

THE BOOKS FOR KIDS FOUNDATION

Financial Statements
June 30, 2018 and 2017

THE BOOKS FOR KIDS FOUNDATION

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

The Books for Kids Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Books for Kids Foundation (a Not-for-Profit organization), which are comprised of the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Books for Kids Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 10 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Malesardi, Quackenbush, Swift & Company, LLC

Englewood, New Jersey
March 4, 2019

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and equivalents	\$ 378,129	\$ 296,013
Grants receivable, net	47,833	52,581
Pledges receivable, net	-	30,000
Prepaid expenses	1,634	6,382
Other assets	<u>500</u>	<u>500</u>
Total Assets	<u>\$ 428,096</u>	<u>\$ 385,476</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	<u>\$ 56,993</u>	<u>\$ 23,325</u>
NET ASSETS:		
Unrestricted	286,237	142,244
Temporarily restricted	<u>84,866</u>	<u>219,907</u>
Total Net Assets	<u>371,103</u>	<u>362,151</u>
Total Liabilities and Net Assets	<u>\$ 428,096</u>	<u>\$ 385,476</u>

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

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 210,370	\$ -	\$ 210,370	\$ 118,743	\$ 55,089	\$ 173,832
In-kind donations	4,214	-	4,214	81,977	-	81,977
Foundation income	136,839	83,544	220,383	167,794	73,462	241,256
Fundraising income	393,238	-	393,238	312,396	15,000	327,396
Other income	7	-	7	4,764	-	4,764
Total Support and Revenue	744,668	83,544	828,212	685,674	143,551	829,225
EXPENSES:						
Library construction	13,000	-	13,000	180,685	-	180,685
Literacy program	597,889	-	597,889	573,085	-	573,085
Management and general	73,975	-	73,975	148,953	-	148,953
Fundraising	134,449	-	134,449	171,091	-	171,091
Total Expenses	819,313	-	819,313	1,073,814	-	1,073,814
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(74,645)	83,544	8,899	(388,140)	143,551	(244,589)
NON-OPERATING ACTIVITIES:						
Interest income	53	-	53	71	-	71
Net assets released from restrictions	218,585	(218,585)	-	318,224	(318,224)	-
Total Non-Operating Activities	218,638	(218,585)	53	318,295	(318,224)	71
CHANGE IN NET ASSETS	143,993	(135,041)	8,952	(69,845)	(174,673)	(244,518)
NET ASSETS, Beginning of Year	142,244	219,907	362,151	212,089	394,580	606,669
NET ASSETS, End of Year	\$ 286,237	\$ 84,866	\$ 371,103	\$ 142,244	\$ 219,907	\$ 362,151

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

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,952	\$ (244,518)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in grants receivable	4,748	32,236
Change in pledges receivable	30,000	(21,500)
Change in prepaid expenses	4,748	(2,113)
Change in accounts payable	<u>33,668</u>	<u>5,451</u>
Net Cash Provided by (Used in) Operating Activities	<u>82,116</u>	<u>(230,444)</u>
NET CHANGE IN CASH AND EQUIVALENTS	82,116	(230,444)
CASH AND EQUIVALENTS, Beginning of Year	<u>296,013</u>	<u>526,457</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 378,129</u>	<u>\$ 296,013</u>

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

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 - NATURE OF ORGANIZATION:

The Books for Kids Foundation (the "Foundation") is a Not-for-Profit organization incorporated on April 11, 1989 under the laws of the State of New York.

The mission of the Foundation is to promote literacy among all children with special emphasis on low-income and at-risk preschool-aged children. The Foundation creates libraries, donates books, and implements literacy programs to develop the critical early foundation and skills which young children need to be successful in life.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

All financial transactions have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets:

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the objectives of the Foundation and include those expendable resources which have been designated for special use by the Foundation or the Board of Directors.

Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specifications.

In the absence of donor restriction, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

The Foundation records donor restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Cash and Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Receivables

Receivables are considered by the Foundation to be fully collectible; accordingly, no allowance for doubtful account is required.

Functional Allocation of Expenses

The costs of providing various programs and other activities has been summarized on a functional basis in the statements of activities and in the schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Taxes

The Foundation is a Not-for-Profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

Open Tax Years

The Foundation's Forms 990, *U.S. Return of Organization Exempt from Income Tax*, for the years ending June 30, 2015, 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 3 - PLEDGES RECEIVABLE:

The Foundation's pledges receivable net of allowance, consists of unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ -	\$ 30,000
Receivable in one to five years	-	-
Total	-	30,000
Less: allowance for doubtful accounts and discounts	-	-
Pledges Receivable, net	<u>\$ -</u>	<u>\$ 30,000</u>

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018 and 2017

NOTE 4 - IN-KIND DONATIONS:

During the years ended June 30, 2018 and 2017, the Foundation received donations in the form of books. Donations received from publishing companies were recorded at a 55% discount of their estimated fair value at the date of donation, while all other donations were recorded at a 65% discount. The total value of book donations as of June 30, 2018 and 2017 was \$4,214 and \$3,251, respectively.

