

FIRST BOOK
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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FINANCIAL STATEMENTS
(AUDITED)
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of First Book (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets 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 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 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, 2016 and 2015, 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 2015 financial statements, and our report dated April 29, 2016, 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, 2015, 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 in the schedules of functional expenses 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
April 14, 2017

FIRST BOOK
STATEMENTS OF FINANCIAL POSITION
(AUDITED)

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 6,715,792	\$ 5,880,602
Accounts receivable, net of allowance of \$5,269 and \$2,572, respectively	899,168	852,982
Prepaid expenses	153,649	125,291
Investments	8,974	15,286
Inventory		
Donated books	33,799,046	31,863,495
Purchased books	2,879,349	3,722,194
<u>TOTAL CURRENT ASSETS</u>	44,455,978	42,459,850
<u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	230,888	155,877
Software	12,935	4,258
	243,823	160,135
Less accumulated depreciation and amortization	(124,489)	(90,507)
	119,334	69,628
<u>TOTAL ASSETS</u>	<u>\$ 44,575,312</u>	<u>\$ 42,529,478</u>

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

FIRST BOOK

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt	\$ 110,476	\$ -
Accounts payable	1,926,822	2,431,410
Pension payable	237,089	222,815
Accrued expenses	165,125	135,691
<u>TOTAL CURRENT LIABILITIES</u>	2,439,512	2,789,916
 <u>LONG-TERM DEBT, less current maturities</u>	 469,524	 -
	2,909,036	2,789,916
 <u>NET ASSETS</u>		
Unrestricted - cash	5,555,151	6,535,237
Unrestricted - non-cash donated book inventory	33,799,046	31,863,495
Temporarily restricted	2,312,079	1,340,830
Permanently restricted	-	-
<u>TOTAL NET ASSETS</u>	41,666,276	39,739,562
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 44,575,312</u>	 <u>\$ 42,529,478</u>

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

FIRST BOOK

STATEMENTS OF ACTIVITIES
(AUDITED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND REVENUE</u>				
Contributed goods and services	\$ 115,567,343	\$ -	\$ -	\$ 115,567,343
Contributions	7,899,326	13,871,175	-	21,770,501
Interest and dividend income	2,095	-	-	2,095
Realized gain on investments	(361)	-	-	(361)
Unrealized gain on investments	462	-	-	462
Other income (expense)	27,556	-	-	27,556
	123,496,421	13,871,175	-	137,367,596
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>	12,899,926	(12,899,926)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	136,396,347	971,249	-	137,367,596
<u>EXPENSES</u>				
Program services	131,880,713	-	-	131,880,713
Management and general	2,492,794	-	-	2,492,794
Fundraising	1,067,375	-	-	1,067,375
	135,440,882	-	-	135,440,882
<u>CHANGE IN NET ASSETS</u>	955,465	971,249	-	1,926,714
<u>NET ASSETS - BEGINNING OF YEAR</u>	38,398,732	1,340,830	-	39,739,562
<u>NET ASSETS - END OF YEAR</u>	\$ 39,354,197	\$ 2,312,079	\$ -	\$ 41,666,276

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

FIRST BOOK

STATEMENTS OF CHANGES IN NET ASSETS
(AUDITED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				
	Unrestricted cash-related	Unrestricted non-cash	Temporarily Restricted	Permanently Restricted	Total
<u>NET ASSETS - BEGINNING OF YEAR</u>	\$ 6,535,237	\$ 31,863,495	\$ 1,340,830	\$ -	\$ 39,739,562
Change in net assets - cash activities	(980,086)	-	971,249	-	(8,837)
Change in net assets - donated activities	-	1,935,551	-	-	1,935,551
Change in net assets	(980,086)	1,935,551	971,249	-	1,926,714
<u>NET ASSETS - END OF YEAR</u>	\$ 5,555,151	\$ 33,799,046	\$ 2,312,079	\$ -	\$ 41,666,276

	2015				
	Unrestricted cash-related	Unrestricted non-cash	Temporarily Restricted	Permanently Restricted	Total
<u>NET ASSETS - BEGINNING OF YEAR</u>	\$ 5,571,742	\$ 25,509,805	\$ 1,617,350	\$ -	\$ 32,698,897
Change in net assets - cash based activities	963,495	-	(276,520)	-	686,975
Change in net assets - donated activities	-	6,353,690	-	-	6,353,690
Change in net assets	963,495	6,353,690	(276,520)	-	7,040,665
<u>NET ASSETS - END OF YEAR</u>	\$ 6,535,237	\$ 31,863,495	\$ 1,340,830	\$ -	\$ 39,739,562

