Book Industry Charitable Foundation

Financial Report
December 31, 2017

Contents

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Independent Accountant's Review Report

To the Board of Directors
Book Industry Charitable Foundation

We have reviewed the accompanying financial statements of Book Industry Charitable Foundation (the "Foundation"), which comprise the balance sheet as of December 31, 2017 and 2016 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 13, 2018

Balance Sheet

December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	$ 135,950	$ 221,176
Investments (Note 4)	1,920,800	1,963,820
Contributions receivable - Short term (Note 3)	64,861	-
Prepaid expenses	4,765	5,103
Total current assets	2,126,376	2,190,099
Contributions Receivable - Long Term (Note 3)	53,468	-
Other Assets - Security deposits	1,200	1,200
Total assets	**$ 2,181,044**	**$ 2,191,299**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 14,846	$ 24,834
Derivatives liability	34,534	6,785
Total liabilities	49,380	31,619
Net Assets		
Unrestricted	1,543,983	1,582,657
Temporarily restricted	587,681	577,023
Total net assets	2,131,664	2,159,680
Total liabilities and net assets	**$ 2,181,044**	**$ 2,191,299**

See notes to financial statements and independent accountant's review report.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support						
Contributions - Corporate	$ 182,011	$ 80,912	$ 262,923	$ 39,814	$ -	$ 39,814
Contributions - Other	140,315	155,482	295,797	86,658	-	86,658
In-kind contributions	28,824	-	28,824	36,967	-	36,967
Investment income	69,585	-	69,585	66,762	-	66,762
Unrealized gain on investments	134,921	-	134,921	119,343	-	119,343
Net assets released from restrictions	225,736	(225,736)	-	81,406	(81,406)	-
Total revenue, gains, and other support	781,392	10,658	792,050	430,950	(81,406)	349,544
Expenses						
Program expenses:						
Financial assistance	128,072	-	128,072	80,547	-	80,547
Scholarship program	129,311	-	129,311	127,623	-	127,623
Disaster recovery	92,664	-	92,664	-	-	-
Program staffing	79,391	-	79,391	60,129	-	60,129
Other program expenses	23,735	-	23,735	31,099	-	31,099
Support services:						
Management and general (Note 7)	165,068	-	165,068	155,778	-	155,778
Fundraising	201,825	-	201,825	180,995	-	180,995
Total expenses	820,066	-	820,066	636,171	-	636,171
Increase (Decrease) in Net Assets	(38,674)	10,658	(28,016)	(205,221)	(81,406)	(286,627)
Net Assets - Beginning of year	1,582,657	577,023	2,159,680	1,787,878	658,429	2,446,307
Net Assets - End of year	**$ 1,543,983**	**$ 587,681**	**$ 2,131,664**	**$ 1,582,657**	**$ 577,023**	**$ 2,159,680**

See notes to financial statements and independent accountant's review report.

Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Decrease in net assets	$ (28,016)	$ (286,627)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Unrealized gain on investments	(134,921)	(119,343)
Discount on long-term contributions receivable	3,671	-
Changes in operating assets and liabilities which (used) provided cash:		
Contributions receivable	(122,000)	-
Prepaid expenses	338	384
Accounts payable and accrued liabilities	(9,988)	9,545
Derivatives liability	-	(1,512)
Net cash used in operating activities	(290,916)	(397,553)
Cash Flows from Investing Activities		
Purchases of investments	(513,996)	(1,001,647)
Proceeds from sales and maturities of investments	719,686	1,088,683
Net cash provided by investing activities	205,690	87,036
Net (Decrease) Increase in Cash	(85,226)	(310,517)
Cash - Beginning of year	221,176	531,693
Cash - End of year	**$ 135,950**	**$ 221,176**

Note 1 - Nature of Organization

Book Industry Charitable Foundation (the "Foundation") is a nonprofit organization created for the purpose of coordinating programs and services to assist with the charitable needs of the employees of the book industry. The Foundation achieves its objectives through three basic programs: (1) the Employee Assistance Program, (2) the Scholarship Program, and (3) Community Support.

The Employee Assistance Program was established 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.

The Scholarship Program was established 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.

The Foundation also provides general support to charitable organizations that are meeting the immediate needs of communities affected by widespread disasters, such as hurricanes or floods.

Note 2 - Significant Accounting Policies

Investments

Investments in readily marketable securities are measured at fair value, as described in Note 4. In addition, investments include cash equivalents that are managed as part of the investment portfolio.

