

Book Industry Charitable Foundation

(a nonprofit Michigan corporation)

Ann Arbor, Michigan

Financial Statements

December 31, 2021 and 2020



Book Industry Charitable Foundation

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Book Industry Charitable Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 aspects, the financial position of Book Industry Charitable Foundation as of December 31, 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 audits 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 in our report. We are required to be independent of Book Industry Charitable Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Book Industry Charitable Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

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 auditor's 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 judgment 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 Book Industry Charitable 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 Book Industry Charitable 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Ann Arbor, Michigan
March 25, 2022

Book Industry Charitable Foundation

Statements of Financial Position

December 31	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 570,811	\$ 1,936,904
Investments	3,030,386	1,503,485
Pledges receivable, current	3,000	13,000
Interest receivable	-	1,018
Prepaid expenses	5,503	3,612
Total current assets	<u>3,609,700</u>	<u>3,458,019</u>
Other Assets		
Pledges receivable, net of current portion and net present value discount	4,796	7,568
Security deposits	1,560	1,560
Total other assets	<u>6,356</u>	<u>9,128</u>
Total assets	<u>\$ 3,616,056</u>	<u>\$ 3,467,147</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,168	\$ 9,423
Accrued payroll	8,147	6,750
Derivatives liability	-	39,944
Total current liabilities	<u>26,315</u>	<u>56,117</u>
Net Assets		
Without donor restrictions	3,128,586	2,866,966
With donor restrictions	461,155	544,064
Total net assets	<u>3,589,741</u>	<u>3,411,030</u>
Total liabilities and net assets	<u>\$ 3,616,056</u>	<u>\$ 3,467,147</u>

Book Industry Charitable Foundation

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support			
Contributions and grants	\$ 831,077	\$ 1,222,757	\$ 2,053,834
In-kind support	116,355	-	116,355
Special event support, net	105,842	-	105,842
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,292,894	(1,292,894)	-
Expiration of time restrictions	12,772	(12,772)	-
Total operating support	<u>2,358,940</u>	<u>(82,909)</u>	<u>2,276,031</u>
Operating Expenses			
Program services	1,883,437	-	1,883,437
Supporting services			
General and administrative	231,468	-	231,468
Fundraising	266,792	-	266,792
Total operating expenses	<u>2,381,697</u>	<u>-</u>	<u>2,381,697</u>
Total operating support in deficit of operating expenses	<u>(22,757)</u>	<u>(82,909)</u>	<u>(105,666)</u>
Other Changes			
Net unrealized gains on investments	235,302	-	235,302
Investment income	48,338	-	48,338
Other interest income	737	-	737
Total other changes	<u>284,377</u>	<u>-</u>	<u>284,377</u>
Change in Net Assets	261,620	(82,909)	178,711
Net Assets, Beginning of Year	<u>2,866,966</u>	<u>544,064</u>	<u>3,411,030</u>
Net Assets, End of Year	<u>\$ 3,128,586</u>	<u>\$ 461,155</u>	<u>\$ 3,589,741</u>

The accompanying Notes are an integral
part of these financial statements

Book Industry Charitable Foundation

Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 3,490,064	\$ 1,627,721	\$ 5,117,785
In-kind support	124,521	-	124,521
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,337,887	(1,337,887)	-
Expiration of time restrictions	20,634	(20,634)	-
Total operating support	<u>4,973,106</u>	<u>269,200</u>	<u>5,242,306</u>
Operating Revenue			
Special event revenue, net	<u>4,531</u>	<u>-</u>	<u>4,531</u>
Total operating revenue	<u>4,531</u>	<u>-</u>	<u>4,531</u>
Total operating support and revenue	<u>4,977,637</u>	<u>269,200</u>	<u>5,246,837</u>
Operating Expenses			
Program services	3,230,933	-	3,230,933
Supporting services			
General and administrative	200,189	-	200,189
Fundraising	285,524	-	285,524
Total operating expenses	<u>3,716,646</u>	<u>-</u>	<u>3,716,646</u>
Total operating support and revenue in excess of operating expenses	<u>1,260,991</u>	<u>269,200</u>	<u>1,530,191</u>
Other Changes			
Net realized and unrealized gains on investments	80,145	-	80,145
Investment income	41,775	-	41,775
Other interest income	827	-	827
Total other changes	<u>122,747</u>	<u>-</u>	<u>122,747</u>
Change in Net Assets	<u>1,383,738</u>	<u>269,200</u>	<u>1,652,938</u>
Net Assets, Beginning of Year	<u>1,483,228</u>	<u>274,864</u>	<u>1,758,092</u>
Net Assets, End of Year	<u>\$ 2,866,966</u>	<u>\$ 544,064</u>	<u>\$ 3,411,030</u>

