

# **Book Industry Charitable Foundation**

(a nonprofit Michigan corporation)  
Ann Arbor, Michigan

## **Financial Statements**

December 31, 2018 and 2017

# Book Industry Charitable Foundation

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## **Independent Auditors' Report**

To the Board of Directors  
Book Industry Charitable Foundation  
Ann Arbor, Michigan

We have audited the accompanying financial statements of Book Industry Charitable Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

### **Auditors' 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.

**Independent Auditors' Report (continued)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Book Industry Charitable Foundation as of December 31, 2018, 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.

**Prior Year Financial Statements**

The financial statements of Book Industry Charitable Foundation as of December 31, 2017, were reviewed by other auditors whose report dated June 13, 2018, stated they were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

*Altruic Advisors, PLLC*

Certified Public Accountants

Ann Arbor, Michigan  
February 20, 2019

# Book Industry Charitable Foundation

## Statements of Financial Position

December 31	2018 (Audited)	2017 (Reviewed)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 220,225	\$ 221,393
Investments	1,468,554	1,835,357
Pledges receivable, current	52,500	67,000
Interest receivable	829	-
Prepaid expenses	2,041	4,765
Total current assets	<u>1,744,149</u>	<u>2,128,515</u>
<b>Other Assets</b>		
Pledges receivable, net of current portion	4,854	51,329
Security deposits	1,560	1,200
Total other assets	<u>6,414</u>	<u>52,529</u>
Total assets	<u>\$ 1,750,563</u>	<u>\$ 2,181,044</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,789	\$ 4,580
Accrued payroll	10,949	10,266
Derivatives liability	10,449	34,534
Total current liabilities	<u>37,187</u>	<u>49,380</u>
<b>Net Assets</b>		
Without donor restrictions	1,305,015	1,543,983
With donor restrictions	408,361	587,681
Total net assets	<u>1,713,376</u>	<u>2,131,664</u>
Total liabilities and net assets	<u>\$ 1,750,563</u>	<u>\$ 2,181,044</u>

The accompanying Notes are an integral  
part of these financial statements

# Book Industry Charitable Foundation

## Statement of Activities

Year ended December 31, 2018 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Support and Revenue</b>			
<b>Support</b>			
Contributions and grants	\$ 362,723	\$ 17,804	\$ 380,527
In-kind support	52,712	-	52,712
Net assets released from restrictions			
Satisfaction of program restrictions	130,428	(130,428)	-
Expiration of time restrictions	66,696	(66,696)	-
Total support	<u>612,559</u>	<u>(179,320)</u>	<u>433,239</u>
<b>Revenue</b>			
Special events, net	<u>47,823</u>	-	<u>47,823</u>
Total revenue	<u>47,823</u>	-	<u>47,823</u>
Total operating support and revenue	<u>660,382</u>	<u>(179,320)</u>	<u>481,062</u>
<b>Operating Expenses</b>			
Program services	436,414	-	436,414
Supporting services			
General and administrative	191,756	-	191,756
Fundraising	<u>187,764</u>	-	<u>187,764</u>
Total operating expenses	<u>815,934</u>	-	<u>815,934</u>
Total operating support and revenue in excess of operating expenses	(155,552)	(179,320)	(334,872)
<b>Other Changes</b>			
Net realized and unrealized losses on investments	(152,468)	-	(152,468)
Investment income	65,527	-	65,527
Interest income	<u>3,525</u>	-	<u>3,525</u>
Total other changes	<u>(83,416)</u>	-	<u>(83,416)</u>
<b>Change in Net Assets</b>	<b>(238,968)</b>	<b>(179,320)</b>	<b>(418,288)</b>
<b>Net Assets, Beginning of Year</b>	<u>1,543,983</u>	<u>587,681</u>	<u>2,131,664</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,305,015</u>	<u>\$ 408,361</u>	<u>\$ 1,713,376</u>

