

Open Library Foundation

Consolidated Financial Statements

June 30, 2021 and 2020

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Gilliam Bell Moser LLP
we hear you

Independent Accountants' Review Report

The Board of Directors
Open Library Foundation
Philadelphia, Pennsylvania

We have reviewed the accompanying consolidated financial statements of Open Library Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year and six months then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gilliam Bell Moser LLP

Certified Public Accountants
Burlington, North Carolina
February 28, 2022



Open Library Foundation
Consolidated Statements of Financial Position
(See Independent Accountants' Review Report)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 346,041	\$ 728,692
Contributions receivable	285,869	187,500
Other receivables	<u>-</u>	<u>2,293</u>
Total assets	<u>\$ 631,910</u>	<u>\$ 918,485</u>
Liabilities		
Accounts payable	<u>\$ 49,005</u>	<u>\$ 133,577</u>
Total liabilities	<u>49,005</u>	<u>133,577</u>
Net assets		
Without donor restrictions	180,836	784,908
With donor restrictions	<u>402,069</u>	<u>-</u>
Total net assets	<u>582,905</u>	<u>784,908</u>
Total liabilities and net assets	<u>\$ 631,910</u>	<u>\$ 918,485</u>

The accompanying notes are an integral part of these consolidated financial statements.

Open Library Foundation**Consolidated Statements of Activities**

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2021 and the Six Months Ended June 30, 2020

	2021	2020
Change in Net Assets Without Donor Restrictions:		
Support and revenue:		
Contributions	\$ 262,250	\$ 573,441
Grants	6,100	15,000
Registration fees	10,000	77,279
Dividends and interest	564	2,303
Total support and revenue	<u>278,914</u>	<u>668,023</u>
Expenses:		
Program services	857,330	556,661
Management and general	25,656	15,153
Total expenses	<u>882,986</u>	<u>571,814</u>
Increase (decrease) in net assets without donor restrictions	<u>(604,072)</u>	<u>96,209</u>
Change in Net Assets With Donor Restrictions:		
Contributions	<u>402,069</u>	<u>-</u>
Increase in net assets with donor restrictions	<u>402,069</u>	<u>-</u>
Total increase (decrease) in net assets	\$ (202,003)	\$ 96,209
Net assets - beginning	<u>784,908</u>	<u>688,699</u>
Net assets - ending	<u><u>\$ 582,905</u></u>	<u><u>\$ 784,908</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Open Library Foundation**Consolidated Statements of Functional Expenses**

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2021 and the Six Months Ended June 30, 2020

	2021			2020		
	Program Support	Management and General	Total	Program Support	Management and General	Total
Agency payments	\$ 563,129	\$ -	\$ 563,129	\$ 344,948	\$ -	\$ 344,948
Conferences	-	-	-	79,384	8,821	88,205
Contract expenses	138,080	-	138,080	94,405	-	94,405
Information technology	127,667	14,185	141,852	23,987	2,665	26,652
Office expense	-	3,487	3,487	-	372	372
Professional fees	23,952	7,984	31,936	9,886	3,295	13,181
Subscriptions	4,502	-	4,502	2,772	-	2,772
Travel	-	-	-	1,279	-	1,279
Total expenses	\$ 857,330	\$ 25,656	\$ 882,986	\$ 556,661	\$ 15,153	\$ 571,814

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The accompanying notes are an integral part of these consolidated financial statements.

Open Library Foundation**Consolidated Statements of Cash Flows**

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2021 and the Six Months Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (202,003)	\$ 96,209
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(98,369)	61,501
Accounts payable	(84,572)	93,321
Other receivables	2,293	157,729
	<u>(382,651)</u>	<u>408,760</u>
Net cash provided by (used in) operating activities	<u>(382,651)</u>	<u>408,760</u>
Net increase (decrease) in cash	(382,651)	408,760
Cash - beginning	<u>728,692</u>	<u>319,932</u>
Cash - ending	<u><u>\$ 346,041</u></u>	<u><u>\$ 728,692</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Open Library Foundation

Notes to Consolidated Financial Statements

(See Independent Accountants' Review Report)

June 30, 2021 and the Six Months ended June 30, 2020

Note 1: Summary of Significant Accounting Policies

Nature of organization - Open Library Foundation ("the Organization") is a nonprofit organization that enables the development, accessibility and sustainability of open source and open access projects for and by libraries. The Organization seeks to enable and support creative collaboration among librarians, technologists, designers, service providers and vendors to share expertise and resources and to create innovative new software and resources that support libraries.

