

Book Industry Charitable Foundation

(a nonprofit Michigan corporation)

Ann Arbor, Michigan

Financial Statements

December 31, 2022 and 2021



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, 2022 and 2021, 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, 2022 and 2021, 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
June 15, 2023

Book Industry Charitable Foundation

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 364,310	\$ 570,811
Investments	2,544,866	3,030,386
Pledges receivable, current	3,000	3,000
Prepaid expenses	5,531	5,503
Total current assets	<u>2,917,707</u>	<u>3,609,700</u>
Other Assets		
Pledges receivable, net of current portion and net present value discount	1,941	4,796
Security deposits	1,560	1,560
Right-of-use assets	45,664	-
Total other assets	<u>49,165</u>	<u>6,356</u>
Total assets	<u>\$ 2,966,872</u>	<u>\$ 3,616,056</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 29,455	\$ 18,168
Accrued payroll	7,771	8,147
Operating lease obligation, current portion	18,379	-
Total current liabilities	<u>55,605</u>	<u>26,315</u>
Long-Term Liabilities		
Operating lease obligation, noncurrent portion	<u>27,431</u>	<u>-</u>
Total liabilities	<u>83,036</u>	<u>26,315</u>
Net Assets		
Without donor restrictions	2,471,663	3,128,586
With donor restrictions	412,173	461,155
Total net assets	<u>2,883,836</u>	<u>3,589,741</u>
Total liabilities and net assets	<u>\$ 2,966,872</u>	<u>\$ 3,616,056</u>

The accompanying Notes are an integral part of these financial statements

Book Industry Charitable Foundation

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support			
Contributions and grants	\$ 840,919	\$ 26,922	\$ 867,841
In-kind support	107,611	-	107,611
Net assets released from restrictions			
Satisfaction of purpose restrictions	73,049	(73,049)	-
Expiration of time restrictions	2,855	(2,855)	-
Total operating support	<u>1,024,434</u>	<u>(48,982)</u>	<u>975,452</u>
Operating Expenses			
Program services	733,651	-	733,651
Supporting services			
General and administrative	273,896	-	273,896
Fundraising	201,272	-	201,272
Total operating expenses	<u>1,208,819</u>	<u>-</u>	<u>1,208,819</u>
Total operating support in deficit of operating expenses	<u>(184,385)</u>	<u>(48,982)</u>	<u>(233,367)</u>
Other Changes			
Net unrealized losses on investments	(530,119)	-	(530,119)
Investment income	56,912	-	56,912
Other interest income	669	-	669
Total other changes	<u>(472,538)</u>	<u>-</u>	<u>(472,538)</u>
Change in Net Assets	(656,923)	(48,982)	(705,905)
Net Assets, Beginning of Year	<u>3,128,586</u>	<u>461,155</u>	<u>3,589,741</u>
Net Assets, End of Year	<u>\$ 2,471,663</u>	<u>\$ 412,173</u>	<u>\$ 2,883,836</u>

The accompanying Notes are an integral
part of these financial statements

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 realized and 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 Functional Expenses

Year ended December 31, 2022

	Program Services				Total	Supporting Services			Total Expenses
	Financial Assistance	Scholarship Program	Disaster Recovery	Underserved Markets		General and Admin	Fundraising	Total	
Salaries and wages	\$ 109,761	\$ -	\$ -	\$ 52,816	\$ 162,577	\$ 104,970	\$ 113,239	\$ 218,209	\$ 380,786
Payroll taxes	10,381	-	-	4,995	15,376	9,928	10,710	20,638	36,014
Employee benefits	9,239	-	-	4,445	13,684	8,835	9,531	18,366	32,050
Total personnel costs	129,381	-	-	62,256	191,637	123,733	133,480	257,213	448,850
Grants and assistance	347,355	26,052	60,787	-	434,194	-	-	-	434,194
Marketing	20,127	-	20,128	-	40,255	20,127	20,127	40,254	80,509
Legal and professional fees	-	-	-	45,978	45,978	28,180	-	28,180	74,158
Website and IT expenses	-	-	-	-	-	40,666	-	40,666	40,666
Merchant and broker fees	-	-	-	-	-	8,750	26,249	34,999	34,999
Travel	6,005	-	-	-	6,005	12,009	6,005	18,014	24,019
Occupancy	5,555	-	-	-	5,555	11,109	5,555	16,664	22,219
Meeting expenses	5,167	-	-	-	5,167	10,335	5,167	15,502	20,669
Licenses and fees	-	-	-	-	-	11,515	-	11,515	11,515
Telephone and internet	1,382	-	-	-	1,382	2,764	1,382	4,146	5,528
Insurance	805	-	-	-	805	1,609	805	2,414	3,219
Other program expenses	2,574	-	-	-	2,574	-	-	-	2,574
Supplies	99	-	-	-	99	1,691	199	1,890	1,989
Postage and shipping	-	-	-	-	-	305	1,220	1,525	1,525
Conferences	-	-	-	-	-	725	-	725	725
Other fundraising expenses	-	-	-	-	-	-	568	568	568
Miscellaneous expenses	-	-	-	-	-	378	72	450	450
Development costs	-	-	-	-	-	-	443	443	443
Total expenses	\$ 518,450	\$ 26,052	\$ 80,915	\$ 108,234	\$ 733,651	\$ 273,896	\$ 201,272	\$ 475,168	\$1,208,819