The accompanying Notes are an integral  
part of these financial statements

# Book Industry Charitable Foundation

## Statement of Activities

Year ended December 31, 2017 (Reviewed)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support</b>			
<b>Support</b>			
Contributions and grants	\$ 322,327	\$ 236,394	\$ 558,721
In-kind contributions	28,824	-	28,824
Net assets released from restrictions			
Satisfaction of program restrictions	225,736	(225,736)	-
Expiration of time restrictions	-	-	-
Total support	<u>576,887</u>	<u>10,658</u>	<u>587,545</u>
Total operating support	<u>576,887</u>	<u>10,658</u>	<u>587,545</u>
<b>Operating Expenses</b>			
Program services	476,754	-	476,754
Supporting services			
General and administrative	167,434	-	167,434
Fundraising	<u>175,879</u>	<u>-</u>	<u>175,879</u>
Total operating expenses	<u>820,067</u>	<u>-</u>	<u>820,067</u>
Total operating support and revenue in excess of operating expenses	(243,180)	10,658	(232,522)
<b>Other Changes</b>			
Net realized and unrealized gains on investments	134,921	-	134,921
Investment income	<u>69,585</u>	<u>-</u>	<u>69,585</u>
Total other changes	<u>204,506</u>	<u>-</u>	<u>204,506</u>
<b>Change in Net Assets</b>	(38,674)	10,658	(28,016)
<b>Net Assets, Beginning of Year</b>	<u>1,582,657</u>	<u>577,023</u>	<u>2,159,680</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,543,983</u>	<u>\$ 587,681</u>	<u>\$ 2,131,664</u>

The accompanying Notes are an integral  
part of these financial statements

# Book Industry Charitable Foundation

## Statement of Functional Expenses

Year ended December 31, 2018 (Audited)

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Scholarship Program	Disaster Recovery	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 70,496	\$ 5,705	\$ 8,558	\$ 84,759	\$ 83,970	\$ 109,218	\$ 193,188	\$ 277,947
Employee benefits	10,135	1,047	1,571	12,753	4,500	5,127	9,627	22,380
Payroll taxes	5,731	688	688	7,107	6,876	8,940	15,816	22,923
Total personnel costs	<u>86,362</u>	<u>7,440</u>	<u>10,817</u>	<u>104,619</u>	<u>95,346</u>	<u>123,285</u>	<u>218,631</u>	<u>323,250</u>
Grants and assistance	164,433	99,834	29,363	293,630	-	-	-	293,630
Marketing	10,765	1,292	1,292	13,349	12,919	16,794	29,713	43,062
Travel	7,825	939	939	9,703	9,390	12,207	21,597	31,300
Bank and credit card fees	-	-	-	-	15,667	5,500	21,167	21,167
Occupancy	5,286	-	-	5,286	7,612	8,247	15,859	21,145
Legal and professional fees	-	-	-	-	16,244	-	16,244	16,244
Meeting expenses	-	-	-	-	13,139	-	13,139	13,139
Website and IT expenses	-	-	-	-	10,748	1,194	11,942	11,942
Development costs	-	-	-	-	-	9,323	9,323	9,323
Conferences	3,180	-	-	3,180	-	3,180	3,180	6,360
Telephone and internet	1,258	-	-	1,258	1,811	1,961	3,772	5,030
Supplies	-	-	-	-	3,879	-	3,879	3,879
Other program expenses	1,610	978	287	2,875	-	-	-	2,875
Licenses and fees	-	-	-	-	-	2,701	2,701	2,701
Insurance	669	-	-	669	964	1,044	2,008	2,677
Miscellaneous expenses	-	-	-	-	2,601	-	2,601	2,601
Postage and shipping	570	-	-	570	821	890	1,711	2,281
Printing	513	61	62	636	615	800	1,415	2,051
Professional development	639	-	-	639	-	638	638	1,277
Total expenses	<u>\$ 283,110</u>	<u>\$ 110,544</u>	<u>\$ 42,760</u>	<u>\$ 436,414</u>	<u>\$ 191,756</u>	<u>\$ 187,764</u>	<u>\$ 379,520</u>	<u>\$ 815,934</u>

The accompanying Notes are an integral part of these financial statements



# Book Industry Charitable Foundation

## Statement of Functional Expenses

Year ended December 31, 2017 (Reviewed)

