

THE BOOKS FOR KIDS FOUNDATION

Financial Statements
June 30, 2019 and 2018

THE BOOKS FOR KIDS FOUNDATION

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 & Company LLC

Englewood, New Jersey
July 23, 2020

THE BOOKS FOR KIDS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and equivalents	\$ 286,490	\$ 378,129
Grants receivable	6,210	47,833
Prepaid expenses	1,875	1,634
Other assets	6,150	500
	<u>6,150</u>	<u>500</u>
Total Assets	<u>\$ 300,725</u>	<u>\$ 428,096</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	<u>\$ 14,602</u>	<u>\$ 56,993</u>
NET ASSETS:		
Without donor restrictions	286,123	286,237
With donor restrictions	-	84,866
	<u>286,123</u>	<u>84,866</u>
Total Net Assets	<u>286,123</u>	<u>371,103</u>
Total Liabilities and Net Assets	<u>\$ 300,725</u>	<u>\$ 428,096</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, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE:				
Contributions	\$ 213,103	\$ -	\$ 210,370	\$ -
In-kind donations	103,498	-	4,214	-
Foundation income	96,200	-	136,839	83,544
Fundraising income	341,678	-	393,238	-
Other income	-	-	7	-
		Total		Total
		\$ 754,479	\$ 744,668	\$ 828,212
EXPENSES:				
Program Services	673,561	-	610,889	-
Management and general	57,891	-	73,975	-
Fundraising	108,052	-	134,449	-
	839,504	-	819,313	-
	(85,025)	(85,025)	(74,645)	83,544
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES				
		\$ 45	\$ 53	\$ 53
NON-OPERATING ACTIVITIES:				
Interest income	45	-	53	-
Net assets released from restrictions	84,866	(84,866)	218,585	(218,585)
	84,911	(84,866)	218,638	(218,585)
CHANGE IN NET ASSETS				
	(114)	(84,866)	143,993	(135,041)
NET ASSETS, Beginning of Year				
	286,237	84,866	142,244	219,907
NET ASSETS, End of Year				
	\$ 286,123	\$ -	\$ 286,237	\$ 84,866

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, 2019 and 2018

	2019				2018					
	Program Services		Management and General	Fundraising	Program Services		Management and General	Fundraising	Total	
	Library Construction	Literacy Program			Library Construction	Literacy Program				
Salaries	\$ -	\$ 370,156	\$ 45,019	\$ 35,854	\$ 451,029	\$ -	\$ 329,064	\$ 46,435	\$ 45,385	\$ 420,884
Payroll taxes	-	28,356	3,243	2,564	34,163	-	25,636	4,272	2,959	32,867
Fringe benefits	-	34,363	3,933	3,105	41,401	-	15,187	2,142	2,142	19,471
Professional fees	-	12,092	1,642	1,194	14,928	-	51,751	8,625	5,972	66,348
Office expenses	-	1,869	190	182	2,241	-	4,172	3,416	1,022	8,610
In-kind donations	-	103,498	-	-	103,498	-	4,214	-	-	4,214
Computer	-	20,283	775	2,340	23,398	-	9,857	-	2,101	11,958
Miscellaneous	-	6,941	762	762	8,465	-	3,084	-	539	3,623
Insurance	-	3,937	535	388	4,860	-	3,406	2,116	426	5,948
Travel and entertainment	-	11,034	-	581	11,615	-	5,227	4,234	2,321	11,782
Postage and shipping	-	1,635	113	132	1,880	-	2,537	134	-	2,671
Rent	-	16,404	1,563	1,563	19,530	-	13,608	2,211	1,192	17,011
Telephone	-	855	116	84	1,055	-	1,848	231	231	2,310
Training	-	622	-	300	922	-	1,160	-	-	1,160
Special events	-	23,896	-	59,003	82,899	-	22,127	-	70,000	92,127
Construction	2,499	-	-	-	2,499	9,650	-	-	-	9,650
Books	-	21,938	-	-	21,938	-	96,590	-	-	96,590
Program supplies	-	5,616	-	-	5,616	-	8,262	-	-	8,262
Web designer	-	-	-	-	-	-	159	159	159	477
Library maintenance	7,567	-	-	-	7,567	3,350	-	-	-	3,350
Total	\$ 10,066	\$ 663,495	\$ 57,891	\$ 108,052	\$ 839,504	\$ 13,000	\$ 597,889	\$ 73,975	\$ 134,449	\$ 819,313

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (84,980)	\$ 8,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in grants receivable	41,623	4,748
Change in pledges receivable	-	30,000
Change in prepaid expenses	(241)	4,748
Change in other assets	(5,650)	-
Change in accounts payable	<u>(42,391)</u>	<u>33,668</u>
Net Cash Provided by (Used in) Operating Activities	(91,639)	82,116
CASH AND EQUIVALENTS, Beginning of Year	<u>378,129</u>	<u>296,013</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 286,490</u>	<u>\$ 378,129</u>

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

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Net assets, revenues, 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, 2019 and 2018

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, 2016, 2017, 2018, and 2019 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019 and 2018

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

New Accounting Pronouncement

During the period ended June 30, 2019, the Foundation implemented the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 ("ASU 2016-14"). ASU 2016-14 amends the current reporting model for non-profit Foundations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all non-profits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. The accompanying information from the June 30, 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. 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 Foundation adopted the new standard effective July 1, 2018, the first day of the Foundation's fiscal year, using the modified retrospective approach.

The adoption of this ASU did not have a significant impact on the Foundation's financial statements. Based on the Foundation'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 as a result of the adoption.

The Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08 ("ASU 2018-08") in June 2018. This standard assists Entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes contributions or exchange transactions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributions and exchange transactions have been enhanced in accordance with the standard.

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

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, 2019 and 2018 was \$103,498 and \$4,214, respectively.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose or period:		
Library Sponsorships	\$ <u>-</u>	\$ <u>84,866</u>

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

	<u>2019</u>	<u>2018</u>
Library Sponsorships	\$ <u>84,866</u>	\$ <u>218,585</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 2019 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 - CONCENTRATION OF SUPPORT:

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

THE BOOKS FOR KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019 and 2018

NOTE 8 - 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, 2019 and 2018, the Foundation purchased \$6,014 and \$47,918, respectively, in books from the vendors. As of June 30, 2019 and 2018, the total amount due to the vendor was \$1,212 and \$33,644, 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 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Foundation's financial assets as of June 30, 2019 and 2018 that could readily be made available within one year of the statements of financial position to fund expenses without limitations:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 286,490	\$ 378,129
Grants receivable	<u>6,210</u>	<u>47,833</u>
Total financial assets at year-end	292,700	425,962
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with time or purpose restrictions	<u>-</u>	<u>84,866</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 292,700</u>	<u>\$ 341,096</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, 2019 and 2018

NOTE 10 - RECLASSIFICATION OF NET ASSETS:

The changes after adoption of ASU 2016-14 have the following effect on net assets at June 30, 2017:

Net Assets:	<u>As Originally Presented</u>	<u>After Adoption of ASU</u>
Unrestricted net assets	\$ 142,244	\$ -
Temporary restricted net assets	219,907	-
Net assets without donor restrictions	-	142,244
Net assets with donor restrictions	<u>-</u>	<u>219,907</u>
 Total Net Assets	 <u>\$ 362,151</u>	 <u>\$ 362,151</u>

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 23, 2020, 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.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

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.