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 Admin	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	<u>\$ 430,105</u>	<u>\$ 49,204</u>	<u>\$ 1,404,128</u>	<u>\$ 1,883,437</u>	<u>\$ 231,468</u>	<u>\$ 266,792</u>	<u>\$ 498,260</u>	<u>\$ 2,381,697</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	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (705,905)	\$ 178,711
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net realized and unrealized (gains) losses on investments	530,119	(235,302)
Amortization of net present value discount	-	(228)
Non cash lease expense	146	-
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	2,855	13,000
Interest receivable	-	1,018
Prepaid expenses	(28)	(1,891)
Accounts payable	11,287	8,745
Accrued payroll	(376)	1,397
Derivatives liability	-	(39,944)
Net cash used by operating activities	<u>(161,902)</u>	<u>(74,494)</u>
Cash Flows From Investing Activities		
Net purchases of investments	<u>(44,599)</u>	<u>(1,291,599)</u>
Net cash used by investing activities	<u>(44,599)</u>	<u>(1,291,599)</u>
Net Decrease in Cash and Cash Equivalents	(206,501)	(1,366,093)
Cash and Cash Equivalents, Beginning of Year	<u>570,811</u>	<u>1,936,904</u>
Cash and Cash Equivalents, End of Year	<u>\$ 364,310</u>	<u>\$ 570,811</u>

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

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.

Professional Development Program. The Foundation believes that the future of healthy bookstores and comic stores lies in the continuing education of the owners and employees. To encourage further business development and career growth, the Foundation offers scholarships for several professional industry events and certificate programs. The scholarships are merit and need-based.

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.

Underserved Markets. This pilot program will offer a tailored suite of resources and education to a group of underrepresented booksellers trying to open bookstores in areas impacted by systemic racism. The program will launch as a bookstore incubator and aims to grow capacity and expand stores in underserved markets. The Foundation plans to play the role of a backbone organization and bring resources and people from across the industry together to help expand stores in underserved markets in the U.S.

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.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

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

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.

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 net assets without donor restrictions 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.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

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

Fair Value Measurements (continued).

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.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021, the Foundation did not have any property and equipment.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

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

Right-of-Use Assets and Leases. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Foundation's statements of financial position. ROU lease assets represent the Foundation's right to use an underlying asset for the lease term and lease obligations represent the Foundation's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Foundation's lease does not provide an implicit rate, therefore the Foundation uses a risk free borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain the Foundation will exercise that option.

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.

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. No revenue was recognized for the years ended December 31, 2022 and 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 and New Accounting Pronouncement Adopted. The Foundation records the fair value of contributed services in the financial statements 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. The Foundation received donated goods and services for the years ended December 31, 2022 and 2021 (see Note 7).

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

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

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information and utilization, policies, and valuation techniques.

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, 2022 and 2021 were \$80,509 and \$118,332, 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 June 15, 2023, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), with the intended purpose to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities, on the statement of financial position, for the rights and obligations created by leases that extend more than twelve months. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows from leases.

Book Industry Charitable Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Note 2 – New Accounting Pronouncement (continued)

During the year ended December 31, 2022, the Foundation adopted the requirements of ASU 2016-02 and, as a result, adjusted the presentation of the financial statements accordingly, applying the changes under the transition method. Under the transition method, the application date shall be the beginning of the reporting period in which the Foundation first applied ASU 2016-02, which was January 1, 2022. The Foundation has elected the package of practical expedients permitted in ASC Topic 842 and, accordingly, accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. In addition, the Foundation does not allocate the consideration between lease and non-lease components. As a result of the adoption of the new lease accounting guidance, the Foundation recognized on May 1, 2022 (a) a lease liability of approximately \$55,914, which represents the present value of the remaining lease payments of approximately \$56,820, discounted using the federal risk free borrowing rate of 7.5%, and (b) a right-of-use asset of approximately \$55,895. This standard did not have a material impact on the Foundation's statements of financial position or cash flows from operations and had no impact on the Foundation's operating results. The most significant impact was the recognition of right-of-use assets and lease obligations for operating leases.