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Scholarship Program	Disaster Recovery	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 67,129	\$ 5,426	\$ 8,179	\$ 80,734	\$ 79,967	\$ 104,002	\$ 183,969	\$ 264,703
Employee benefits	8,288	856	1,283	10,427	3,680	4,192	7,872	18,299
Payroll taxes	5,099	612	612	6,323	6,118	7,954	14,072	20,395
Total personnel costs	80,516	6,894	10,074	97,484	89,765	116,148	205,913	303,397
Grants and assistance	196,026	119,016	35,005	350,047	-	-	-	350,047
Marketing	8,311	997	997	10,305	9,974	12,966	22,940	33,245
Bank and credit card fees	6,339	761	761	7,861	7,607	9,888	17,495	25,356
Travel	-	-	-	-	12,380	12,380	24,760	24,760
Legal and professional fees	5,066	-	-	5,066	7,296	7,904	15,200	20,266
Occupancy	-	-	-	-	16,819	-	16,819	16,819
Development costs	-	-	-	-	10,252	-	10,252	10,252
Meeting expenses	-	-	-	-	7,730	859	8,589	8,589
Website and IT expenses	-	-	-	-	-	5,781	5,781	5,781
Telephone and internet	1,937	-	-	1,937	-	1,937	1,937	3,874
Supplies	833	-	-	833	1,199	1,299	2,498	3,331
Fundraising expenses	-	-	-	-	-	3,134	3,134	3,134
Insurance	-	-	-	-	2,503	-	2,503	2,503
Other program expenses	1,348	818	241	2,407	-	-	-	2,407
Licenses and fees	-	-	-	-	-	2,351	2,351	2,351
Postage and shipping	491	-	-	491	707	766	1,473	1,964
Professional development	-	-	-	-	796	-	796	796
Printing	195	-	-	195	281	304	585	780
Miscellaneous expenses	104	12	12	128	125	162	287	415
Total expenses	\$ 301,166	\$ 128,498	\$ 47,090	\$ 476,754	\$ 167,434	\$ 175,879	\$ 343,313	\$ 820,067

The accompanying Notes are an integral part of these financial statements

# Book Industry Charitable Foundation

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2018 (Audited)	2017 (Reviewed)
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (418,288)	\$ (28,016)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net realized and unrealized (gains) losses on investments	152,468	(134,921)
Discount on long-term pledges receivable	-	3,671
Amortization of net present value discount	(3,525)	-
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	64,500	(122,000)
Interest receivable	(829)	-
Prepaid expenses	2,724	338
Security deposits	(360)	-
Accounts payable	11,209	(9,988)
Accrued payroll	683	-
Derivatives liability	(24,085)	-
Net cash used by operating activities	<u>(215,503)</u>	<u>(290,916)</u>
<b>Cash Flows From Investing Activities</b>		
Net purchases of investments	(983,073)	(513,996)
Proceeds from sales and maturities of investments	<u>1,197,408</u>	<u>805,129</u>
Net cash provided by investing activities	<u>214,335</u>	<u>291,133</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,168)	217
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>221,393</u>	<u>221,176</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 220,225</u>	<u>\$ 221,393</u>

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

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**Information for 2018 was audited; information for 2017 was reviewed.**

### **Note 1 – Nature of Organization and Significant Accounting Policies**

*Nature of Organization.* Book Industry Charitable Foundation ("the Foundation") is a Michigan non-profit corporation that was established in 1996 whose mission is to strengthen the bookselling community through charitable programs that support employees and their families. The Foundation receives a majority of its support from contributions.

#### Description of Program Services:

*Employee Assistance Program.* The Foundation established this program in February 1996 to provide short-term financial assistance to individuals who have demonstrated financial need due to severe hardship and/or emergency circumstances. In addition to immediate financial assistance, the Foundation also makes available other tools to help affected employees deal with ongoing financial challenges.

*Scholarship Program.* The Foundation established this program in January 2002 to assist employees with the costs of higher education. The Scholarship Program is managed by an independent panel of judges who select recipients based on academic performance, leadership, and participation in community and/or school activities, work experience, statement of career goals, and unusual personal circumstance.

*Disaster Recovery.* The Foundation provides general support to charitable organizations that are meeting the immediate needs of communities affected by widespread disasters, such as hurricanes, floods, and fires.