The accompanying Notes are an integral
part of these financial statements

Book Industry Charitable Foundation

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Scholarship Program	Disaster Recovery	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 35,784	\$ 7,157	\$ 100,195	\$ 143,136	\$ 115,500	\$ 165,010	\$ 280,510	\$ 423,646
Payroll taxes	2,667	532	7,467	10,666	8,607	12,297	20,904	31,570
Employee benefits	2,675	535	7,491	10,701	8,634	12,336	20,970	31,671
Total personnel costs	41,126	8,224	115,153	164,503	132,741	189,643	322,384	486,887
Grants and assistance	282,536	40,980	1,254,863	1,578,379	-	-	-	1,578,379
Marketing	29,583	-	29,583	59,166	29,583	29,583	59,166	118,332
Legal and professional fees	59,000	-	4,529	63,529	10,868	2,717	13,585	77,114
Merchant and broker fees	-	-	-	-	9,028	27,084	36,112	36,112
Occupancy	5,162	-	-	5,162	10,325	5,163	15,488	20,650
Website and IT expenses	-	-	-	-	17,166	-	17,166	17,166
Meeting expenses	3,645	-	-	3,645	7,291	3,645	10,936	14,581
Other program expenses	6,636	-	-	6,636	-	-	-	6,636
Telephone and internet	1,627	-	-	1,627	3,254	1,627	4,881	6,508
Development costs	-	-	-	-	-	4,790	4,790	4,790
Supplies	72	-	-	72	3,260	290	3,550	3,622
Licenses and fees	-	-	-	-	3,155	-	3,155	3,155
Insurance	483	-	-	483	965	482	1,447	1,930
Miscellaneous expenses	-	-	-	-	1,908	-	1,908	1,908
Postage and shipping	-	-	-	-	259	1,037	1,296	1,296
Conferences	-	-	-	-	984	-	984	984
Professional development	-	-	-	-	244	731	975	975
Travel	235	-	-	235	437	-	437	672
Total expenses	\$ 430,105	\$ 49,204	\$ 1,404,128	\$ 1,883,437	\$ 231,468	\$ 266,792	\$ 498,260	\$ 2,381,697

The accompanying Notes are an integral part of these financial statements

Book Industry Charitable Foundation

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services				Supporting Services			Total Expenses
	Financial Assistance	Scholarship Program	Disaster Recovery	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 30,395	\$ 6,087	\$ 85,119	\$ 121,601	\$ 92,706	\$ 155,721	\$ 248,427	\$ 370,028
Payroll taxes	2,222	447	6,223	8,892	6,778	11,386	18,164	27,056
Employee benefits	1,685	339	4,719	6,743	5,141	8,634	13,775	20,518
Total personnel costs	34,302	6,873	96,061	137,236	104,625	175,741	280,366	417,602
Grants and assistance	180,322	51,091	2,773,961	3,005,374	-	-	-	3,005,374
Marketing	31,801	-	31,800	63,601	31,801	31,801	63,602	127,203
Merchant and broker fees	-	-	-	-	16,750	50,249	66,999	66,999
Legal and professional fees	-	-	5,227	5,227	10,454	5,227	15,681	20,908
Occupancy	4,820	-	-	4,820	9,641	4,820	14,461	19,281
Website and IT expenses	-	-	-	-	12,483	-	12,483	12,483
Other program expenses	11,040	-	-	11,040	-	-	-	11,040
Development costs	-	-	-	-	-	9,811	9,811	9,811
Travel	1,644	-	-	1,644	3,053	-	3,053	4,697
Supplies	85	-	-	85	3,841	341	4,182	4,267
Telephone and internet	912	-	-	912	1,824	912	2,736	3,648
Professional development	-	-	-	-	901	2,703	3,604	3,604
Insurance	809	-	-	809	1,617	808	2,425	3,234
Licenses and fees	-	-	-	-	2,692	-	2,692	2,692
Other fundraising	-	-	-	-	-	1,620	1,620	1,620
Miscellaneous expenses	-	-	-	-	-	755	755	755
Meeting expenses	185	-	-	185	369	185	554	739
Postage and shipping	-	-	-	-	138	551	689	689
Total expenses	<u>\$ 265,920</u>	<u>\$ 57,964</u>	<u>\$ 2,907,049</u>	<u>\$ 3,230,933</u>	<u>\$ 200,189</u>	<u>\$ 285,524</u>	<u>\$ 485,713</u>	<u>\$ 3,716,646</u>

