

BEHIND THE BOOK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Behind the Book, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 respects, the financial position of June 30, 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 of our report. We are required to be independent of Behind the Book, Inc. 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 Behind the Book, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 auditors' 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 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 Behind the Book, Inc.'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 Behind the Book, Inc.'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lotz + Carr, LLP

New York, New York
January 9, 2023

BEHIND THE BOOK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$697,251	\$634,387
Program fees receivable	12,000	1,368
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	122,195	52,262
With donor restrictions	50,000	50,000
Prepaid expenses	12,802	7,604
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	9,643	15,307
Security deposit	<u>18,394</u>	<u>18,394</u>
Total Assets	<u><u>\$922,285</u></u>	<u><u>\$779,322</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 24,795	\$ 27,126
Loan payable (Note 6)	-	80,700
Deferred revenue (Note 1e)	<u>3,000</u>	<u>-</u>
Total Liabilities	<u>27,795</u>	<u>107,826</u>
Commitment and Contingency (Note 7)		
Net Assets		
Without donor restrictions	768,924	551,989
With donor restrictions (Note 3)	<u>125,566</u>	<u>119,507</u>
Total Net Assets	<u>894,490</u>	<u>671,496</u>
Total Liabilities and Net Assets	<u><u>\$922,285</u></u>	<u><u>\$779,322</u></u>

See notes to financial statements.

BEHIND THE BOOK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contributions						
Corporations	\$ 141,240	\$ -	\$ 141,240	\$ 70,595	\$ -	\$ 70,595
Government	50,600	-	50,600	74,000	-	74,000
Foundations	510,790	88,915	599,705	346,147	95,507	441,654
Individuals and board giving	279,953	-	279,953	191,956	-	191,956
Special event income	122,686	-	122,686	231,653	-	231,653
Less: Direct event expenses	(8,971)	-	(8,971)	(25,494)	-	(25,494)
Loan forgiveness - Paycheck Protection Program (Note 6)	80,700	-	80,700	-	-	-
Donated services and materials (Note 8)	31,900	-	31,900	72,358	-	72,358
Program fee income	75,785	-	75,785	56,099	-	56,099
Miscellaneous income	2,112	-	2,112	1,153	-	1,153
	<u>1,286,795</u>	<u>88,915</u>	<u>1,375,710</u>	<u>1,018,467</u>	<u>95,507</u>	<u>1,113,974</u>
Net assets released from restrictions	82,856	(82,856)	-	74,955	(74,955)	-
Reduction for unexpended project funding	-	-	-	-	(3,298)	(3,298)
	<u>1,369,651</u>	<u>6,059</u>	<u>1,375,710</u>	<u>1,093,422</u>	<u>17,254</u>	<u>1,110,676</u>
Expenses						
Program Services	739,517	-	739,517	576,525	-	576,525
Supporting Services						
Management and general	192,976	-	192,976	153,376	-	153,376
Fundraising	220,223	-	220,223	182,727	-	182,727
Total Supporting Services	<u>413,199</u>	<u>-</u>	<u>413,199</u>	<u>336,103</u>	<u>-</u>	<u>336,103</u>
	<u>1,152,716</u>	<u>-</u>	<u>1,152,716</u>	<u>912,628</u>	<u>-</u>	<u>912,628</u>
Increase in net assets	216,935	6,059	222,994	180,794	17,254	198,048
Net assets, beginning of year	551,989	119,507	671,496	371,195	102,253	473,448
	<u>\$ 768,924</u>	<u>\$ 125,566</u>	<u>\$ 894,490</u>	<u>\$ 551,989</u>	<u>\$ 119,507</u>	<u>\$671,496</u>

See notes to financial statements.

BEHIND THE BOOK, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022			Total Expenses	2021 Total Expenses	
	Program Services	Supporting Services Management and General	Fundraising			Total
Salaries	\$360,549	\$ 48,550	\$ 122,688	\$171,238	\$531,787	\$397,355
Payroll taxes and employee benefits	38,714	4,784	13,702	18,486	57,200	45,586
Educational program expenses	161,065	-	-	-	161,065	184,863
Professional and consultant fees	59,516	123,978	41,290	165,268	224,784	133,991
Occupancy	37,489	5,252	13,269	18,521	56,010	54,379
Office expenses	10,161	3,167	9,859	13,026	23,187	22,547
Honorariums	37,525	-	-	-	37,525	29,295
Dues and subscriptions	737	454	5,256	5,710	6,447	5,815
Marketing	244	506	131	637	881	2,389
Insurance	6,608	2,764	2,389	5,153	11,761	10,014
Travel and meals	6,806	1,143	840	1,983	8,789	2,042
Computer and website expenses	16,312	1,663	4,469	6,132	22,444	11,213
Bank charges and fees	-	184	4,988	5,172	5,172	3,343
Bad debt expense	-	-	-	-	-	3,500
Depreciation expense	3,791	531	1,342	1,873	5,664	6,296
Total Expenses, 2022	<u>\$739,517</u>	<u>\$ 192,976</u>	<u>\$ 220,223</u>	<u>\$413,199</u>	<u>\$1,152,716</u>	
Total Expenses, 2021	<u>\$576,525</u>	<u>\$ 153,376</u>	<u>\$ 182,727</u>	<u>\$336,103</u>		<u>\$912,628</u>

See notes to financial statements.

