

FIRST BOOK
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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FINANCIAL STATEMENTS
(AUDITED)
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of First Book
Washington, D.C.

We have audited the accompanying statements of First Book (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Book as of December 31, 2020 and 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organizations 2019 financial statements, and our report dated June 25, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 16 and 17 is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the organization, and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Potomac, Maryland

June 3, 2021

FIRST BOOK
STATEMENTS OF FINANCIAL POSITION
(AUDITED)

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,624,579	\$ 3,040,229
Accounts receivable, net of allowance of \$1,034 and \$6,620, respectively	2,284,737	2,192,837
Prepaid expenses	421,489	236,274
Investments	52,806	25,851
Inventory		
Donated books and other tangible goods	27,910,625	34,593,089
Purchased books and other tangible goods	2,474,191	2,537,889
	<hr/>	<hr/>
<u>TOTAL CURRENT ASSETS</u>	36,768,427	42,626,169
<u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	284,083	269,308
Software	33,015	29,772
	<hr/>	<hr/>
	317,098	299,080
Less accumulated depreciation and amortization	(198,980)	(141,670)
	<hr/>	<hr/>
	118,118	157,410
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 36,886,545</u>	<u>\$ 42,783,579</u>

The accompanying notes are an integral part of the financial statements.

FIRST BOOK

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt	\$ -	\$ 420,973
Accounts payable	3,162,404	3,820,415
Pension payable	-	300,632
Accrued expenses	214,611	180,032
Subgrant	106,017	-
Deferred revenue	888,929	-
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	4,371,961	4,722,052
<u>LONG-TERM DEBT, less current maturities</u>	<hr/> 1,486,900	<hr/> -
<u>TOTAL LONG-TERM LIABILITIES</u>	<hr/> 1,486,900	<hr/> -
	5,858,861	4,722,052
<u>NET ASSETS</u>		
Without restrictions	29,222,648	35,925,473
With restrictions	1,805,036	2,136,054
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u>	<hr/> 31,027,684	<hr/> 38,061,527
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<hr/> <hr/> \$ 36,886,545	<hr/> <hr/> \$ 42,783,579

The accompanying notes are an integral part of the financial statements.

FIRST BOOK
STATEMENTS OF ACTIVITIES
(AUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019
	Without Restrictions	With Restrictions	Total	Total
<u>SUPPORT AND REVENUE</u>				
Contributed goods and services	\$ 97,519,942	\$ -	\$ 97,519,942	\$ 69,786,281
Contributions	7,249,778	22,159,368	29,409,146	25,741,593
Investment return	4,180	-	4,180	9,118
Other income (expense)	25,325	-	25,325	7,302
	104,799,225	22,159,368	126,958,593	95,544,294
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
	22,490,386	(22,490,386)	-	-
TOTAL SUPPORT AND REVENUE	127,289,611	(331,018)	126,958,593	95,544,294
<u>EXPENSES</u>				
Program services	130,358,301	-	130,358,301	97,409,296
Management and general	2,400,719	-	2,400,719	2,395,290
Fundraising	1,233,416	-	1,233,416	1,390,045
	133,992,436	-	133,992,436	101,194,631
CHANGE IN NET ASSETS	(6,702,825)	(331,018)	(7,033,843)	(5,650,337)
<u>NET ASSETS - BEGINNING OF YEAR</u>	35,925,473	2,136,054	38,061,527	43,711,864
<u>NET ASSETS - END OF YEAR</u>	\$ 29,222,648	\$ 1,805,036	\$ 31,027,684	\$ 38,061,527

The accompanying notes are an integral part of the financial statements.