In addition, the Foundation received donated legal services during the 2017 fiscal year for contract review and trademark infringement advice. The total value of these services, based upon the hourly rates given by the law firm, as of June 30, 2017 was \$7,125.

The Foundation also received donated professional services for the year ended June 30, 2017 to help the Foundation develop a new branding strategy. The total value of these services was \$38,200.

Other in-kind donations were received during the 2017 fiscal year. These donations were recorded at their estimated fair value at the date of donation and totaled \$33,401.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:

The Foundation's temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Library Sponsorships	\$ 84,866	\$ 219,907

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets released from donor restrictions, by incurring expenses satisfying the restricted purposes as specified by the donor are as follows:

	<u>2018</u>	<u>2017</u>
Library Sponsorships	\$ 218,585	\$ 317,753
Literacy Program - Philadelphia	<u>-</u>	<u>471</u>
Total	<u>\$ 218,585</u>	<u>\$ 318,224</u>

NOTE 7 - UNCERTAIN TAX POSITIONS:

The Foundation has not recognized any benefits from uncertain tax positions in 2018 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the statements of financial position date.

NOTE 8 - CONCENTRATION OF CREDIT RISK:

The Foundation maintains cash balances in financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances, at times, may exceed federally insured limits.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018 and 2017

NOTE 9 - CONCENTRATION OF SUPPORT:

For the years ended June 30, 2018 and 2017, support from one major contributor accounted for approximately 22% and 20% of the Foundation's total support and revenue.

NOTE 10 - RELATED PARTIES:

An individual, who is affiliated with vendors used by the Foundation to purchase books, is also a member of the Foundation's Board of Directors. For the years ended June 30, 2018 and 2017, the Foundation purchased \$47,918 and \$160,837, respectively, in books from the vendors. As of June 30, 2018 and 2017, the total amount due to the vendor was \$33,644 and \$9,821, respectively.

These affiliations were disclosed to the Board of Directors. Due diligence was performed, however, the Foundation was not able to find other vendors to do the same job at as competitive prices.

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 4, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statements of financial position date and through the date the financial statements were available to be issued that would require adjustment to or disclosure in the accompanying financial statements.

THE BOOKS FOR KIDS FOUNDATION
SCHEDULES OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018					2017				
	Programs		Management and General	Fundraising	Total	Programs		Management and General	Fundraising	Total
	Library Construction	Literacy Program				Library Construction	Literacy Program			
Salaries	\$ -	\$ 329,064	\$ 46,435	\$ 45,385	\$ 420,884	\$ -	\$ 303,417	\$ 52,624	\$ 41,708	\$ 397,749
Payroll taxes	-	25,636	4,272	2,959	32,867	-	24,601	4,277	3,394	32,272
Fringe benefits	-	15,187	2,142	2,142	19,471	-	15,095	4,301	2,010	21,406
Professional fees	-	51,751	8,625	5,972	66,348	-	63,080	10,947	8,672	82,699
Office expenses	-	4,172	3,416	1,022	8,610	-	2,082	5,722	3,898	11,702
In-kind donations	-	4,214	-	-	4,214	-	3,251	45,325	33,401	81,977
Computer	-	9,857	-	2,101	11,958	-	2,304	2,374	4,536	9,214
Miscellaneous	-	3,084	-	539	3,623	-	-	255	-	255
Insurance	-	3,406	2,116	426	5,948	-	1,361	2,342	114	3,817
Travel and entertainment	-	5,227	4,234	2,321	11,782	-	2,735	8,608	-	11,343
Postage and shipping	-	2,537	134	-	2,671	-	19	2,915	-	2,934
Rent	-	13,608	2,211	1,192	17,011	-	12,418	2,154	1,707	16,279
Telephone	-	1,848	231	231	2,310	-	1,848	581	250	2,679
Training	-	1,160	-	-	1,160	-	-	5,586	-	5,586
Special events	-	22,127	-	70,000	92,127	-	-	-	71,401	71,401
Construction	9,650	-	-	-	9,650	80,999	-	-	-	80,999
Furnishings	-	-	-	-	-	5,775	-	-	-	5,775
Books	-	96,590	-	-	96,590	90,485	132,805	-	-	223,290
Program supplies	-	8,262	-	-	8,262	-	8,069	-	-	8,069
Web designer	-	159	159	159	477	-	-	942	-	942
Library maintenance	3,350	-	-	-	3,350	3,426	-	-	-	3,426
Total	\$ 13,000	\$ 597,889	\$ 73,975	\$ 134,449	\$ 819,313	\$ 180,685	\$ 573,085	\$ 148,953	\$ 171,091	\$ 1,073,814

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