BEHIND THE BOOK, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$237,663	\$ 44,346	\$ 115,346	\$159,692	\$397,355
Payroll taxes and employee benefits	27,266	5,087	13,233	18,320	45,586
Educational program expenses	184,863	-	-	-	184,863
Professional and consultant fees	48,057	70,070	15,864	85,934	133,991
Occupancy	32,301	6,145	15,933	22,078	54,379
Office expenses	5,454	8,493	8,600	17,093	22,547
Honorariums	29,295	-	-	-	29,295
Dues and subscriptions	194	1,336	4,285	5,621	5,815
Marketing	125	1,777	487	2,264	2,389
Insurance	5,019	2,469	2,526	4,995	10,014
Travel and meals	1,455	162	425	587	2,042
Computer and website expenses	1,068	9,143	1,002	10,145	11,213
Bank charges and fees	-	145	3,198	3,343	3,343
Bad debt expense	-	3,500	-	3,500	3,500
Depreciation expense	3,765	703	1,828	2,531	6,296
Total Expenses	<u>\$576,525</u>	<u>\$ 153,376</u>	<u>\$ 182,727</u>	<u>\$336,103</u>	<u>\$912,628</u>

See notes to financial statements.

BEHIND THE BOOK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase in net assets	\$222,994	\$198,048
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	-	3,500
Reduction for unexpended project funding	-	3,298
Depreciation	5,664	6,296
Loan forgiveness - Paycheck Protection Program	(80,700)	-
(Increase) decrease in:		
Program fees receivable	(10,632)	25,491
Unconditional promises to give	(69,933)	(2,414)
Prepaid expenses	(5,198)	(1,282)
Security deposit	-	(1,883)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,331)	8,840
Deferred revenue	3,000	-
Net Cash Provided By Operating Activities	<u>62,864</u>	<u>239,894</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(3,900)</u>
Net increase in cash and cash equivalents	62,864	235,994
Cash and cash equivalents, beginning of year	<u>634,387</u>	<u>398,393</u>
Cash and Cash Equivalents, End of Year	<u><u>\$697,251</u></u>	<u><u>\$634,387</u></u>

See notes to financial statements.

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Behind the Book, Inc. (the "Organization") was founded in 2003. The Organization's mission is to motivate reluctant readers to become more engaged readers by connecting them with books and authors relevant to their lives. Working with low-income youth in New York City's K-12 public schools, the Organization cultivates an interest in book-reading, building literacy skills and better prepares the next generation for personal and professional success.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers money market funds and all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

d - Property and Equipment

Property and equipment are stated at cost, or, if donated, approximate the fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

e - Revenue Recognition

The Organization records program fee income during the period that the service takes place. Program fee income related to services taking place in future periods are recorded as deferred income.

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time.

g - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable. A substantial portion of the Organization's expenses are directly related to program activities. Expenses that are allocated include salaries, payroll taxes and employee benefits, occupancy and other administrative costs which are allocated based upon estimates of employee time and effort.

h - Tax Status

Behind the Book, Inc. is recognized as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

i - Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Subsequent Events

The Organization has evaluated subsequent events through January 9, 2023, the date that the financial statements are considered available to be issued.

k - Prior Year Information

For comparability, certain amounts for 2021 have been reclassified, where appropriate, to confirm to the financial statement presentation used for 2022.

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

I - Recent Accounting Standard

For 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves transparency of contributed nonfinancial assets through enhancements to presentation and disclosure and 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 about utilization, policies, and valuation techniques.

Note 2 - Information Regarding Liquidity and Availability

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

The Organization's financial assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$697,251	\$634,387
Program fees receivable	12,000	1,368
Unconditional promises to give	<u>172,195</u>	<u>102,262</u>
Total Financial Assets	881,446	738,017
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(125,566)	(119,507)
Plus: Net assets with restrictions to be met in less than one year	<u>110,566</u>	<u>75,507</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$866,446</u>	<u>\$694,017</u>

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Passage of time	\$ 75,900	\$ 40,000
Specific Programs:		
Educational Literacy Programs	3,015	46,977
Internship Program	30,000	8,530
Youth Service Capacity Building Grant	<u>16,651</u>	<u>24,000</u>
Total Net Assets with Donor Restrictions	<u>\$125,566</u>	<u>\$119,507</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 5 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Furniture and fixtures	5 years	\$18,699	\$18,699
Website	3 years	<u>11,700</u>	<u>11,700</u>
		30,399	30,399
Less: Accumulated depreciation		<u>(20,756)</u>	<u>(15,092)</u>
		<u>\$ 9,643</u>	<u>\$15,307</u>

Note 6 - Loan Payable

On May 4, 2020, the Organization received a loan totaling \$80,700 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The full amount of the loan was forgiven on September 17, 2021 and, accordingly, has been recognized as revenue for the year ended June 30, 2022.

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 7 - Commitment and Contingency

a - Lease

The Organization occupies office space under a lease that expires December 31, 2023. The lease contains an option to extend the term for one successive period of three years through December 31, 2027. Future minimum annual rental payments are as follows:

Year ending June 30, 2023	\$57,690
Thereafter, through December 31, 2023	29,271

b - Government Grants

Government supported projects are subject to audit by the applicable granting agency.

Note 8 - Donated Services and Materials

During the years ended June 30, 2022 and 2021, the Organization received the following donated services and materials:

	<u>2022</u>	<u>2021</u>
Educational materials	\$31,475	\$61,330
Special event costs	-	7,878
Professional services	<u>425</u>	<u>3,150</u>
	<u>\$31,900</u>	<u>\$72,358</u>

The Organization valued new education materials at 40-50% off the retail price received from publishers. Used hardcover books were given a value of \$4 and paperback books were valued at \$2.50. The Organization only uses in-kind donation of services and goods for program and fundraising activities.

Note 9 - Concentration of Credit Risk

The Organization maintains its cash balances in financial institutions located in New York City and online. The cash balances, at times, may exceed insured limits.