FIRST BOOK

STATEMENTS OF CASH FLOWS
(AUDITED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (7,033,843)	\$ (5,650,337)
Adjustment to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,310	47,482
Bad debt (recoveries)	15,744	66,015
Net realized/unrealized (gain) loss on investments	(64,095)	(1,958)
Contributed investments	(39,905)	(164,186)
Donated books	6,682,464	941,573
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(107,644)	(311,330)
Prepaid expenses	(185,215)	(34,953)
Purchased books and other tangible goods	63,698	(206,513)
Increase (Decrease) in liabilities:		
Accounts payable	(658,011)	1,132,896
Pension payable	(300,632)	14,149
Accrued expenses	34,579	(1,261)
Subgrant	106,017	-
Deferred revenue	888,929	-
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>(540,604)</u>	<u>(4,168,423)</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	77,045	181,843
Purchases of property and equipment	(18,018)	(92,729)
<u>Net Cash Provided By (Used In) Investing Activities</u>	<u>59,027</u>	<u>89,114</u>
Cash Flows From Financing Activities:		
(Payments of) and Proceeds from long-term debt	1,065,927	(535,730)
<u>Net Cash Provided By (Used In) Financing Activities</u>	<u>1,065,927</u>	<u>(535,730)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	584,350	(4,615,039)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>3,040,229</u>	<u>7,655,268</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 3,624,579</u>	<u>\$ 3,040,229</u>
Cash paid for interest	11,027	43,805

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Organization**

First Book (the Organization) was organized as a District of Columbia (DC) Nonprofit Organization in 1992 to provide children from low-income families the opportunity to read and own their first new books. This is done through establishing a growing and unique network of eligible formal and informal educators across the U.S. who are given access to all of First Book's resources once registered with the Organization.

B. **Income Taxes**

The Organization has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is classified as a public charity and not a private foundation, therefore, contributions made to the Organization are tax deductible by the donors.

The Organization follows guidance of the Financial Accounting Standards Board Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* which clarifies the accounting and recognition and measurement of the benefits of tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not for the benefit of those tax positions to be recognized in the financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Section 501(c) to qualify as a tax –exempt organization, activities performed by volunteers, board members, the reporting of unrelated business income, and its status as a tax-exempt organization under District of Columbia statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets because of analyzing its tax position. The Organization's returns remain open for three years for federal and state examination.

C. **Basis of Accounting**

The Organization prepares its financial statements using the accrual method of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

D. **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 estimates.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash includes currency on hand, as well as demand deposits with banks. Cash equivalents are stated at cost, which approximates fair value, and consist of institutional money market funds or bank deposits. Cash equivalents held by long-term investment managers are classified as investments.

F. Accounts Receivable, Accounts Payable and Other Liabilities

The carrying amounts of these accounts approximates fair value due to the short-term maturity of these instruments. Receivables are evaluated and written off on an ongoing basis against an allowance that is periodically adjusted to provide for estimated bad debts on outstanding receivables based on historical experience.

G. Inventory

Purchased inventory is stated at the lower of cost or market and donated inventory is stated at estimated fair value. Revenue from donated books and other goods are recognized at the time of donation. Expense is recognized at the time of distribution.

H. Contributions

Contributions of goods (non-cash) and services (in-kind) are booked at their estimated fair value on the date of contribution. The Organization records book contributions at fair value using discounted wholesale publisher list values. The Organization received the following contributed goods and services during the years ended December 31;

	<u>2020</u>	<u>2019</u>
Non-cash contributions of goods	\$ 97,508,392	\$ 69,729,353
In-kind contributions of services	<u>11,550</u>	<u>56,928</u>
Total contributed goods and services	<u>\$ 97,519,942</u>	<u>\$ 69,786,281</u>

Contributions (cash) are recognized on the date received and booked at their fair value. Support that is restricted by the donor is reported as an increase in net assets with restrictions, as applicable. Amounts are reclassified to net assets without restrictions once restrictions expire or donor restriction has been satisfied.

I. Program Services

The Organization provides access to new books and educational resources for disadvantaged children through programs and schools throughout the United States.

J. Administrative and General Services

Administrative and general service expenditures include expenses necessary to provide for the management of staff, facilities, and the financial controls of the Organization.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. **Functional Allocation of Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis and allocated in the proportion benefited among the program and supporting services in the statement of activities.

L. **Advertising, Public Relations and Marketing Costs**

The Organization's policy is to expense as incurred the costs associated with promoting community relations, public awareness of its programs. The Organization incurred \$756,700 in 2020 and \$561,145 in 2019 of such costs that are combined with consulting expenses and advertising in the statement of functional expenses.

