The Book Fairies

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Review Report

Board of Directors
The Book Fairies, Inc.
70 N Main Street
Freeport, New York NY

We have reviewed the accompanying financial statements of The Book Fairies, Inc. (hereinafter the "Book Fairies"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Book Fairies' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Cerini & Associates LLP

Bohemia, New York
October 20, 2020

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STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS		
Current Assets:		
Cash and cash equivalents	$	151,175
Donated book inventory		200
Accounts receivable		2,500
Prepaid expenses		1,183
TOTAL ASSETS	$	155,058
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	3,771
Accrued expenses		4,000
TOTAL LIABILITIES		7,771
Net Assets:		
Without donor restrictions		147,287
TOTAL LIABILITIES AND NET ASSETS	$	155,058

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

SUPPORT AND REVENUE		
Contributions and grants	$	131,137
Book sales		13,026
Registration fees		10,760
Other income		164
Donated book income		119,530
Gross proceeds from special events		68,482
Less: direct benefit to donors		(6,307)
Net proceeds from special events		62,175
TOTAL SUPPORT AND REVENUE		336,792
EXPENSES		
Program		218,856
General and administrative		22,642
Fundraising		61,993
TOTAL EXPENSES		303,491
CHANGE IN NET ASSETS		33,301
Net assets, beginning of year		113,986
Net assets, end of year	$	147,287

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes	$ 77,524	$ 12,487	$ 52,026	$ 142,037
Professional fees	1,125	5,345	4,125	10,595
Office supplies and expenses	9,870	-	-	9,870
Insurance	-	2,189	-	2,189
Marketing	-	-	3,458	3,458
Meetings	-	223	-	223
Travel	-	128	-	128
Contributions	10,807	-	-	10,807
Bank fees	-	108	-	108
Processing fees	-	1,218	2,384	3,602
Miscellaneous	-	944	-	944
Donated book expense	119,530	-	-	119,530
TOTAL EXPENSES	$ 218,856	$ 22,642	$ 61,993	$ 303,491

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	33,301
Changes in operating assets and liabilities:		
Accounts receivable		(2,500)
Prepaid expenses		(933)
Accounts payable		2,771
Accrued expenses		4,000
NET CASH PROVIDED BY OPERATING ACTIVITIES		36,639
Total cash and cash equivalents, beginning of year		114,536
Total cash and cash equivalents, end of year	$	151,175

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Book Fairies, Inc. (hereinafter, the "Book Fairies") is presented to assist in understanding the Book Fairies' financial statements. The financial statements and notes are representations of the Book Fairies' management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP") and have been consistently applied in the preparation of the financial statements.

Organization: The Book Fairies, a non-profit organization, is located in Freeport, New York. The Book Fairies collects reading materials for people in need throughout metropolitan New York. The reading materials foster literacy and academic success, provide a respite from personal struggles, and nurture a love of reading across age groups.

The Book Fairies' major programs include Community Initiatives, Children's Education Events, and the Global Literacy Partnership. Community Initiatives supplies, maintains, and refreshes books for shelves in various sites in underserved communities to improve access to books and encourage reading through varied and high-interest selections. Children's Education Events provide literacy programming to students in high-need districts through community book fairs, free school book fairs, summer totes, and special giveaways. The Global Literacy Partnership involves partnering with organizations that provide much-needed school supplies to disadvantaged schools in Africa.

Income Tax Status: The Book Fairies is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported. The Book Fairies is also exempt from state and local taxes. The Book Fairies management has evaluated for uncertain tax positions and determined that there were no uncertain positions for 2019.

The Book Fairies is supported by donations from the general public. The Book Fairies files an IRS Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by federal, state, and local authorities. Management of the Book Fairies believe that it has registered in all states where its activities require it be registered.

Basis of Accounting: These financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Recent Accounting Pronouncements: During the year ended December 31, 2019, the Book Fairies adopted Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Book Fairies has adjusted the presentation of these statements accordingly.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

During the year ended December 31, 2019, the Book Fairies adopted ASU 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Book Fairies' services that fall within the scope of ASC 606 are presented within special events revenue, and are recognized as revenue as the Book Fairies satisfies its obligation to the attendees. There was no impact to the Book Fairies' net assets as a result of adopting this ASU.

During the year ended December 31, 2019, the Book Fairies adopted the ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 amends Accounting Standards Codification ("ASC") 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions are subject to other guidance (i.e. ASC 606) and (2) determining whether a contribution(s) is conditional. The Book Fairies has determined that there is no impact to the financial statements as a result of the adoption of this ASU.

Financial Statement Presentation: The Book Fairies is required 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 stipulations and may be expended for any purpose in performing the primary objectives of the Book Fairies.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Book Fairies or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

There were no net assets with donor restrictions as of December 31, 2019.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents: The Book Fairies considers all money market accounts and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. The Book Fairies considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are written off when management deems the possibility of collecting amounts due as completely unlikely. The Book Fairies closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status.

Contributions: Contributions are recognized when the donor makes a promise to give to the Book Fairies 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 contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Fundraising Events: Special events revenue is recorded at the time the events take place. Costs incurred for which a donor receives a direct benefit, exchange transactions, have been offset against the revenue in the statement of activities. Other costs related to the events for which the donor does not receive a direct benefit are included within fundraising costs in the statement of functional expenses.

Donated Book Inventory: Donated inventory is recorded at fair value at the time of the donation. The Book Fairies reviews the carrying value of its inventory for possible impairment whenever events or changes in circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss would be recognized when the fair value of the inventory is lower than the carrying amount, in which case a write-down is recorded to reduce the related asset to its estimated fair value.

Donated Book Income and Expense: The Book Fairies receives donated books. Management has estimated the value of the donated books received during the year ended December 31, 2019 to be $119,530. The estimated fair market value of these books has been included in the accompanying statement of activities and the statement of functional expenses.

Donated Services: The Book Fairies benefits from volunteer services, which help to advance the Book Fairies' mission; however, no amounts have been reflected in the financial statements for contributed services as such services do not meet the criteria for recognition in the financial statements under accounting principles generally accepted in the United States of America, nor do they create or enhance nonfinancial assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the program, management and general, and fundraising categories. Most costs incurred by the Book Fairies are directly assignable to these categories. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Salaries and payroll taxes are allocated based upon time charged to program related, management and general, and fundraising functions.

Events Occurring After Report Date: The Book Fairies has evaluated events and transactions that occurred between January 1, 2020 and October 20, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2 – CONCENTRATION OF RISK

The Book Fairies maintains cash in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. The Book Fairies has not incurred any losses in such accounts to date.

During the year ended December 31, 2019, approximately 37% of the Book Fairies' total contribution revenue was derived from five donors.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Book Fairies' financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 151,175
Accounts receivable	2,500
Total financial assets	$ 153,675

The Book Fairies' goal is to maintain financial assets to cover operating expenses for ninety days (approximately $46,000).

NOTE 4 – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The financial impact of this matter cannot be estimated at this time.

NOTE 4 – SUBSEQUENT EVENTS *(continued)*

In May 2020, the Book Fairies received a loan of $28,550 as part of the Paycheck Protection Program of the United States of America CARES Act. The loan may be forgiven entirely based on levels of qualified expenditures to be made by the Book Fairies over a period subsequent to funding. Any amount not forgiven will be required to be repaid and amortized over a five-year term at an interest rate of 1%. Management expects that most, it not all, of this loan will be forgiven, at which point revenue will be recognized.