

THE BOOKS FOR KIDS FOUNDATION

Financial Statements
June 30, 2021 and 2020

THE BOOKS FOR KIDS FOUNDATION

FINANCIAL STATEMENTS
June 30, 2021 and 2020

INDEX

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC

Certified Public Accountants
155 North Dean Street, Suite 5
Englewood, New Jersey 07631
201-567-4100
FAX 201-567-3461

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

The Books for Kids Foundation

Opinion

We have audited the accompanying financial statements of The Books for Kids Foundation (a Not-for-Profit association), which are comprised of the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 The Books for Kids Foundation as of June 30, 2021 and 2020, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Books for Kids Foundation 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 the Books for Kids Foundation'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 material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 The Books for Kids Foundation'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 the aggregate, that raise substantial doubt about The Books for Kids Foundation'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.

Malesardi, Quackenbush, Swift & Co LLC

Englewood, New Jersey
June 28, 2022

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and equivalents	\$ 292,522	\$ 165,567
Grants receivable	-	14,950
Prepaid expenses	1,875	1,875
Other assets	<u>6,150</u>	<u>6,150</u>
Total Assets	<u>\$ 300,547</u>	<u>\$ 188,542</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 23,004	\$ 20,943
Paycheck Protection Program	<u>98,800</u>	<u>107,500</u>
Total Liabilities	<u>121,804</u>	<u>128,443</u>
NET ASSETS:		
Without donor restrictions	<u>178,743</u>	<u>60,099</u>
Total Net Assets	<u>178,743</u>	<u>60,099</u>
Total Liabilities and Net Assets	<u>\$ 300,547</u>	<u>\$ 188,542</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, 2021 and 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE:				
Contributions	\$ 235,074	\$ -	\$ 264,048	\$ -
In-kind donations	214,813	-	385,270	-
Foundation income	103,000	-	90,270	-
Fundraising income	201,946	-	108,132	-
Other income	7	-	12	-
		Total		Total
Total Support and Revenue	754,840	754,840	847,732	847,732
EXPENSES:				
Program services	621,379	-	938,671	-
Management and general	43,644	-	44,406	-
Fundraising	78,691	-	90,702	-
Total Expenses	743,714	-	1,073,779	-
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	11,126	11,126	(226,047)	(226,047)
NON-OPERATING ACTIVITIES:				
Paycheck Protection Program forgiveness	107,500	-	107,500	-
Interest income	18	-	18	-
Total Non-Operating Activities	107,518	-	107,518	-
CHANGE IN NET ASSETS	118,644	-	(226,024)	(226,024)
NET ASSETS, Beginning of Year	60,099	-	286,123	-
NET ASSETS, End of Year	\$ 178,743	\$ -	\$ 60,099	\$ -

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, 2021 and 2020

	2021				2020					
	Program Services		Management and General	Fundraising	Total	Program Services		Management and General	Fundraising	Total
	Library Construction	Literacy Program				Library Construction	Literacy Program			
Salaries	\$ -	\$ 286,758	\$ 32,669	\$ 43,558	\$ 362,985	\$ -	\$ 371,963	\$ 49,897	\$ 453,613	
Payroll taxes	-	22,149	2,523	3,364	28,036	-	28,883	3,875	35,224	
Fringe benefits	-	33,599	3,828	5,104	42,531	-	34,682	4,652	42,295	
Professional fees	-	15,945	1,817	2,422	20,184	-	20,517	2,752	25,020	
Office expenses	-	6,926	789	1,052	8,767	-	4,598	617	5,607	
In-kind donations	-	214,813	-	-	214,813	-	385,270	-	385,270	
Computer	-	7,268	828	1,104	9,200	-	9,151	1,228	11,160	
Miscellaneous	-	6,673	760	1,014	8,447	-	1,206	162	1,471	
Insurance	-	3,773	430	573	4,776	-	-	-	-	
Travel and entertainment	-	67	-	-	67	-	4,019	536	5,359	
Postage and shipping	-	-	-	-	-	-	2,653	-	3,537	
Rent	-	-	-	-	-	-	28,534	3,828	34,798	
Training	-	348	-	-	348	-	800	-	800	
Special events	-	-	-	20,500	20,500	-	-	23,038	23,038	
Construction	-	-	-	-	-	33,194	-	-	33,194	
Books	-	21,648	-	-	21,648	-	8,085	-	8,085	
Program supplies	-	1,262	-	-	1,262	-	3,937	-	3,937	
Web designer	-	-	-	-	-	-	874	117	1,066	
Library maintenance	-	150	-	-	150	-	305	-	305	
Total	\$ -	\$ 621,379	\$ 43,644	\$ 78,691	\$ 743,714	\$ 33,194	\$ 905,477	\$ 90,702	\$ 1,073,779	

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 118,644	\$ (226,024)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program forgiveness	(107,500)	-
Change in grants receivable	14,950	(8,740)
Change in accounts payable	<u>2,061</u>	<u>6,341</u>
Net Cash Provided by (Used in) Operating Activities	28,155	(228,423)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program	<u>98,800</u>	<u>107,500</u>
Net Cash Provided by Financing Activities	<u>98,800</u>	<u>107,500</u>
NET CHANGE IN CASH AND EQUIVALENTS	126,955	(120,923)
CASH AND EQUIVALENTS, Beginning of Year	<u>165,567</u>	<u>286,490</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 292,522</u>	<u>\$ 165,567</u>

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

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 restrictions, 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 restrictions.

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, 2021 and 2020

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, 2018, 2019, 2020, and 2021 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 revenue is recognized as certain performance requirements and/or the incurrence of allowable qualifying expenses occur, as stipulated in the grant agreements. Revenue from special event sales is 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, 2021 and 2020, 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, 2021 and 2020 was \$214,813 and \$385,270, respectively.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 4 - UNCERTAIN TAX POSITIONS:

The Foundation has not recognized any benefits from uncertain tax positions in 2021 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 5 - 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 6 - PAYCHECK PROTECTION PROGRAM:

On April 22, 2020 and February 2, 2021, the Foundation received loan proceeds from Newtek Small Business Finance, LLC in the amounts of \$107,500 and \$98,800, respectively, 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 used the proceeds for purposes consistent with the PPP. On June 28, 2021, the Foundation received confirmation that the first PPP loan would be forgiven in its entirety. On August 6, 2021, the Foundation received confirmation that the second PPP loan would be fully forgiven as well.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Foundation's financial assets as of June 30, 2021 and 2020 that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 292,522	\$ 165,567
Grants receivable	<u>-</u>	<u>14,950</u>
Total financial assets at year-end	<u>292,522</u>	<u>180,517</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 292,522</u>	<u>\$ 180,517</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.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 8 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 28, 2022, 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 in Note 6.