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

FIRST BOOK

STATEMENTS OF CASH FLOWS

(AUDITED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,926,714	\$ 7,040,665
Adjustment to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	33,981	24,768
Bad debt (recoveries)	9,608	(53,161)
Net realized/unrealized gain on investments	(101)	443
Contributed investments	(17,791)	(11,319)
Donated books	(1,935,551)	(6,353,690)
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(55,794)	(141,508)
Prepaid expenses	(28,358)	25,786
Purchased books	842,845	(483,548)
Increase (Decrease) in liabilities:		
Accounts payable	(504,588)	428,734
Pension payable	14,274	(6,066)
Accrued expenses	29,434	(6,179)
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>314,673</u>	<u>464,925</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	24,204	29,364
Purchases of property and equipment	(83,687)	(33,133)
<u>Net Cash Provided By (Used In) Investing Activities</u>	<u>(59,483)</u>	<u>(3,769)</u>
Cash Flows From Financing Activities:		
Proceeds from long-term debt	580,000	-
<u>Net Cash Provided By (Used In) Financing Activities</u>	<u>580,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	835,190	461,156
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>5,880,602</u>	<u>5,419,446</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 6,715,792</u>	<u>\$ 5,880,602</u>

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

FIRST BOOK
NOTES TO FINANCIAL STATEMENTS
(AUDITED)

DECEMBER 31, 2016 AND 2015

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 by working with existing literacy programs to distribute new books to children who, for economic or other reasons, have little or no access to books.

B. **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) therefore no provision for federal income taxes has been made in the accompanying financial statements. The Organization has been classified as an organization that is not a private organization under Section 509(a)(1) of the IRC.

The Organization believes it has appropriate support for income tax positions taken and management has not identified any uncertain income tax positions. Generally, income tax returns related to the years ended December 31, 2013 through 2016 remain open for examination by taxing authorities. No examinations existed as of the release of these financial statements.

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 is recognized 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.

E. **Cash and Cash Equivalents**

For financial statement purposes, the Organization considers demand deposits to be cash equivalents. This includes checking, money market accounts and certificates of deposit with maturities of less than 90 days. Amounts held within the investment portfolio are not included in cash and cash equivalents because they are held for long-term or investment purposes.

F. **Inventory**

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

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Contributions

Contributions are recorded at their net recognizable value as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, as applicable. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when restrictions expire.

H. Program Services

The Organization provides access to new books for children in need through programs and schools throughout the United States serving children from low-income families.

I. Administrative and General Services

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

J. Functional Allocation of Expenses

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

K. Public Relations and Marketing Costs

The Organization's policy is to expense as incurred the costs associated with community relations and promoting public understanding and awareness of its programs. The Organization incurred \$493,816 in 2016 and \$810,079 in 2015, which is included with consulting in the statement of functional expenses.

L. Contributed Goods and Services

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

	<u>2016</u>	<u>2015</u>
Non-cash contributions	\$ 115,249,279	\$ 114,893,390
In-kind contributions of warehouse space	<u>318,064</u>	<u>291,627</u>
Total contributed goods and services	<u>\$ 115,567,343</u>	<u>\$ 115,185,017</u>

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

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

M. Prior-year comparative totals

The financial statements include certain 2015 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2015 financial statements, from which the summarized information was derived.

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.

B. Concentration

The Organization received 76% in 2016 and 58% in 2015, of its non-cash book donations from a single corporate donor. This corporate donor has a long-term relationship with the Organization and Management does not anticipate a change in this relationship.

NOTE 3 **INVESTMENTS**

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value. These levels are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 3 **INVESTMENTS (CONTINUED)**

The following is a summary of the fair values of investments, which are measured on a recurring basis using Level 1 inputs at December 31;

	<u>2016</u>	<u>2015</u>
Mutual Funds	\$ 8,474	\$ 7,988
Equities	-	-
Cash and cash equivalents	<u>500</u>	<u>7,298</u>
	<u>\$ 8,974</u>	<u>\$ 15,286</u>

NOTE 4 **PREPAID EXPENSES**

Prepaid expense represent contracts, mainly insurances, which provide economic benefit beyond the current year end.