Derivatives Liability

At December 31, 2017 and 2016, 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 balance sheet at fair value, which was $34,534 and $6,785 as of December 31, 2017 and 2016, respectively.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions with donor-imposed time or purpose restrictions are reported as temporarily restricted support. All other contributions are reported as unrestricted or permanently restricted support.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. No allowance has been recorded as of December 31, 2017 as management considers all contributions receivable to be collectible.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Note 2 - Significant Accounting Policies (Continued)

Temporarily restricted net assets of the Foundation consist of amounts received from donors who have specified the purpose for which or the timing of when the funds are to be spent. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets consist of amounts received from donors who have specified that the principal of the donation is to remain intact for investment purposes. There are no permanently restricted net assets as of December 31, 2017 and 2016.

Income Taxes

The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation has adequate funding from nonprivate sources to be exempt from private foundation excise taxes.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 13, 2018, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors and, accordingly, application of the new lease standard is not expected to have a significant effect on the Foundation’s financial statements based on current operating lease agreements effective as of December 31, 2017. The new lease guidance will be effective for the Foundation’s year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Note 2 - Significant Accounting Policies (Continued)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Foundation is aware increased disclosure will be included to describe liquidity and availability of resources. In addition, certain expenditures within the functional allocation may shift from program expenses to support services and the Foundation will be required to show expenditures by natural and functional allocation within the financial statements.

Note 3 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give to be used for future operations. They are recorded net of a present value discount of 3 percent and are due as follows:

	2017	2016
Gross promises to give before unamortized discount	$ 122,000	$ -
Less allowance for net present value discount	(3,671)	-
Net contributions receivable	$ 118,329	$ -
Amounts due in:		
Less than one year	$ 64,861	$ -
One to five years	53,468	-
Total	$ 118,329	$ -

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Assets				
Money market and cash equivalents	$ 85,443	$ -	$ -	$ 85,443
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	$ 1,766,144	$ 154,656	$ -	$ 1,920,800
Liabilities - Call options	$ -	$ 34,534	$ -	$ 34,534

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Assets				
Money market and cash equivalents	$ 198,116	$ -	$ -	$ 198,116
Common stock	1,303,125	-	-	1,303,125
Mutual funds - Equity	62,280	-	-	62,280
Mutual funds - Fixed income	243,083	-	-	243,083
Preferred stock	-	157,216	-	157,216
Total assets	$ 1,806,604	$ 157,216	$ -	$ 1,963,820
Liabilities - Call options	$ -	$ 6,785	$ -	$ 6,785

The fair value of corporate bonds, preferred stock, and call options at December 31, 2017 and 2016 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments through the use of an independent third-party custodian. The fair value is determined using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing methods.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31 are restricted as follows:

	2017	2016
Purpose restrictions:		
Financial assistance program	$ 425,093	$ 577,023
Scholarships	29,259	-
Assistance to comic book stores	15,000	-
Total purpose restrictions	469,352	577,023
Time restrictions - Contributions receivable	118,329	-
Total temporarily restricted net assets	$ 587,681	$ 577,023

Note 6 - Leases

The Foundation leased office space under an operating lease agreement that expired on October 31, 2017, at which time the Foundation renewed the lease through October 31, 2018. The renewed lease requires the Foundation to pay a base rent of $1,454 per month plus an allocable share of common area maintenance and utilities. Rent expense incurred for these leases was $16,819 and $16,536 for 2017 and 2016, respectively.

Total payments due in 2018 under the renewed operating lease are $14,540. Management expects that this lease will be renewed or replaced by another lease.

Note 7 - Management and General

Management and general expenses during 2017 and 2016 consist of the following:

	2017	2016
Accounting fees	$ 19,734	$ 17,740
Administrative staffing	63,230	70,986
Advisory services	-	4,250
Brokerage fees	20,069	15,279
Donor stewardship	9,606	-
Equipment	6,884	7,986
Meetings	8,587	6,139
Postage	1,964	2,459
Rent and utilities	10,222	8,839
Travel	6,190	5,856
Supplies	2,226	2,206
Volunteer recognition	647	2,439
Other expenses	15,709	11,599
Total	$ 165,068	$ 155,778

Note 8 - 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 contribution. During 2017, the Foundation elected to make discretionary matching contributions of up to 1.5 percent of eligible compensation. Contributions to the plan totaled and $0 for the years ended December 31, 2017 and 2016, respectively.