

THE BOOKS FOR KIDS FOUNDATION

Financial Statements  
June 30, 2020 and 2019



THE BOOKS FOR KIDS FOUNDATION

FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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.

*Malesardi, Quackenbush, Swift & Co LLC*

Englewood, New Jersey  
March 23, 2021

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and equivalents	\$ 165,567	\$ 286,490
Grants receivable	14,950	6,210
Prepaid expenses	1,875	1,875
Other assets	6,150	6,150
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 188,542</u>	<u>\$ 300,725</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 20,943	\$ 14,602
Paycheck Protection Program	107,500	-
	<u>          </u>	<u>          </u>
Total Liabilities	<u>128,443</u>	<u>14,602</u>
NET ASSETS:		
Without donor restrictions	<u>60,099</u>	<u>286,123</u>
	<u>          </u>	<u>          </u>
Total Net Assets	<u>60,099</u>	<u>286,123</u>
	<u>          </u>	<u>          </u>
Total Liabilities and Net Assets	<u>\$ 188,542</u>	<u>\$ 300,725</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 264,048	\$ -	\$ 264,048	\$ 213,103	\$ -	\$ 213,103
In-kind donations	385,270	-	385,270	103,498	-	103,498
Foundation income	90,270	-	90,270	96,200	-	96,200
Fundraising income	108,132	-	108,132	341,678	-	341,678
Other income	12	-	12	-	-	-
<b>Total Support and Revenue</b>	<b>847,732</b>	<b>-</b>	<b>847,732</b>	<b>754,479</b>	<b>-</b>	<b>754,479</b>
<b>EXPENSES:</b>						
Program services	938,671	-	938,671	673,561	-	673,561
Management and general	44,406	-	44,406	57,891	-	57,891
Fundraising	90,702	-	90,702	108,052	-	108,052
<b>Total Expenses</b>	<b>1,073,779</b>	<b>-</b>	<b>1,073,779</b>	<b>839,504</b>	<b>-</b>	<b>839,504</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(226,047)</b>	<b>-</b>	<b>(226,047)</b>	<b>(85,025)</b>	<b>-</b>	<b>(85,025)</b>
<b>NON-OPERATING ACTIVITIES:</b>						
Interest income	23	-	23	45	-	45
Net assets released from restrictions	-	-	-	84,866	(84,866)	-
<b>Total Non-Operating Activities</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>84,911</b>	<b>(84,866)</b>	<b>45</b>
<b>CHANGE IN NET ASSETS</b>	<b>(226,024)</b>	<b>-</b>	<b>(226,024)</b>	<b>(114)</b>	<b>(84,866)</b>	<b>(84,980)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>286,123</b>	<b>-</b>	<b>286,123</b>	<b>286,237</b>	<b>84,866</b>	<b>371,103</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 60,099</b>	<b>\$ -</b>	<b>\$ 60,099</b>	<b>\$ 286,123</b>	<b>\$ -</b>	<b>\$ 286,123</b>