NOTE 5 **ACCRUED EXPENSES**

Accrued expenses consisted of the following at December 31;

	<u>2016</u>	<u>2015</u>
Vacation expenses	\$ 149,880	\$ 127,066
Employee benefits and interest	<u>15,245</u>	<u>8,625</u>
	<u>\$ 165,125</u>	<u>\$ 135,691</u>

NOTE 6 **RETIREMENT PLANS**

The Organization sponsors a defined contribution 401(k) and profit share plan. 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. 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, 2016 was \$272,708 and \$255,049 for 2015, 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.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 7

ACCOUNTS RECEIVABLE

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

Accounts receivable consisted of the following at December 31;

	<u>2016</u>	<u>2015</u>
Contributions	\$ 383,707	\$ 435,110
Marketplace receivables	442,653	336,529
Other	<u>78,077</u>	<u>83,870</u>
	904,437	855,509
 Less allowance for doubtful accounts	 <u>5,269</u>	 <u>2,527</u>
	<u>\$ 899,168</u>	<u>\$ 852,982</u>

NOTE 8

PROPERTY AND EQUIPMENT

Property and equipment purchases of \$1,000, or greater, are recorded at cost, while donated assets are recorded at fair value on the date of donation. Depreciation and amortization is 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, 2016 was \$33,981 and \$24,768 for 2015.

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.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 9

NET ASSETS

A. Unrestricted net assets:

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designations. Non-cash unrestricted net assets represents the fair value of donated books held in inventory as of December 31, 2016 and 2015.

B. Temporarily restricted net assets:

Temporarily restricted net assets include those net assets whose use by the Organization has been donor restricted by specific time or purpose limitations.

Temporarily restricted nets assets consist of the following at December 31;

	<u>2016</u>	<u>2015</u>
Contributions designated for books in local communities for future years	\$ <u>2,312,079</u>	\$ <u>1,340,828</u>

C. Permanently restricted net assets:

Permanently restricted net assets generally are comprised of endowment funds which the corpus is to be maintained indefinitely. The Organization has no net assets that are permanently restricted.

NOTE 10

LINE OF CREDIT

At December 31, 2016, the Organization had a line of credit with the Nonprofit Finance Fund (NFF) in the amount of \$500,000, with no outstanding balance. The agreement commenced on October 9, 2016, matures November 1, 2017 and bears interest, payable monthly, at a per annum rate equal to 6.0%. The line contains an annual non-use fee of .25% of the unadvanced amount. The line is secured by all of the assets of the Organization.

NOTE 11

TERM LOAN AND SECURITY AGREEMENT

On October 9, 2016, the Organization entered into an agreement with the NFF for a working capital loan not to exceed \$2,250,000. Once draws occur, the Organization is required to repay the loan in equal monthly installments, in arrears, on the first day of each month. The loan is due on October 1, 2020. The agreement bears interest at a per annum rate equal to 6.0%, and is secured by all of the assets of the Organization. As of December 31, 2016, the outstanding balance was \$580,000. Current maturities for 2017, 2018, 2019 and 2020 are \$110,476, \$165,714, \$165,714 and \$138,096, respectively.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 12

RELATED PARTY

The Organization lends support to an affiliate in Canada, First Book/Le Premiere Livre (LPL), which provides books to children in need throughout Canada. The financial statements of the Organization do not include the accounts of LPL. 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 three of the Organization's board members on the LPL board.

LPL was invoiced by and reimbursed the Organization for direct expenses of \$241,102 in 2016 and \$132,528 in 2015. In addition, as of December 31, 2016 and 2015, the Organization's balance sheets reflect a receivable from LPL of \$60,877 and \$83,871 for expenses. These expenses were subsequently paid by LPL in the first quarter of 2017 and 2016, respectively. The Organization transferred donated books with an estimated fair value of \$3.6 million in 2016 and \$2.7 million in 2015 to LPL in support of its mission.

NOTE 13

COMMITMENTS & CONTINGENCIES

A. **Office Lease**

The Organization amended its original office space lease from January 28, 2000 on October 4, 2016. In addition to extending the maturity date through July 31, 2021 the Organization also increased its square footage to 15,696.