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	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 178,711	\$ 1,652,938
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net realized and unrealized gains on investments	(235,302)	(80,145)
Amortization of net present value discount	(228)	(432)
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	13,000	10,920
Interest receivable	1,018	(363)
Prepaid expenses	(1,891)	(1,218)
Accounts payable	8,745	(17,573)
Accrued payroll	1,397	(9,635)
Derivatives liability	(39,944)	39,944
Net cash provided (used) by operating activities	<u>(74,494)</u>	<u>1,594,436</u>
Cash Flows From Investing Activities		
Net purchases of investments	(1,291,599)	(808,653)
Proceeds from sales and maturities of investments	-	824,757
Net cash provided (used) by investing activities	<u>(1,291,599)</u>	<u>16,104</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,366,093)	1,610,540
Cash and Cash Equivalents, Beginning of Year	<u>1,936,904</u>	<u>326,364</u>
Cash and Cash Equivalents, End of Year	<u>\$ 570,811</u>	<u>\$ 1,936,904</u>

The accompanying Notes are an integral
part of these financial statements

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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 and grants.

Description of Program Services:

Financial 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, fires, and public health emergencies.

Description of Supporting Services:

General and Administrative. 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, 2021 and 2020

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

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.

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 following is a description of the valuation methodologies used for assets measured at fair value.

Equity Securities, Mutual Funds, and Exchange Traded Funds. The Foundation values equity securities, mutual funds, and exchange traded 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.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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

Fair Value Measurements (continued)

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, 2021 and 2020.

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 statements of financial position.

Pledges Receivable. Pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual pledges. 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 the receivable. Management believes that all pledges receivable are fully collectible at December 31, 2021 and 2020.

Property and Equipment. It is the Foundation's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. As of December 31, 2021 and 2020, the Foundation did not have any property and equipment.

Derivatives Liability. At December 31, 2020, 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 derivative financial instruments are reported in the statements of financial position at fair value, which totaled \$39,944 as of December 31, 2020. The Foundation did not hold derivative financial instruments as of December 31, 2021.

Basis of Net Asset Presentation. The Foundation reports information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions:

Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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

Basis of Net Asset Presentation (continued)

With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

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. For the year ended December 31, 2020, the Foundation recognized revenue from a special event. No revenue was recognized for the year ended December 31, 2021.

Contributions and Grants. Contributions and grants are recognized when the amounts are received. Donor-restricted contributions and grants 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 and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Contributed Goods and Services. Contributed services are recognized if services received either (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 \$116,355 and \$124,521 for the years ended December 31, 2021 and 2020, respectively.

Marketing and Advertising. The Foundation expenses marketing and advertising costs, including donated marketing and advertising, as incurred. Total marketing and advertising expense for the years ended December 31, 2021 and 2020 were \$118,332 and \$127,203, 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.

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 March 25, 2022, the date at which the financial statements were available for release.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Note 2 – Pledges Receivable

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

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 3,000	\$ 13,000
Due within one to five years	5,000	8,000
Total pledges receivable	8,000	21,000
Less unamortized present value discount	(204)	(432)
	<u>\$ 7,796</u>	<u>\$ 20,568</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 3 – 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Exchange traded funds	\$ 3,030,386	\$ -	\$ -	\$ 3,030,386
Total assets at fair value	<u>\$ 3,030,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,030,386</u>

The following table summarizes the Foundation's fair value of assets and liabilities measured on a recurring basis, by fair value hierarchy, as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Common stock	\$ 1,129,936	\$ -	\$ -	\$ 1,129,936
Corporate bonds	-	373,549	-	373,549
Total assets at fair value	<u>\$ 1,129,936</u>	<u>\$ 373,549</u>	<u>\$ -</u>	<u>\$ 1,503,485</u>
Liabilities - call options	<u>\$ -</u>	<u>\$ 39,944</u>	<u>\$ -</u>	<u>\$ 39,944</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, 2021 and 2020, there were no significant transfers in or out of fair value levels.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Note 3 – Fair Value Measurements (continued)

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

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gains on investments	\$ 235,302	\$ 80,145
Interest and dividends	48,338	41,775
	<u>\$ 283,640</u>	<u>\$ 121,920</u>

Note 4 – Line of Credit

The Foundation had a \$925,000 revolving line of credit with a national bank, secured by the assets of the Foundation. Interest is variable and is based on the current London Interbank Offered Rate ("LIBOR Rate"), plus 3.625%. The line does not expire, but was connected with the Organization's investments held at Merrill Lynch. The Organization switched investment companies during the year ended December 31, 2021, which effectively closed their line of credit. There were no outstanding borrowings against this line at December 31, 2020.