M. **Prior-year comparative totals**

The financial statements include certain 2019 summarized comparative information in total but not by net asset class. This information is not presented in enough detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, this information should be read in conjunction with the 2019 financial statements from which the summarized information was derived.

N. **Recent Accounting Pronouncement ASU 2018-08**

In June of 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 606). ASU 2018-08 to provide guidance about recognizing revenues in nonprofit organizations. The amendments are effective for years ending after December 31, 2019.

The Organization adopted ASU 2018-08 for the year ended December 31, 2020. The Organization reported deferred revenue and a subgrant liability as result of the change.

NOTE 2 **CONCENTRATIONS AND RISKS**

A. **Credit Risk**

The Organization maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. The failure of an underlying institution could result in financial loss to the Organization, however, the Organization has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 2 **CONCENTRATIONS AND RISKS (CONTINUED)**

B. **Concentration**

One corporate donor contributed 66% of the Organization's contributed goods in 2020. The same donor contributed 69% of contributed goods in 2019. This donor has a long-term relationship with the Organization and management does not anticipate a change in this relationship.

NOTE 3 **PREPAID EXPENSES**

Prepaid expenses represent contracts that provide economic benefit beyond the current year-end. Those contracts are predominantly for rent, accounting software, tech services and insurance.

NOTE 4 **FAIR VALUE MEASUREMENTS AND INVESTMENTS**

The Organization uses three levels to measure fair value. The definition of each input is described below:

Level 1 – Inputs are valued at quoted prices in active markets that are accessible by the Organization at the measurement date for identical assets and liabilities.

Level 2 – Inputs that are observable are valued, either directly or indirectly with prices that may be based upon quoted prices for identical or comparable securities in active markets or inputs not quoted on active markets but corroborated by market data.

Level 3 – Inputs that are unobservable are valued using comparable securities when little or no market data is available.

Sweep options are valued at closing prices reported by the fund sponsor from an actively traded exchange and represent the cash equivalents.

Mutual funds are valued at daily closing prices as reported by the fund. All funds are open-ended funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds are deemed actively traded.

Corporate stocks are valued at closing prices reported on the active market on which the individual securities are traded.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 4 **FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)**

The following is a summary of the fair values of investments, which are measured on a recurring basis on December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sweep Options	\$ 1,000	\$ -	\$ -	\$ 1,000
Mutual Funds	<u>51,806</u>	<u>-</u>	<u>-</u>	<u>51,806</u>
	<u>\$ 52,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,806</u>

The following is a summary of the fair values of investments, which are measured on a recurring basis on December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sweep Options	\$ 1,315	\$ -	\$ -	\$ 1,315
Mutual Funds	<u>24,536</u>	<u>-</u>	<u>-</u>	<u>24,536</u>
	<u>\$ 25,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,851</u>

NOTE 5 **ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts owed to the Organization for program related purchases and contributions. The Organization provides for probable losses on accounts receivable using the allowance method. The allowance is determined based on historical collection experience. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Accounts receivable consisted of the following on December 31;

	<u>2020</u>	<u>2019</u>
Contributions	\$ 1,322,505	\$ 1,555,668
Marketplace receivables	602,543	391,902
Other	<u>360,723</u>	<u>251,887</u>
	2,285,771	2,199,457
Less allowance for doubtful accounts	<u>1,034</u>	<u>6,620</u>
	<u>\$ 2,284,737</u>	<u>\$ 2,192,837</u>

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 6 **PROPERTY AND EQUIPMENT**

Property and equipment purchases of \$1,500, or greater, are recorded at cost, while donated assets are recorded at fair value on the date of donation. Depreciation and amortization are calculated using the straight-line method over 5 years, the estimated useful life of the property and equipment. Depreciation and amortization expense for the year ended December 31, 2020 was \$57,310 and \$47,482 for 2019.

Maintenance and repairs are charged and allocated to the functional expenses when incurred. When property and equipment are sold or disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the general and administrative costs.