B. **Indemnifier for Related Party Office Lease**

On March 5, 2015 the Organization, as the indemnifier, signed a lease extension for 3,098 square feet of office space for a similar organization in Canada. The commencement date is September 1, 2015 and expires on August 31, 2016.

At December 31, 2016, the Organization is no longer the indemnifier on this lease.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2016 AND 2015

NOTE 13

COMMITMENTS & CONTINGENCIES (CONTINUED)

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2016 for each of the next four years are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 580,065
2018	597,467
2019	615,391
2020	633,853
2021	<u>376,137</u>
Total minimum future rental payments	<u>\$ 2,802,913</u>

NOTE 14

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 14, 2017, the date through which the financial statements are available to be issued and determined there were no events that required disclosure.

SUPPLEMENTARY INFORMATION

FIRST BOOK
SCHEDULE OF FUNCTIONAL EXPENSES
(AUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Wages	\$ 4,053,928	\$ 1,319,039	\$ 677,672	\$ 6,050,639
Employee benefits and taxes	846,560	275,448	141,514	1,263,522
Consulting	2,015,718	135,403	55,307	2,206,428
Professional fees	-	100,750	-	100,750
Contract labor	-	38,043	-	38,043
Equipment and technology	295,098	96,366	49,330	440,794
Rent	339,912	110,599	56,821	507,332
Travel and lodging	216,856	70,559	36,250	323,665
Meetings and conferences	62,980	-	-	62,980
Telephone and utilities	101,689	33,087	16,999	151,775
Bank charges	340,157	23,671	-	363,828
Fees, licenses and permits	45,462	5,464	-	50,926
Dues and subscriptions	-	63,165	-	63,165
Office supplies	31,346	10,201	5,240	46,787
Printing and publications	30,395	9,890	5,081	45,366
Program supplies	56,401	-	-	56,401
Insurance	-	59,303	-	59,303
Depreciation and amortization	-	33,981	-	33,981
Bad debt	-	9,608	-	9,608
Interest	-	7,347	-	7,347
Miscellaneous	-	67,709	-	67,709
Donated books expense	113,295,937	-	-	113,295,937
Books purchased	6,708,255	-	-	6,708,255
Postage and shipping	2,125,055	23,161	23,161	2,171,377
Warehouse and fulfillment	1,314,964	-	-	1,314,964
<u>TOTAL FUNCTIONAL</u>				
<u>EXPENSES</u>	<u>\$ 131,880,713</u>	<u>\$ 2,492,794</u>	<u>\$ 1,067,375</u>	<u>\$ 135,440,882</u>

See independent auditors report.

FIRST BOOK
SCHEDULE OF FUNCTIONAL EXPENSES
(AUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Wages	\$ 3,790,774	\$ 1,079,961	\$ 583,616	\$ 5,454,351
Employee benefits and taxes	786,286	224,008	121,054	1,131,348
Consulting	1,702,033	179,641	86,678	1,968,352
Professional fees	-	109,233	-	109,233
Contract labor	-	75,211	-	75,211
Equipment and technology	204,061	58,135	31,417	293,613
Rent	342,518	97,580	52,733	492,831
Travel and lodging	183,557	60,840	62,879	307,276
Meetings and conferences	53,745	-	-	53,745
Telephone and utilities	93,045	26,507	14,325	133,877
Bank charges	291,736	45,076	-	336,812
Fees, licenses and permits	101,700	5,221	-	106,921
Dues and subscriptions	-	29,406	-	29,406
Office supplies	36,678	10,449	5,647	52,774
Printing and publications	41,501	11,824	6,389	59,714
Program supplies	148,354	-	-	148,354
Insurance	-	41,209	-	41,209
Depreciation and amortization	-	24,768	-	24,768
Bad debt	-	(53,161)	-	(53,161)
Interest	-	-	-	-
Miscellaneous	-	27,166	-	27,166
Donated books expense	108,528,381	-	-	108,528,381
Books purchased	6,764,404	-	-	6,764,404
Postage and shipping	1,821,815	48,909	-	1,870,724
Warehouse and fulfillment	1,394,906	-	-	1,394,906
<u>TOTAL FUNCTIONAL</u>				
<u>EXPENSES</u>	<u>\$ 126,285,494</u>	<u>\$ 2,101,983</u>	<u>\$ 964,738</u>	<u>\$ 129,352,215</u>

See independent auditors report