

**Behind the Book, Inc.  
Financial Statements  
June 30, 2019**

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Index

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
<b>Notes to Financial Statements</b>	6 - 10



## Independent Auditor's Report

To the Board of Directors  
of Behind the Book, Inc.

We have audited the accompanying financial statements of Behind the Book, Inc. which comprise the Statement of Financial Position as of June 30, 2019, and the related Statements of Activities, Functional Expenses and Cash Flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 auditor considers 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 Behind the Book, Inc. as of June 30, 2019, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Behind the Book, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 4, 2020

A handwritten signature in blue ink, appearing to read 'J. R. [unclear] CPA PLLC', is written over a horizontal line.

**Behind the Book, Inc.**  
**Statement of Financial Position**  
**June 30, 2019**  
**(With Summarized Financial Information for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 234,347	\$ 193,724
Prepaid expense	7,500	1,000
Pledges and grants receivable - current portion,*	40,048	26,622
Program fees receivable	7,000	6,000
Total Current Assets	288,895	227,346
Other Assets		
Property and equipment, net	4,848	5,927
Pledges and grants receivable - non-current portion	10,000	-
Security deposit	16,511	16,511
Total Other Assets	31,359	22,438
Total Assets	\$ 320,254	\$ 249,784
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 10,538	\$ 10,188
Total Current Liabilities	10,538	10,188
Net Assets		
Without donor restriction	283,535	224,666
With donor restriction	26,181	14,930
Total Net Assets	309,716	239,596
Total Liabilities and Net Assets	\$ 320,254	\$ 249,784

\*net of allowance for doubtful accounts of \$4,557  
on June 30, 2019 and \$0 on June 30, 2018

See independent auditor's report and accompanying notes to the financial statements.

**Behind the Book, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
**(With Summarized Financial Information for 2018)**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total 2019</u>	<u>2018</u>
<b>Support and Revenue</b>				
Contributions - cash	\$ 691,096	\$ 60,905	\$ 752,001	\$ 629,498
Contributions - property	111,883	-	111,883	78,123
Program service income	80,645	-	80,645	80,258
Interest income	197	-	197	154
Less: Direct costs of special event	(40,474)	-	(40,474)	(20,162)
	<u>843,347</u>	<u>60,905</u>	<u>904,252</u>	<u>767,871</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	49,654	(49,654)	-	-
Total Support and Revenue	<u>893,001</u>	<u>11,251</u>	<u>904,252</u>	<u>767,871</u>
<b>Expenses</b>				
Program services	<u>582,216</u>	-	<u>582,216</u>	<u>516,710</u>
Supporting services:				
General and administrative	143,116	-	143,116	103,767
Fundraising	108,799	-	108,799	94,201
Total Supporting Services	<u>251,916</u>	-	<u>251,916</u>	<u>197,968</u>
Total Expenses	<u>834,132</u>	-	<u>834,132</u>	<u>714,678</u>
Change in Net Assets	58,869	11,251	70,120	53,193
Beginning Net Assets	224,666	14,930	239,596	186,403
Ending Net Assets	<u>\$ 283,535</u>	<u>\$ 26,181</u>	<u>\$ 309,716</u>	<u>\$ 239,596</u>

See independent auditor's report and accompanying notes to the financial statements.

Behind the Book, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2019  
(With Summarized Financial Information for 2018)

	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Direct Costs of Special Event</u>	
				<u>Total 2019</u>	
				<u>2018</u>	
Salaries and wages	\$ 236,617	\$ 33,802	\$ 67,605	\$ -	\$ 277,998
Payroll taxes and processing fees	21,307	3,044	6,088	-	39,147
Educational materials and expense	172,054	-	22,127	-	146,251
Rent	36,180	5,169	10,337	-	49,698
Honoraria	42,325	-	-	-	42,200
Professional fees	10,968	25,593	-	-	35,332
Bookkeeping fees	-	36,260	-	-	35,353
Venue and catering	-	-	-	26,054	11,771
Consultants	-	25,528	-	-	11,460
Office expenses and other	26,010	-	-	3,509	26,777
Travel and meals	17,793	1,547	-	806	20,212
Health Insurance	9,256	6,171	-	-	18,707
Registration expense	-	-	-	8,400	3,331
Insurance	5,086	727	1,453	-	7,240
Bad Debt Expense	-	4,557	-	-	-
Printing and postage	1,210	232	216	1,704	4,583
Telephone	1,870	267	534	-	2,804
Depreciation expense	1,540	220	440	-	1,976
	<u>582,216</u>	<u>143,116</u>	<u>108,799</u>	<u>40,474</u>	<u>874,606</u>
Less: direct costs of special events deducted from income on Statement of Activities	-	-	-	(40,474)	(20,162)
Total Expenses	<u>\$ 582,216</u>	<u>\$ 143,116</u>	<u>\$ 108,799</u>	<u>\$ -</u>	<u>\$ 834,132</u>
					<u>\$ 709,898</u>

Less: direct costs of special events deducted from income on Statement of Activities

Total Expenses

See independent auditor's report and accompanying notes to the financial statements.