#### Description of Supporting Services:

*Management and General* - Includes the functions necessary to provide support to the Foundation's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

*Fundraising* - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, governments, and corporations, including donations and pledges received during special events. The Foundation's special event revenue is generated through events held at conferences and an online auction.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*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.

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

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**Information for 2018 was audited; information for 2017 was reviewed.**

### **Note 1 – Nature of Organization and Significant Accounting Policies (continued)**

*Net Asset Classification.* The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Foundation complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

*Without donor restrictions.* Net assets not subject to donor-imposed stipulations.

*With donor restrictions.* Net assets subject to donor-imposed stipulations that may or may not be met by either actions of the Foundation and/or the passage of time.

*Cash and Cash Equivalents.* The Foundation considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

*Investments.* The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Fair Value Measurements.* The Foundation reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

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Information for 2018 was audited; information for 2017 was reviewed.

### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

#### *Fair Value Measurements* (continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation values equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national security exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2018 and 2017.

In general, investments are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

*Pledges Receivable.* Pledges are recognized as support in the period received and as assets or decreases of liabilities 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 receivable are stated net of allowance for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to the allowance account based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to pledges receivable. No allowance for uncollectible accounts has been provided as the Foundation typically collects all outstanding amounts.

*Derivatives Liability.* At December 31, 2018 and 2017, the Foundation held call options that do not qualify for hedge accounting. Any gains or losses recognized on derivatives that are not designated as hedging instruments are recognized in current year earnings. All derivatives financial instruments are reported in the statements of financial position at fair value, which was \$10,449 and \$34,534 as of December 31, 2018 and 2017, respectively.

*Revenue Recognition.* Revenues are recorded as the services are rendered. Prepaid amounts are recorded when payments are made. As the services are rendered, revenue is then recorded.

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

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**Information for 2018 was audited; information for 2017 was reviewed.**

### **Note 1 – Nature of Organization and Significant Accounting Policies (continued)**

*Contributions.* Contributions are recognized when support is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

*Contributed Goods and Services.* Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. Contributed services, including IT support and marketing, were \$52,712 and \$28,824 for the years ended December 31, 2018 and 2017, respectively.

*Income Taxes.* The Foundation is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

*Functional Allocation of Expenses.* Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

*Reclassifications.* Certain amounts from the financial statements for the year ended December 31, 2017 have been reclassified to conform to current year presentation, without affecting the change in net assets.

*Subsequent Events.* The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 20, 2019, the date at which the financial statements were available for release.

### **Note 2 – New Accounting Pronouncement**

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended December 31, 2018, the Foundation adopted the requirements of ASU 2016-14 and, as a result, adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Foundation's financial statements:

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

The financial statements include a new disclosure about liquidity and availability of resources (Note 9).

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

Information for 2018 was audited; information for 2017 was reviewed.

### Note 2 – New Accounting Pronouncement (continued)

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,543,983	\$ -
Temporarily restricted net assets	587,681	-
Net assets without donor restrictions	-	1,543,983
Net assets with donor restrictions	-	587,681
	<u>\$ 2,131,664</u>	<u>\$ 2,131,664</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

### Note 3 – Pledges Receivable

Pledges receivable are expected to be collected as follows at December 31:

	2018	2017
Due within one year	\$ 52,500	\$ 69,139
Due within one to five years	5,000	52,861
Total pledges receivable	57,500	122,000
Less unamortized present value discount	(146)	(3,671)
	<u>\$ 57,354</u>	<u>\$ 118,329</u>

Pledges receivable due in more than one year are recognized at fair value using present value techniques and a discount rate of 3%.

### Note 4 – Fair Value Measurements

The following table summarizes the Foundation's fair value of assets measured on a recurring basis, by fair value hierarchy, as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Common stock	\$ 968,986	\$ -	\$ -	\$ 968,986
Mutual funds - equity	106,218	-	-	106,218
Mutual funds - fixed income	205,039	-	-	205,039
Corporate bonds	-	148,972	-	148,972
Preferred corporate stock	-	39,339	-	39,339
Total assets at fair value	<u>\$ 1,280,243</u>	<u>\$ 188,311</u>	<u>\$ -</u>	<u>\$ 1,468,554</u>
Liabilities - Call options	<u>\$ -</u>	<u>\$ 10,449</u>	<u>\$ -</u>	<u>\$ 10,449</u>

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

Information for 2018 was audited; information for 2017 was reviewed.