NOTE 7 **ACCRUED EXPENSES**

Accrued expenses consisted of the following on December 31;

	<u>2020</u>	<u>2019</u>
Vacation expenses	\$ 203,366	\$ 174,437
Grant fees, employee benefits and interest	<u>11,245</u>	<u>5,595</u>
	<u>\$ 214,611</u>	<u>\$ 190,032</u>

NOTE 8 **SUBGRANTS**

The Organization reports agency transactions from partner entities who designate the Organization to serve as intermediary to distribute cash to other recipients. Proceeds that have not been distributed by year end are held in the Subgrant under current liabilities until those monies are distributed.

NOTE 9 **DEFERRED REVENUE**

The Organization reports all contracts containing both unmet barriers/conditions and termination/right of return clause as deferred revenue. Once specific shipments are made, conditions are met, or barriers are overcome which removes the termination/right of return clause, then revenue associated with the Marketplace or Grant are recognized revenue.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 10 **RETIREMENT PLANS**

The Organization sponsors a defined contribution 401(k) plan with an annual employer option profit share benefit. The plan covers all full-time employees, not considered leased employees, who have completed one year of service, are employed on the last day of the year, and have completed 1,000 hours of service. When applicable, the Organization, on behalf of each eligible participant, according to employee class, makes contributions to the plan. Pension expense for the year ended December 31, 2020 was \$39,058 and \$347,837 for 2019 and is included in payroll taxes and employee benefits. Participants become 50% vested in employer contributions after the completion of two years of employment and 100% vested after the completion of the third year of employment. There was no profit share contribution in 2020, which significantly reduced the pension expense.

NOTE 11 **LONG-TERM DEBT AND PAYCHECK PROTECTION PROGRAM**

On December 27, 2017, the Organization amended its October 2015 loan agreement with the NFF to convert its working capital loan to a term loan. During the year ending December 31, 2020, the loan was fully repaid. The outstanding balance on December 31, 2019 was \$420,973.

On April 20, 2020, the Organization received a \$1,486,900 loan from PNC Bank related to the Paycheck Protection Program (PPP), which was issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note contains a fixed 1.00% interest rate per annum. The amount has been recorded as long-term debt at December 31, 2020. In accordance with the Program's requirements, the Organization has applied for forgiveness of the loan and believes its more-likely-than not it will be fully forgiven in 2021. Therefore, the payment terms are not disclosed as they are written into the CARES Act.

NOTE 12 **NET ASSET CLASSES**

A. **Net assets without restrictions:**

Net assets so designated include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designations and those contributions whose restrictions are met in the current fiscal year. Net assets designated as non-cash without restriction represents the fair value of donated inventory held at year end.

B. **Net assets with restrictions:**

Net assets so designated include those whose use is donor restricted by specific time or purpose limitations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 13 RELATED PARTY

The Organization lends support to a Canadian affiliate, First Book/Le Premiere Livre (LPL), which provides books to children in need throughout Canada. LPL is a registered charity under paragraph 149(1)(f) of the Income Tax Act in Canada and operates as a separate entity to undertake activities that may or may not be consistent with all the requirements of Section 501(c)(3) of the United States Internal Revenue Code governing certain tax-exempt entities in the United States. LPL maintains a separate Board of Directors, reflecting majority representation by independent, Canadian-based board members, with two of the Organization's board members on the LPL board.

On December 31, 2020 and 2019 the Organization's balance sheet reflected a receivable from LPL of \$360,722 and \$232,859, respectively. In 2021, the receivable was partially paid in the first quarter leaving a balance of \$281,442. The balance is expected to be paid during 2021.

NOTE 14 COMMITMENTS & CONTINGENCIES

Office Lease

On November 30, 2000, the Organization amended its original lease for office space extending the maturity of the lease from January 28, 2000, to July 31, 2022. In addition to extending the maturity date the Organization also increased its leased square footage to 15,696 square feet.

Minimum future rental payments under non-cancellable operating leases having remaining terms exceeding one year as of December 31, 2020 for each of the next two years are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 640,682
2022	<u>380,191</u>
Total minimum future rental payments	<u>\$ 1,020,873</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2020 AND 2019

NOTE 15 **LIQUIDITY AND AVAILABILITY**

The following reflects the management's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of restrictions:

Financial assets, on December 31, 2020	\$	5,962,122
Less:		
Assets restricted by donor for time or purpose		1,805,036
Six months operating expense set aside		969,000
Technology expenditure set aside		76,500
Miscellaneous expenditure set aside		<u>510,000</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$	 <u>2,601,586</u>

Management invests excess cash in money market funds to earn interest but minimize loss potential.