Note 3 – Pledges Receivable

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

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 3,000	\$ 3,000
Due within one to five years	2,000	5,000
Total pledges receivable	5,000	8,000
Less unamortized present value discount	(59)	(204)
	<u>\$ 4,941</u>	<u>\$ 7,796</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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Exchange traded funds	\$ 2,544,866	\$ -	\$ -	\$ 2,544,866
Total assets at fair value	<u>\$ 2,544,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,544,866</u>

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Note 4 – Fair Value Measurements (continued)

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Exchange traded funds	<u>\$ 3,030,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,030,386</u>
Total assets at fair value	<u>\$ 3,030,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,030,386</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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses) on investments	<u>\$ (530,119)</u>	<u>\$ 235,302</u>
Interest and dividends	<u>56,912</u>	<u>48,338</u>
	<u>\$ (473,207)</u>	<u>\$ 283,640</u>

Note 5 – Right-of-Use Assets

Right-of-use assets consist of the following at December 31, 2022:

Right-of-use assets under operating leases (office space)	<u>\$ 57,322</u>
Less accumulated amortization	<u>(11,658)</u>
Net right-of-use assets	<u>\$ 45,664</u>

Annual amortization for the year ended December 31, 2022 was \$11,658.

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Note 6 – Net Assets with Donor Restrictions

The following summarizes the balances in net assets with donor restrictions at December 31, 2022:

	January 1, 2022 Balance	Additions	Releases	December 31, 2022 Balance
<i>Purpose restrictions:</i>				
Comic Book United Fund	\$ 390,426	\$ 5	\$ 46,152	\$ 344,279
Carla Gray Scholarship	54,023	1,793	1,647	54,169
Underserved Markets	-	25,000	25,000	-
George Keating Fund	8,910	124	250	8,784
<i>Time restrictions:</i>				
Pledges receivable	7,796	-	2,855	4,941
	<u>\$ 461,155</u>	<u>\$ 26,922</u>	<u>\$ 75,904</u>	<u>\$ 412,173</u>

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

	January 1, 2021 Balance	Additions	Releases	December 31, 2021 Balance
<i>Purpose restrictions:</i>				
Comic Book United Fund	\$ 410,466	\$ 119,771	\$ 139,811	\$ 390,426
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>

Note 7 – In-Kind Contributions

In-kind contributions are as follows for the years ended December 31:

	2022	2021
Donated advertising	\$ 76,678	\$ 116,355
Donated software	30,120	-
Donated travel	813	-
	<u>\$ 107,611</u>	<u>\$ 116,355</u>

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Note 7 – In-Kind Contributions (continued)

The Foundation received donated advertising, used for program, general and administrative, and fundraising activities, that was valued using estimated using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. Donated travel and software, used for general and administrative activities, were valued using estimated average US prices of identical or similar products using pricing date of similar products under a 'like-kind' methodology, considering the utility of the donated items at the time of the contribution. The Foundation does not sell any in-kind contributions. No in-kind contributions were restricted.

Note 8 – Commitments

Operating lease obligations consist of the following at December 31:

	<u>2022</u>
Operating lease agreement for office space; monthly payment of \$1,755; 36-month lease term expiring April 2025	<u>\$ 45,810</u>
Total	45,810
Less current portion	<u>(18,379)</u>
Operating lease obligations, net of current portion, net of unamortized present value discount	<u>\$ 27,431</u>
Weighted average discount rate at December 31	7.50%
Weighted average remaining lease term at December 31	2.33

Future annual minimum lease payments under operating leases are as follows at December 31, 2022:

<u>Year ended</u> <u>December 31</u>	<u>Lease</u> <u>obligations</u>	<u>Discount</u>	<u>Net of</u> <u>unamortized</u> <u>discount</u>
2023	\$ 21,060	\$ (2,681)	\$ 18,379
2024	21,500	(1,242)	20,258
2025	7,240	(67)	7,173
	<u>\$ 49,800</u>	<u>\$ (3,990)</u>	<u>\$ 45,810</u>

Note 9 – Retirement Plan

The Foundation is a plan sponsor for a 401(k) plan for certain employees. The plan allows the Foundation to make discretionary matching contributions. During 2022 and 2021, the Foundation elected to make discretionary matching contributions of up to 1.5 percent of eligible compensation. Contributions to the plan totaled \$7,422 and \$7,173 for the years ended December 31, 2022 and 2021, respectively.

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Note 10 – Special Event

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

	25th Anniversary Event
Gross proceeds	\$ 122,233
Direct costs	(16,391)
Net revenue	<u>\$ 105,842</u>

Note 11 – 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 364,310	\$ 570,811
Investments	2,544,866	3,030,386
Pledges receivable	4,941	7,796
Security deposits	1,560	1,560
	<u>2,915,677</u>	<u>3,610,553</u>
Less amounts not available to be used within one year:		
Pledges receivable for long-term purposes	<u>(1,941)</u>	<u>(4,796)</u>
Financial assets available for general expenditures within one year	<u>\$ 2,913,736</u>	<u>\$ 3,605,757</u>

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, 2022 will be fully released during the next fiscal year.

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Note 12 – Concentrations of Credit Risk

Major Donors. During the year ended December 31, 2022, one major donor of the Foundation comprised 21% of total operating support. During the year ended December 31, 2021, two major donors of the Foundation comprised 31% of total operating support.

Bank Deposits. The Foundation maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2022 and 2021.