporting service are allocated based on the best estimate of management.

Income Taxes

The Organization is a tax-exempt Minnesota corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is not taxed on income derived from its exempt functions. However, the Organization is subject to tax on unrelated business income, which is generated from the Organization's investment income and other activities not related to their stated exempt purposes. The Organization had no significant deferred income tax assets or liabilities as of December 31, 2013.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011, and 2012 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the fiscal year ended December 31, 2013.

NOTE 2. CONTINGENCIES

The Organization receives a substantial amount of its support from individual and corporate donors and private foundations. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

AFRICA CLASSROOM CONNECTION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

NOTE 3. IN-KIND DONATIONS

The Organization records in-kind donations at fair market value at the date of donation. In-kind donations included the following for the year ended December 31, 2013:

Accounting Services	\$10,199
Event Donations	4,120
Rent	<u>506</u>
	\$14,825

NOTE 4. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 16, 2014, the date the financial statements were available to be issued.