NOTE 16 **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 3, 2020, the date the financial statements are available to be issued.

On April 19, 2021, the Organization applied to have their Paycheck Protection Program note from PNC Bank of \$1,486,900 forgiven. The Organization expects the loan to be forgiven.

The Organization is currently working to restructure their lease agreement.

SUPPLEMENTARY INFORMATION

FIRST BOOK

SCHEDULE OF FUNCTIONAL EXPENSES
(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Wages	\$ 4,485,076	\$ 1,246,991	\$ 731,519	\$ 6,463,586
Employee benefits and taxes	725,975	201,842	118,406	1,046,223
Consulting	1,193,230	150,948	55,694	1,399,872
Professional fees	-	93,586	-	93,586
Contract labor	21,113	21,112	-	42,225
Equipment and technology	446,711	125,542	72,858	645,111
Rent	432,966	120,378	70,617	623,961
Travel and lodging	30,061	8,357	4,903	43,321
Meetings and conferences	8,960	2,491	1,461	12,912
Telephone and utilities	81,353	22,619	13,268	117,240
Advertising	132,299	-	132,298	264,597
Bank charges	540,119	49,181	-	589,300
Fees, licenses and permits	174	20,099	-	20,273
Dues and subscriptions	-	133,830	-	133,830
Office supplies	12,501	3,476	2,039	18,016
Printing and publications	4,052	1,127	661	5,840
Program supplies	55,093	-	-	55,093
Insurance	-	76,631	-	76,631
Depreciation and amortization	-	57,310	-	57,310
Bad debt	-	15,744	-	15,744
Interest	-	11,027	-	11,027
Miscellaneous	-	8,735	-	8,735
Subgrants	-	-	-	-
Donated books	104,150,951	-	-	104,150,951
Books purchased	12,592,542	-	-	12,592,542
Postage and shipping	3,444,416	29,693	29,692	3,503,801
Warehouse and fulfillment	2,000,709	-	-	2,000,709
<u>TOTAL FUNCTIONAL</u>				
<u>EXPENSES</u>	<u>\$ 130,358,301</u>	<u>\$ 2,400,719</u>	<u>\$ 1,233,416</u>	<u>\$ 133,992,436</u>

See independent auditors report.

FIRST BOOK

SCHEDULE OF FUNCTIONAL EXPENSES

(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages	\$ 4,742,374	\$ 1,221,458	\$ 883,358	\$ 6,847,190
Employee benefits and taxes	1,039,044	271,877	196,621	1,507,542
Consulting	1,459,265	168,575	72,463	1,700,303
Professional fees	24,147	72,442	-	96,589
Contract labor	14,582	14,582	-	29,164
Equipment and technology	387,773	101,127	72,331	561,231
Rent	400,771	119,079	86,118	605,968
Travel and lodging	170,825	44,060	31,864	246,749
Meetings and conferences	52,280	13,484	9,752	75,516
Telephone and utilities	105,999	27,340	19,772	153,111
Bank charges	534,255	34,791	-	569,046
Fees, licenses and permits	-	9,019	-	9,019
Dues and subscriptions	23,031	69,093	-	92,124
Office supplies	38,120	9,832	7,110	55,062
Printing and publications	12,924	3,333	2,411	18,668
Program supplies	92,143	-	-	92,143
Insurance	15,845	47,533	-	63,378
Depreciation and amortization	-	47,482	-	47,482
Bad debt	-	66,015	-	66,015
Interest	-	43,805	-	43,805
Miscellaneous	-	2,118	-	2,118
Subgrants	78,700	-	-	78,700
Donated books	70,506,740	-	-	70,506,740
Books purchased	13,250,642	-	-	13,250,642
Postage and shipping	2,440,319	8,245	8,245	2,456,809
Warehouse and fulfillment	2,019,517	-	-	2,019,517
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>\$ 97,409,296</u>	<u>\$ 2,395,290</u>	<u>\$ 1,390,045</u>	<u>\$ 101,194,631</u>

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