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

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2020 and 2019

	2020				2019				
	Program Services		Management and General	Total	Program Services		Management and General	Total	
	Library Construction	Literacy Program			Library Construction	Literacy Program			
Salaries	\$ -	\$ 371,963	\$ 31,753	\$ 453,613	\$ -	\$ 370,156	\$ 45,019	\$ 35,854	\$ 451,029
Payroll taxes	-	28,883	2,466	35,224	-	28,356	3,243	2,564	34,163
Fringe benefits	-	34,682	2,961	42,295	-	34,363	3,933	3,105	41,401
Professional fees	-	20,517	1,751	25,020	-	12,092	1,642	1,194	14,928
Office expenses	-	4,598	392	5,607	-	1,869	190	182	2,241
In-Kind donations	-	385,270	-	385,270	-	103,498	-	-	103,498
Computer	-	9,151	781	11,160	-	20,283	775	2,340	23,398
Miscellaneous	-	1,206	103	1,471	-	6,941	762	762	8,465
Insurance	-	-	-	-	-	3,937	535	388	4,860
Travel and entertainment	-	4,019	804	5,359	-	11,034	-	581	11,615
Postage and shipping	-	2,653	884	3,537	-	1,635	113	132	1,880
Rent	-	28,534	2,436	34,798	-	16,404	1,563	1,563	19,530
Telephone	-	-	-	-	-	855	116	84	1,055
Training	-	800	-	800	-	622	-	300	922
Special events	-	-	-	23,038	-	23,896	-	59,003	82,899
Construction	33,194	-	-	33,194	2,499	-	-	-	2,499
Books	-	8,085	-	8,085	-	21,938	-	-	21,938
Program supplies	-	3,937	-	3,937	-	5,616	-	-	5,616
Web designer	-	874	75	1,066	-	-	-	-	-
Library maintenance	-	305	-	305	7,567	-	-	-	7,567
<b>Total</b>	<b>\$ 33,194</b>	<b>\$ 905,477</b>	<b>\$ 44,406</b>	<b>\$ 1,073,779</b>	<b>\$ 10,066</b>	<b>\$ 663,495</b>	<b>\$ 57,891</b>	<b>\$ 108,052</b>	<b>\$ 839,504</b>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (226,024)	\$ (84,980)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in grants receivable	(8,740)	41,623
Change in prepaid expenses	-	(241)
Change in other assets	-	(5,650)
Change in accounts payable	6,341	(42,391)
	<u>(228,423)</u>	<u>(91,639)</u>
Net Cash Used in Operating Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program	<u>107,500</u>	<u>-</u>
	<u>107,500</u>	<u>-</u>
Net Cash Provided by Financing Activities		
NET CHANGE IN CASH AND EQUIVALENTS	(120,923)	(91,639)
CASH AND EQUIVALENTS, Beginning of Year	<u>286,490</u>	<u>378,129</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 165,567</u>	<u>\$ 286,490</u>

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

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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. The Foundation's major sources of revenue are contributions, in-kind donations, and fundraising income.

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

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

*Net Assets - Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net Assets - With Donor Restrictions*

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

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 support without donor restriction.

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, 2020 and 2019

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.

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, 2017, 2018, 2019, and 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met or the donor has explicitly released the restriction. Grant revenues are recognized as certain performance requirements and/or the incurrence of allowable qualifying expenses occur, as stipulated in the grant agreements. Revenues from special event sales are recognized at the time the tickets are sold.

Functional Expense Allocation

Directly identifiable expenses are charged to programs or management and general depending on the reason the expenses were incurred. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support of the Foundation's mission.

NOTE 3 - IN-KIND DONATIONS:

During the years ended June 30, 2019 and 2018, the Foundation received donations in the form of books. Donations received were recorded at their estimated fair value at the date of donation. The total value of book donations as of June 30, 2020 and 2019 was \$385,270 and \$103,498, respectively.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	2020	2019
Subject to expenditure for specified purpose or period:		
Library Sponsorships	\$ <u>          -</u>	\$ <u>          -</u>

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

	2020	2019
Library Sponsorships	\$ <u>          -</u>	\$ <u>  84,866</u>

The purpose of the above donor restricted amount is as follows:

Library Sponsorships

Donors restricted these donations to the creation of the specific libraries they sponsored and to cover the cost of programming in those libraries.

NOTE 5 - UNCERTAIN TAX POSITIONS:

The Foundation has not recognized any benefits from uncertain tax positions in 2020 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 6 - 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.

NOTE 7 - 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, 2020 and 2019, the Foundation purchased \$0 and \$6,014, respectively, in books from the vendors. As of June 30, 2020 and 2019, the total amount due to the vendor was \$0 and \$1,212, 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.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

NOTE 8 - PAYCHECK PROTECTION PROGRAM:

On April 22, 2020, the Foundation received loan proceeds from Newtek Business Services Corp in the amount of \$107,500 under the Paycheck Protection Program ("PPP"). The PPP established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 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 Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Foundation's financial assets as of June 30, 2020 and 2019 that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 165,567	\$ 286,490
Grants receivable	<u>14,950</u>	<u>6,210</u>
Total financial assets at year-end	<u>180,517</u>	<u>292,700</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 180,517</u>	<u>\$ 292,700</u>

Liquidity Management

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 23, 2021, 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, except for as noted below.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operation, financial condition, or liquidity at this time.