

**ARKANSAS IMAGINATION LIBRARY**

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**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2021**

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# COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

## Independent Auditors' Report

Board of Directors  
Arkansas Imagination Library  
401 Scott St  
Little Rock, Arkansas 72201

### **Opinion**

We have audited the accompanying financial statements of Arkansas Imagination Library (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkansas Imagination Library as of December 31, 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arkansas Imagination Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Imagination Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arkansas Imagination Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in aggregate, that raise substantial doubt about Arkansas Imagination Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Certified Public Accountants  
August 1, 2022

ARKANSAS IMAGINATION LIBRARY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

ASSETS

	<u>2021</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 168,979
Investments	1,771,463
Prepaid Expenses	<u>5,394</u>
Total Current Assets	<u>1,945,836</u>
Total Assets	<u>\$ 1,945,836</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>	
	<u>\$ -</u>
<u>NET ASSETS</u>	
Without Donor Restrictions	<u>1,945,836</u>
Total Liabilities and Net Assets	<u>\$ 1,945,836</u>

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

ARKANSAS IMAGINATION LIBRARY  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>
<u>REVENUE AND SUPPORT</u>	
Grants	\$ 385,505
Contributions	<u>119,620</u>
Total Revenue and Support	<u>505,125</u>
 <u>EXPENSES</u>	
Program	190,104
Supporting Services:	
General and Administrative	43,065
Fundraising	<u>-</u>
Total Expenses	<u>233,169</u>
 Revenue in Excess of (Under) Expenses	 271,956
 <u>OTHER INCOME (LOSS)</u>	
Forgiveness of PPP Loan	13,800
Net Investment Income (Loss)	<u>140,362</u>
Total Other Income (Loss)	<u>154,162</u>
 INCREASE (DECREASE) IN NET ASSETS	 426,118
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,519,718</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,945,836</u>

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

ARKANSAS IMAGINATION LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Support Services:</u>			<u>Total Expenses</u>
	<u>Program and Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Accounting	\$ -	\$ 4,500	\$ -	\$ 4,500
Advertising	-	37	-	37
Auto	113	38	-	151
Awards and Grants	77,865	-	-	77,865
Business Consulting	48,506	16,168	-	64,674
Conferences, Conventions, and Meetings	420	140	-	560
Credit Card Charges	-	186	-	186
Equipment	45	15	-	60
Insurance	-	814	-	814
Legal Fees	-	96	-	96
Meals and Entertainment	114	-	-	114
Office	1,451	484	-	1,935
Payroll	54,521	18,173	-	72,694
Payroll Taxes	4,549	1,515	-	6,064
Rent	2,520	840	-	3,360
Subscription and Postage	-	53	-	53
Supplies	-	6	-	6
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 190,104</u>	<u>\$ 43,065</u>	<u>\$ -</u>	<u>\$ 233,169</u>

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

ARKANSAS IMAGINATION LIBRARY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>
<u>CASH FLOWS FROM OPERATIONS</u>	
Increase (Decrease) In Net Assets	\$ 426,118
Adjustments Needed to Reconcile to Net Cash Provided by Operations:	
Unrealized Gain on Investments	(74,533)
Forgiveness of PPP Loan	(13,800)
Change in Current Assets and Liabilities:	
(Increase) Decrease in Prepaid Expenses	(5,394)
Increase (Decrease) in Accounts Payables	(344)
Increase (Decrease) in Other Payables	<u>(2,109)</u>
Net Cash Inflows (Outflows) from Operations	<u>329,938</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Investments	<u>(347,679)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
	<u>-</u>
Net Increase (Decrease) in Cash	(17,741)
Cash at Beginning of Year	<u>186,720</u>
Cash at End of Year	<u>\$ 168,979</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>	
Cash Paid During the Year for Interest and Taxes	<u>\$ 0</u>

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

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(a) Organization

Arkansas Imagination Library (the Organization) was incorporated as an Arkansas domestic nonprofit organization in 2017. The organization is an affiliate of Dolly Parton's Imagination Library, a book giving program that mails free books to children from birth to age five in participating communities. The Organization is economically dependent on donations and grants more fully explained in Note 4. The accompanying financial statements do not include any other affiliates of Dolly Parton Imagination Library.

The Organization is dependent on the Dolly Parton Imagination Library for selecting, processing, and mailing books to children who have enrolled in the program. Enrollment is accomplished primarily through local affiliates throughout the state of Arkansas, who use specialized enrollment software provided by the Dolly Parton Imagination Library.

(b) Basis of Presentation

The statements were prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) for nonprofit organizations included in the Financial Accounting Standards Codifications (FASB ASC).

(c) Cash Equivalents

Arkansas Imagination Library considers all short-term investments with maturities at acquisition of three months or less to be cash equivalents.

(d) Investments

Investments consist of a certificate of deposit and marketable securities. Interest income is recorded as earned. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in donor net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(e) Revenue Recognition

Revenues consist primarily of grants and donations. Concentrations of revenue are further described in Note 4.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

(f) Net Assets

In accordance with ASU 2016-14, net assets are reported in two distinct classifications:

Net assets without donor restrictions  
Net assets with donor restrictions

There were no net assets with donor restrictions at December 31, 2021.

