

BEHIND THE BOOK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Behind the Book, Inc. as of June 30, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
December 15, 2021

BEHIND THE BOOK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$634,387	\$398,393
Program fees receivable	1,368	26,859
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	52,262	37,333
With donor restrictions	50,000	69,313
Prepaid expenses	7,604	6,322
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	15,307	17,703
Security deposit	<u>18,394</u>	<u>16,511</u>
Total Assets	<u><u>\$779,322</u></u>	<u><u>\$572,434</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 27,126	\$ 18,286
Loan payable (Note 6)	<u>80,700</u>	<u>80,700</u>
Total Liabilities	<u>107,826</u>	<u>98,986</u>
Commitment and Contingencies (Notes 7 and 10)		
Net Assets		
Without donor restrictions	551,989	371,195
With donor restrictions (Note 3)	<u>119,507</u>	<u>102,253</u>
Total Net Assets	<u>671,496</u>	<u>473,448</u>
Total Liabilities and Net Assets	<u><u>\$779,322</u></u>	<u><u>\$572,434</u></u>

See notes to financial statements.

BEHIND THE BOOK, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contributions						
Corporations	\$ 70,595	\$ -	\$ 70,595	\$ 46,436	\$ -	\$ 46,436
Government	74,000	-	74,000	56,237	4,313	60,550
Foundations	346,147	95,507	441,654	311,583	87,940	399,523
Individuals and board giving	191,956	-	191,956	186,597	-	186,597
Special event income	231,653	-	231,653	202,688	-	202,688
Less: Direct event expenses	(25,494)	-	(25,494)	(39,153)	-	(39,153)
Donated services and materials (Note 8)	72,358	-	72,358	73,508	-	73,508
Program fee income	56,099	-	56,099	69,082	-	69,082
Miscellaneous income	1,153	-	1,153	292	-	292
	<u>1,018,467</u>	<u>95,507</u>	<u>1,113,974</u>	<u>907,270</u>	<u>92,253</u>	<u>999,523</u>
Net assets released from restrictions	74,955	(74,955)	-	16,181	(16,181)	-
Reduction for unexpended project funding	-	(3,298)	(3,298)	-	-	-
	<u>1,093,422</u>	<u>17,254</u>	<u>1,110,676</u>	<u>923,451</u>	<u>76,072</u>	<u>999,523</u>
Total Support and Revenue						
Expenses						
Program Services	576,525	-	576,525	534,600	-	534,600
Supporting Services						
Management and general	153,376	-	153,376	108,426	-	108,426
Fundraising	182,727	-	182,727	192,765	-	192,765
Total Supporting Services	<u>336,103</u>	<u>-</u>	<u>336,103</u>	<u>301,191</u>	<u>-</u>	<u>301,191</u>
Total Expenses	<u>912,628</u>	<u>-</u>	<u>912,628</u>	<u>835,791</u>	<u>-</u>	<u>835,791</u>
Increase in net assets	180,794	17,254	198,048	87,660	76,072	163,732
Net assets, beginning of year	<u>371,195</u>	<u>102,253</u>	<u>473,448</u>	<u>283,535</u>	<u>26,181</u>	<u>309,716</u>
	<u>\$ 551,989</u>	<u>\$ 119,507</u>	<u>\$ 671,496</u>	<u>\$ 371,195</u>	<u>\$ 102,253</u>	<u>\$473,448</u>
Net Assets, End of Year						

See notes to financial statements.

BEHIND THE BOOK, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services	Supporting Services			2021	2020
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$237,663	\$ 44,346	\$ 115,346	\$159,692	\$397,355	\$380,194
Payroll taxes and employee benefits	27,266	5,087	13,233	18,320	45,586	46,894
Educational program expenses	184,863	-	-	-	184,863	155,425
Professional and consultant fees	43,303	70,070	7,280	77,350	120,653	112,646
Occupancy	32,301	6,145	15,933	22,078	54,379	53,575
Office expenses	10,208	8,493	17,184	25,677	35,885	19,081
Honorariums	29,295	-	-	-	29,295	26,300
Dues and subscriptions	194	1,336	4,285	5,621	5,815	8,962
Marketing	125	1,777	487	2,264	2,389	1,608
Insurance	5,019	2,469	2,526	4,995	10,014	7,898
Travel and meals	1,455	162	425	587	2,042	10,610
Computer and website expenses	1,068	9,143	1,002	10,145	11,213	5,639
Bank charges and fees	-	145	3,198	3,343	3,343	4,314
Bad debt expense	-	3,500	-	3,500	3,500	-
Depreciation expense	3,765	703	1,828	2,531	6,296	2,645
Total Expenses, 2021	<u>\$576,525</u>	<u>\$ 153,376</u>	<u>\$ 182,727</u>	<u>\$336,103</u>	<u>\$912,628</u>	
Total Expenses, 2020	<u>\$534,600</u>	<u>\$ 108,426</u>	<u>\$ 192,765</u>	<u>\$301,191</u>		<u>\$835,791</u>

See notes to financial statements.