**Behind the Book, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**  
**(With Summarized Financial Information for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 70,120	\$ 53,193
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,200	1,976
(Increase) decrease in operating assets:		
Prepaid expense	(6,500)	(1,001)
Program fees receivable	(1,000)	1,000
Pledges and grants receivable	(13,426)	(8,855)
Pledges and grants receivable - noncurrent	(10,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable	350	(2,000)
Net cash provided by operating activities	41,744	44,313
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(1,121)	-
Net cash used in investing activities	(1,121)	-
Increase in Cash	40,623	44,313
Beginning Cash	193,724	149,411
Ending Cash	\$ 234,347	\$ 193,724

See independent auditor's report and accompanying notes to the financial statements.

**Behind the Book, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

The mission of Behind the Book, Inc. (the Organization), is to motivate reluctant readers to become engaged readers by connecting them with books and authors relevant to their lives. Working with low-income youth in New York City's K-12 public schools, we cultivate an interest in book-reading, building literacy skills and better preparing the next generation for personal and professional success. The Organization, works on a simple, but proven, premise: find a subject or author that interests kids, and you will get them reading. To reinforce the magic and power of reading, we give every child copies of the books they read in our program to keep for their own.

Behind the Book, Inc. was incorporated in the State of New York in 2003.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and donor restricted net assets.

Net assets without donor restrictions represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered without donor restrictions. Donor restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as without donor restrictions.

Net assets with donor restrictions represent resources available for use, but expendable only for the time and/or purpose specifically stated by the donor. On December 31, 2018, there was \$26,181 of net assets with donor restrictions.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Use of Estimates

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

See independent auditor's report.



**Behind the Book, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 - (Continued)**

Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the statement of activities. Certain expenses have been classified based on direct expenditures, other cost were allocated based on estimates made by management such as time spent, quantities of items consumed and the proportion of physical space used.

Cash

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in major financial institutions and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same reporting period in which the contributions are recognized. All other donor restricted contributions are reported as increases in donor restricted net assets. When a restriction expires donor restricted net assets are reclassified to net assets without donor restrictions.

Pledges, Grants and Program Fees Receivable

Unconditional promises to give are recognized in the period received both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. On June 30, 2019, the allowance for doubtful accounts was \$4,557.

Pledges and grants receivable are expected to be collected as follows:

Less than one year	\$ 40,048
One to five years	10,000
More than five years	-
Total	<u>\$ 50,048</u>
Total	\$ 50,048
Less: non – current portion	<u>10,000</u>
Current portion of pledges and grants receivable	<u>\$ 40,048</u>

Program fees receivable in the amount of \$7,000 are expected to be collected within the current operative cycle of one year.

See independent auditor's report.

**Behind the Book, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 - (Continued)**

Property and Equipment

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets as follow:

Furniture and fixtures	5 years
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Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the assets, are capitalized.

Promises to Give

Unconditional promises to give are recognized in the period received both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for in the accompanying financial statements.

Contributed Services

Contributed services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 4, 2020, the date the financial statements were available to be issued.

**Note 2 - Contributed Property and Services**

Contributed property:

Educational materials	\$ 89,756
Raffle items for special event	<u>22,127</u>
Total	<u>\$ 111,883</u>

See independent auditor's report.

**Behind the Book, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 3 - Property and Equipment**

Property and equipment consists of:

Furniture and fixtures	\$ 10,999
Less: accumulated depreciation	<u>(6,151)</u>
Net property and equipment	<u>\$ 4,848</u>

Depreciation was \$2,200 for the year ended June 30, 2019.

**Note 4 - Commitment**

On May 31, 2018, the Organization entered into a lease that expires May 31, 2020.

Future minimum payments as of June 30, 2019, under the lease terms are as follows:

Year ending June 30, 2020	<u>\$ 49,110</u>
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Rent expense for the year ended June 30, 2019 was \$51,686.

**Note 5 – Net Assets with Donor Restriction**

Net assets with donor restrictions by revenue source and changes therein for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions	Releases From Restrictions	Balance June 30, 2019
<b><u>Restricted as to time:</u></b>				
07/01/17 – 06/30/18	\$ 7,930	\$ -	\$ 7,930	\$ -
07/01/17 – 06/30/18	7,000	-	7,000	-
01/01/19 – 12/31/21	-	30,000	10,000	20,000
07/01/18 – 06/30/19	-	30,905	24,724	6,181
	<u>\$ 14,930</u>	<u>\$ 60,905</u>	<u>\$ 49,654</u>	<u>\$ 26,181</u>

See independent auditor's report.

**Behind the Book, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 6 – Liquidity and Availability of Financial Assets**

The Organization's working capital and cash flows have seasonal variations during the year attributable to the timing of program and fundraising activities. Monthly cash outflows vary each year based on the specific requirements of the program activities. To manage liquidity the Organization budgets cash flow and conducts fundraising and program activities that are timed according to expected requirements.

The following reflects the Organization's financial assets as of the balance sheet date:

Cash	\$ 234,347
Pledges and grants receivable	50,048
Program fees receivable	<u>7,000</u>
	291,395
Receivable scheduled to be collected in more than one year	 <u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 281,395</u>

See independent auditor's report.