Note 5 – Net Assets with Donor Restrictions

The following summarizes the balances in net assets with donor restrictions at December 31, 2021:

	<u>January 1, 2021 Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2021 Balance</u>
<i>Purpose restrictions:</i>				
Comic Book United Fund	\$ 410,466	\$ 119,771	\$ 139,811	\$ 390,426
Financial assistance program	-			-
Carla Gray Scholarship	54,998	507	1,482	54,023
Underserved Markets	50,000	5,500	55,500	-
George Keating Fund	8,032	1,628	750	8,910
Survive to Thrive	-	1,095,351	1,095,351	-
<i>Time restrictions:</i>				
Pledges receivable	20,568	-	12,772	7,796
	<u>\$ 544,064</u>	<u>\$ 1,222,757</u>	<u>\$ 1,305,666</u>	<u>\$ 461,155</u>

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Note 5 – Net Assets with Donor Restrictions (continued)

The following summarizes the balances in net assets with donor restrictions at December 31, 2020:

	January 1, 2020 Balance	Additions	Releases	December 31, 2020 Balance
<i>Purpose restrictions:</i>				
Comic Book United Fund	\$ -	\$ 1,558,849	\$ 1,148,383	\$ 410,466
Financial assistance program	94,576	-	94,576	-
Carla Gray Scholarship	55,452	840	1,294	54,998
Underserved Markets	-	50,000	-	50,000
George Keating Fund	-	8,032	-	8,032
Assistance to comic book stores	93,634	-	93,634	-
<i>Time restrictions:</i>				
Pledges receivable	31,202	10,000	20,634	20,568
	<u>\$ 274,864</u>	<u>\$ 1,627,721</u>	<u>\$ 1,358,521</u>	<u>\$ 544,064</u>

Note 6 – Commitments

The Foundation leases office space under an operating lease agreement that expires in April 2022, with required monthly payments of \$1,700. Rent expense under the aforementioned lease was \$20,650 and \$19,281 for the years ended December 31, 2021 and 2020, respectively.

Future annual minimum lease payments under operating leases are as follows at December 31, 2021:

Year ended December 31	Total
2022	<u>\$ 6,800</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 discretionary matching contributions. During 2021 and 2020, the Foundation elected to make discretionary matching contributions of up to 1.5 percent of eligible compensation. Contributions to the plan totaled \$7,173 and \$6,319 for the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements

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Note 8 – Special Events

The Foundation derived net support from the following special fundraising event during the year ended December 31, 2021:

	25th Anniversary Event
Gross support	\$ 122,233
Direct costs	(16,391)
Net support	\$ 105,842

The Foundation derived net revenue from the following special fundraising event during the year ended December 31, 2020:

	Heads or Tails
Gross proceeds	\$ 4,531
Direct costs	-
Net revenue	\$ 4,531

Note 9 – Liquidity and Availability of Resources

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, 2021 and 2020, 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:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 570,811	\$ 1,936,904
Investments	3,030,386	1,503,485
Pledges receivable	7,796	20,568
	3,608,993	3,460,957
Less amounts not available to be used within one year:		
Pledges receivable for long-term purposes	(4,796)	(7,568)
Financial assets available for general expenditures within one year	\$ 3,604,197	\$ 3,453,389

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Notes to Financial Statements

December 31, 2021 and 2020

Note 9 – Liquidity and Availability of Resources (continued)

Substantially all of the Foundation's net asset restrictions are generally released within the next fiscal year. The Foundation anticipates that all net asset restrictions as of December 31, 2021 will be fully released during the next fiscal year.

Note 10 – Concentrations of Credit Risk

Major Donors. During the year ended December 31, 2021, two major donors of the Foundation comprised 31% of total operating support. During the year ended December 31, 2020, the Foundation received 24% of total operating support and revenue from two donor matching and support initiatives.

Bank Deposits. The Foundation maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2021 and 2020.