BEHIND THE BOOK, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$244,039	\$ 24,015	\$ 112,140	\$136,155	\$380,194
Payroll taxes and employee benefits	27,088	2,185	17,621	19,806	46,894
Educational program expenses	155,425	-	-	-	155,425
Professional and consultant fees	14,079	74,017	24,550	98,567	112,646
Occupancy	34,236	3,411	15,928	19,339	53,575
Office expenses	9,603	1,316	8,162	9,478	19,081
Honorariums	26,300	-	-	-	26,300
Dues and subscriptions	4,283	1,147	3,532	4,679	8,962
Marketing	243	992	373	1,365	1,608
Insurance	5,047	503	2,348	2,851	7,898
Travel and meals	9,145	177	1,288	1,465	10,610
Computer and website expenses	3,414	326	1,899	2,225	5,639
Bank charges and fees	-	170	4,144	4,314	4,314
Depreciation expense	1,698	167	780	947	2,645
Total Expenses	<u>\$534,600</u>	<u>\$ 108,426</u>	<u>\$ 192,765</u>	<u>\$301,191</u>	<u>\$835,791</u>

See notes to financial statements.

BEHIND THE BOOK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$198,048	\$163,732
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	6,296	2,645
(Increase) decrease in:		
Program fees receivable	25,491	(19,859)
Unconditional promises to give	(2,414)	(56,598)
Prepaid expenses	(1,282)	1,178
Security deposit	(1,883)	-
Increase in accounts payable and accrued expenses	8,840	7,748
Net Cash Provided By Operating Activities	<u>239,894</u>	<u>98,846</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	(3,900)	(15,500)
 Cash Flows From Financing Activities		
Proceeds from loan payable	<u>-</u>	<u>80,700</u>
Net increase in cash and cash equivalents	235,994	164,046
Cash and cash equivalents, beginning of year	<u>398,393</u>	<u>234,347</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$634,387</u></u>	<u><u>\$398,393</u></u>

See notes to financial statements.

BEHIND THE BOOK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****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, 2021 AND 2020****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 December 15, 2021, the date that the financial statements are considered available to be issued.

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$634,387	\$398,393
Program fees receivable	1,368	26,859
Unconditional promises to give	<u>102,262</u>	<u>106,646</u>
Total Financial Assets	738,017	531,898
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	(119,507)	(102,253)
Plus: Net assets with restrictions to be met in less than one year	<u>75,507</u>	<u>82,253</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$694,017</u>	<u>\$511,898</u>

Note 3 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Passage of time	\$ 40,000	\$ 10,000
Specific Programs:		
Educational Literacy Programs	46,977	37,940
Internship Program	8,530	-
Youth Service Capacity Building Grant	24,000	50,000
Creative NYC Language Access Fund Award	<u>-</u>	<u>4,313</u>
Total Net Assets with Donor Restrictions	<u>\$119,507</u>	<u>\$102,253</u>

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Furniture and fixtures	5 years	\$18,699	\$15,999
Website	3 years	<u>11,700</u>	<u>10,500</u>
		30,399	26,499
Less: Accumulated depreciation		<u>(15,092)</u>	<u>(8,796)</u>
		<u>\$15,307</u>	<u>\$17,703</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.

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:

<u>Year Ending June 30,</u>	
2022	\$56,010
2023	57,690
Thereafter through December 31, 2023	29,271

BEHIND THE BOOK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 7 - Commitment and Contingency (continued)

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, 2021 and 2020, the Organization received the following donated services and materials:

	<u>2021</u>	<u>2020</u>
Educational materials	\$61,330	\$72,064
Special event costs	7,878	1,444
Professional services	<u>3,150</u>	<u>-</u>
	<u>\$72,358</u>	<u>\$73,508</u>

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.

Note 10 - Risks and Uncertainties

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Management immediately began to assess the potential impact by implementing expense reductions, seeking support from major donors, transitioning to on-line programming and securing funding under the federal CARES Act.