(g) Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and is classified as other than a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2021.

(h) Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or support service are recorded directly according to their natural expenditure classification.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

(i) Fair Value Measurements

Arkansas Imagination Library determines the fair values of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis based on a fair value hierarchy of three levels of inputs that may be used to measure fair value, which are as follows:

Level 1            Quoted prices in active markets for identical assets. Level 1 assets include equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2            Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3            Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

(j) Basis of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2: INVESTMENTS

Investments are stated at fair value and are summarized as of December 31, 2021, as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of Deposit	\$ 74,279	\$ 75,374	\$ 1,095
Mutual Funds	508,981	589,029	80,048
Corporate Debt Securities	397,842	399,683	1,841
U.S. Government Obligations	214,988	210,464	(4,524)
Corporate Equities	<u>356,522</u>	<u>496,913</u>	<u>140,391</u>
Total	<u>\$ 1,552,612</u>	<u>\$ 1,771,463</u>	<u>\$ 218,851</u>

NOTE 3: SBA PPP LOAN

On April 29, 2020, the Organization received loan proceeds in the amount of \$13,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides loans to qualifying businesses and nonprofit organizations for amounts up to 2.5 times average monthly payroll expenses of the qualifying borrower. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months, after the end of the twenty-four-month period. Management affirms that it has used the proceeds for purposes consistent with the PPP; and on April 6, 2021 the Organization received notice of forgiveness of the loan, which is reported on Other Income for the year ended December 31, 2021.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4: CONCENTRATION OF REVENUE

Grant revenue of \$385,505 for the year ended December 31, 2021, consisted of the following:

Curry Foundation	\$ 250,000
University of Central Arkansas	34,979
Arkansas Humanities Council	21,600
Other	78,926
Total	<u>\$ 385,505</u>

NOTE 5: INVESTMENT INCOME

Investment income for the year ended December 31, 2021 consisted of the following:

Unrealized Gain (Loss) on Investments	\$ 74,533
Realized Gain (Loss) on Investments	43,109
Interest and Dividends	37,352
Fees and Taxes	<u>(14,632)</u>
Net Investment Income (Loss)	<u>\$ 140,362</u>

NOTE 6: COMMITMENTS

On August 17, 2017 the Organization entered a one year lease for office space at \$280 per month. The lease was renewed September 25, 2019 at \$280 per month for a period of 18 months. As of March 31, 2021 the lease expired, and the Organization is currently paying \$280 on a monthly basis. Rent expense for the year ended December 31, 2021 was \$3,360.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7: FAIR VALUE DISCLOSURES

As discussed in Note 1, the Organization defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information, refer to Note 1, “*Summary of Significant Accounting Policies.*”

The following table reports assets that are measured and carried at fair value on a recurring basis as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets At Fair Value</u>
Investments:				
Certificates of Deposit	\$ 75,374	\$ -	\$ -	\$ 75,374
Mutual Funds	589,029	-	-	589,029
Corporate Debt Securities	-	399,683	-	399,683
U.S. Government Obligations	210,464	-	-	210,464
Corporate Equities	496,913	-	-	496,913
Total	<u>\$ 1,371,780</u>	<u>\$ 399,683</u>	<u>\$ -</u>	<u>\$ 1,771,463</u>

NOTE 8: LIQUIDITY MANAGEMENT

The Organization’s financial assets available for general expenditures within one year of the statement of financial position are as follows:

Cash and cash equivalents	\$ 168,979
Investments	<u>1,771,463</u>
Total	<u>\$ 1,940,442</u>

The Organization has a goal to maintain cash balances on hand to meet 365 days of ordinary business expenses (exclusive of depreciation). The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization invests other cash in interest bearing money market accounts and mutual investment funds.

ARKANSAS IMAGINATION LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8: LIQUIDITY MANAGEMENT (CONTINUED)

Expenses for the year ended December 31, 2021 were as follows:

Program	\$ 190,104
Supporting Services:	
Management and General	43,065
Fundraising	<u>-</u>
Total	<u>\$ 233,169</u>

NOTE 9: RISKS AND UNCERTAINTIES

In February 2020, the COVID-19 virus began spreading in the United States, including areas in which the Organization operates. Business continuity and social activities have been severely impacted as government and citizens take significant and unprecedented measures to mitigate the consequences of the epidemic. Management has carefully monitored the situation and evaluated its options during this time. Although the effect of the outbreak is expected to be temporary, there is considerable uncertainty about its outcome, and the impact and duration cannot be reasonably estimated at this time.

NOTE 10: SUBSEQUENT EVENTS

Arkansas Imagination Library did not have any recognized or nonrecognized subsequent events after December 31, 2021, the date of the most recent statement of financial position. Subsequent events have been evaluated through August 1, 2022, which is the date the financial statements were available to be issued.