### Note 4 – Fair Value Measurements (continued)

The following table summarizes the Foundation's fair value of assets measured on a recurring basis, by fair value hierarchy, as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Common stock	\$ 1,373,325	\$ -	\$ -	\$ 1,373,325
Mutual funds - equity	58,135	-	-	58,135
Mutual funds - fixed income	249,241	-	-	249,241
Corporate bonds	-	154,656	-	154,656
Total assets at fair value	<u>\$ 1,680,701</u>	<u>\$ 154,656</u>	<u>\$ -</u>	<u>\$ 1,835,357</u>
Liabilities - Call options	<u>\$ -</u>	<u>\$ 34,534</u>	<u>\$ -</u>	<u>\$ 34,534</u>

*Changes in Fair Value Levels.* The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2018 and 2017, there were no significant transfers in or out of fair value levels.

Net investment earnings consisted of the following for the years ended December 31:

	2018	2017
Net realized and unrealized gains (losses) on investments	\$ (152,468)	\$ 134,921
Interest and dividends	65,111	69,380
	<u>\$ (87,357)</u>	<u>\$ 204,301</u>

### Note 5 - Net Assets with Donor Restrictions

The following summarizes the balances in net assets with donor restrictions at December 31, 2018 and 2017:

	2018	2017
Purpose restrictions:		
Financial assistance program	\$ 295,390	\$ 425,093
Scholarships	41,338	29,259
Assistance to comic book stores	15,000	15,000
Time restrictions - pledges receivable	56,633	118,329
	<u>\$ 408,361</u>	<u>\$ 587,681</u>



# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

Information for 2018 was audited; information for 2017 was reviewed.

### Note 6 - Commitments

*Operating Leases.* The Foundation leased office space under an operating lease agreement that ended in May 2018. The Foundation's base rent was \$1,454 per month plus an allocable share of common area maintenance and utilities. The Foundation commenced a new lease in May 2018 that expires in April 2021. The base rent is \$1,560 per month plus utilities. Rent expense was \$18,560 and \$16,819 for the years ended December 31, 2018 and 2017, respectively.

Future annual minimum lease payments under operating leases are as follows at December 31, 2018:

Year ended December 31	
2019	\$ 19,049
2020	19,620
2021	8,275
	<u>\$ 46,944</u>

### Note 7 - Retirement Plan

During 2017, the Foundation began sponsoring a 401(k) plan for certain employees. The plan allows the Foundation to make a discretionary matching contributions. During 2018 and 2017, the Foundation elected to make discretionary matching contributions of up to 1.5 percent of eligible compensation. Contributions to the plan totaled \$4,824 and \$840 for the years ended December 31, 2018 and 2017, respectively.

### Note 8 - Special Events

The Foundation derived net revenue from the following special fundraising events during the year ended December 31, 2018:

	Bank on Booksellers	Other Events	Total
Gross proceeds	\$ 26,039	\$ 30,973	\$ 57,012
Direct costs	(6,046)	(3,143)	(9,189)
Net revenue	<u>\$ 19,993</u>	<u>\$ 27,830</u>	<u>\$ 47,823</u>

# Book Industry Charitable Foundation

## Notes to Financial Statements

December 31, 2018 and 2017

**Information for 2018 was audited; information for 2017 was reviewed.**

### Note 9 - Liquidity and Availability

The Foundation receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a goal to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Foundation forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

The Foundation's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 220,225	\$ 221,393
Investments	1,468,554	1,835,357
Pledges receivable	57,354	118,329
Prepaid expenses	2,041	4,765
	<u>1,748,174</u>	<u>2,179,844</u>
Less amounts not available to be used within one year:		
Pledges receivable for long-term purposes	<u>(4,854)</u>	<u>(51,329)</u>
	<u>(4,854)</u>	<u>(51,329)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,743,320</u>	<u>\$ 2,128,515</u>

### Note 10 - Concentrations of Credit Risk

*Major Donors.* During the year ended December 31, 2018, two major donors of the Foundation comprised 35% of total support and revenue.