Principles of consolidation - The consolidated financial statements and related disclosures include the accounts of Open Library Foundation and its wholly owned subsidiary, OLF FOLIO SMLLC ("the Subsidiary") formed on September 8, 2020. The subsidiary is a collaboration of libraries, developers, and vendors building an open source library services platform supported by the Open Library Foundation. All intercompany transactions and balances are eliminated. OLF FOLIO LLC had net assets at June 30, 2021 of \$518,664 and increase in net assets for the year was \$518,664.

Use of accounting estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash - Cash includes all cash balances held in financial institutions. Periodically during the year, the Organization may have credit risk exposure resulting from balances in excess of federally insured limits of \$250,000.

Contributions receivable - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Contributed services - The Organization receives a substantial amount of services donated by individuals who assist with the Organization's program services. No amounts have been recorded in the consolidated financial statements for these services since they do not meet recognition criteria prescribed by generally accepted accounting principles.

Agency payments - In 2020-2021 agency payments reflect reimbursements to non-profit institutions for institutional employees that are or were working full or part-time on behalf of the Open Library Foundation itself, or on projects (primarily FOLIO for this fiscal year) supported by the Open Library Foundation.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Open Library Foundation
Notes to Consolidated Financial Statements

(See Independent Accountants' Review Report)
June 30, 2021 and the Six Months ended June 30, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished) in the year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Recently adopted accounting standard - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606 ("ASC 606")). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. ASC 606 prescribed a five-step approach to revenue recognition: (1) identify the contracts with customer; (2) identify the separate performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when, or as, each performance obligation is satisfied. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year, using the modified retrospective method.

The adoption of this ASU did not have a significant impact on the Organization's consolidated financial statements. Organization revenue arrangements consist of a single performance obligation satisfied over time as services are provided to a customer. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues or reported balance sheet amounts as a result of the adoption of the new accounting standard.

Revenue recognition - Registration fees relate to contracts where performance obligations represent a conference provided to attendees for a fee. The Organization recognizes revenue in the period in which the event occurs. The Organization deems the use of this input method to be a faithful depiction of the transfer of services to the Organization over the performance obligation period.

The Organization determines the transaction price based on its established charges for attendance.

Open Library Foundation**Notes to Consolidated Financial Statements**

(See Independent Accountants' Review Report)

June 30, 2021 and the Six Months ended June 30, 2020

Note 2: Available Resources and Liquidity

The following reflects the Organization's financial assets as of year-end, reduced by amounts not available for general use due to the donor-imposed restrictions:

	2021	2020
Cash	\$ 346,041	\$ 728,692
Receivables	285,869	189,793
Total available resources	631,910	918,485
Less assets to fund donor restrictions	402,069	-
Total resources available for general use	<u>\$ 229,841</u>	<u>\$ 918,485</u>

The Organization routinely receives support from various donors that is more than sufficient to fund operating expenses. Furthermore, management and the Board monitor support through routine review of the annual budget.

Note 3: Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Therefore, no income taxes are reflected in the accompanying consolidated financial statements. Management is unaware of any uncertain tax position in the consolidated financial statements that would jeopardize the Organization's tax-exempt status or otherwise requires disclosure.

Note 4: Net Assets with Donor Restrictions

The following is summary of net assets with donor restrictions available for the following purposes:

	2021	2020
Restricted for salary reimbursement	\$ 259,394	\$ -
Time restriction for promises to give	142,675	-
Total net assets with donor restrictions	<u>\$ 402,069</u>	<u>\$ -</u>

Note 5: Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on the estimates of time and effort.

Open Library Foundation**Notes to Consolidated Financial Statements**

(See Independent Accountants' Review Report)

June 30, 2021 and the Six Months ended June 30, 2020

Note 6: Concentrations

One donor accounted for approximately 54% of the outstanding contributions receivable balance at June 30, 2021. There were no receivable concentrations for the year ended June 30, 2020.

Additionally, three donors accounted for approximately 60% of contribution revenue for the Organization in 2021. There were no revenue concentrations for the six months ended June 30, 2020.

Note 7: Change in Fiscal Year

During 2020, the Organization elected to change its fiscal year from December 31 to June 30. The purpose was to align with their intended revenue cycles. Consequently, the six-month accounting cycle ended June 30, 2020 affects the comparability of revenue and expenses for the periods presented.

Note 8: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2021 and February 28, 2022, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.