



*FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021*

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**THE BOOK FAIRIES, INC.**

**FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
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**CERINI**  
*&* **LLP**  
**ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Accountant's Review Report

To the 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. 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.

### *Accountants' Responsibility*

Our responsibility is to conduct the review 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.

We are required to be independent of the Book Fairies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### *Accountants' Conclusion*

Based on our reviews, 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  
May 8, 2023

**THE BOOK FAIRIES, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31,**

**2022**

**2021**

**ASSETS**

**Current Assets:**

Cash and cash equivalents .....	\$	473,422	\$	396,114
Donated book inventory.....		12,283		4,936
Accounts receivable.....		4,000		12,480
Prepaid expenses.....		900		1,150

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>490,605</b>	<b>\$</b>	<b>414,680</b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable.....	\$	12,711	\$	3,604
Accrued expenses.....		3,948		3,100

<b>TOTAL LIABILITIES</b>		<b>16,659</b>		<b>6,704</b>
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**Net Assets:**

Without donor restrictions.....		473,946		407,976
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>490,605</b>	<b>\$</b>	<b>414,680</b>
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**THE BOOK FAIRIES, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31,**

**2022**

**2021**

<b>SUPPORT AND REVENUE</b>		
Contributions and grants.....	\$ 490,534	\$ 460,307
Book sales.....	27,920	22,102
Registration fees.....	9,800	6,680
Paycheck Protection Program loan forgiveness income.....	-	33,090
Other income.....	1,272	23,863
Donated book income.....	121,875	112,998
	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE</b>	651,401	659,040
<b>EXPENSES</b>		
Program.....	398,934	289,630
General and administrative.....	49,775	37,156
Fundraising.....	136,722	117,460
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	585,431	444,246
<b>CHANGE IN NET ASSETS</b>	65,970	214,794
Net assets, beginning of year.....	407,976	193,182
	<hr/>	<hr/>
Net assets, end of year.....	\$ 473,946	\$ 407,976
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**THE BOOK FAIRIES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and payroll taxes.....	\$ 193,648	\$ 27,290	\$ 70,449	\$ 291,387
Professional fees.....	45,169	4,500	49,402	99,071
Office supplies and expenses.....	9,112	5,242	1,073	15,427
Insurance.....	-	4,151	-	4,151
Marketing.....	7,285	-	2,355	9,640
Meetings and travel.....	93	2,887	106	3,086
Contributions.....	17,779	704	67	18,550
Bank fees.....	-	40	-	40
Processing fees.....	475	1,014	8,995	10,484
Miscellaneous.....	674	250	4,275	5,199
Donated book expense.....	114,528	-	-	114,528
Occupancy expense.....	10,171	2,197	-	12,368
Bad debt expense.....	-	1,500	-	1,500
<b>TOTAL EXPENSES</b>	<b>\$ 398,934</b>	<b>\$ 49,775</b>	<b>\$ 136,722</b>	<b>\$ 585,431</b>

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes.....	137,599	\$ 19,943	\$ 62,945	\$ 220,487
Professional fees.....	31,153	4,300	41,073	76,526
Office supplies and expenses.....	5,900	4,870	5,940	16,710
Insurance.....	-	3,453	-	3,453
Marketing.....	3,256	357	1,758	5,371
Meetings and travel.....	70	2,081	-	2,151
Contributions.....	650	124	737	1,511
Bank fees.....	-	15	-	15
Processing fees.....	291	363	5,007	5,661
Miscellaneous.....	2,449	1,650	-	4,099
Donated book expense.....	108,262	-	-	108,262
Occupancy expense.....	-	-	-	-
Bad debt expense.....	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 289,630</b>	<b>\$ 37,156</b>	<b>\$ 117,460</b>	<b>\$ 444,246</b>

**THE BOOK FAIRIES, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31,**

**2022**

**2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets.....	\$ 65,970	\$ 214,794
<u>Adjustment to reconcile change in net assets to net cash provided by operating activities:</u>		
Forgiveness of Paycheck Protection Program loan.....	-	(33,090)
Bad debt expense.....	1,500	-
<u>Changes in operating assets and liabilities:</u>		
Donated book inventory.....	(7,347)	(491)
Accounts receivable.....	6,980	(1,682)
Prepaid expenses.....	250	(1)
Accounts payable.....	9,107	(1,010)
Accrued expenses.....	848	(1,100)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>77,308</b>	<b>177,420</b>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:</b>		
Proceeds from issuance of Paycheck Protection Program loan.....	-	33,090
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>77,308</b>	<b>210,510</b>
Total cash and cash equivalents, beginning of year .....	396,114	185,604
Total cash and cash equivalents, end of year .....	<u>\$ 473,422</u>	<u>\$ 396,114</u>



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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**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 schoolbook 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 2022 and 2021.

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 believes 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 Pronouncement: Effective for the year ended December 31, 2022, the Book Fairies was required to adopt Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this accounting pronouncement, the Book Fairies presents contributed nonfinancial assets as a separate line in the accompanying statements of activities and provides additional disclosures about contributions of nonfinancial assets. These additional disclosures include qualitative information about whether contributed nonfinancial assets were either monetized or utilized during the reporting period, a description of any donor-imposed restrictions associated with the

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

contributed nonfinancial assets, and a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition.

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 may be perpetual in nature, whereby the donors may stipulate 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 statements of activities.

There were no net assets with donor restrictions as of both December 31, 2022 and 2021.

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

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.

During 2022, management wrote off \$1,500 of uncollectible accounts receivable. Management believes all receivables are considered collectible and therefore there was no allowance for doubtful accounts established as of December 31, 2022 and 2021.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point contributions are recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

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 and distributes donated books. Management measures the fair value of donated books based on an estimated salvage value for used books of \$0.20 per book. Management has estimated the value of the donated books received during the years ended December 31, 2022 and 2021 to be \$121,875 and \$112,998, respectively. The estimated fair market value of received books has been included in the accompanying statements of activities. Management has estimated the value of the donated books distributed during the years ended December 31, 2022 and 2021 to be \$114,528 and \$108,262, respectively. The estimated fair market value of distributed books has been included in the accompanying statements of functional expenses. There were no donor-imposed restrictions associated with the in-kind donations.

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.

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, general and administrative, 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 estimated time spent on program related, general and administrative, and fundraising functions.
- Professional fees are allocated based upon underlying use of the services.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

Events Occurring After Report Date: The Book Fairies has evaluated events and transactions that occurred between January 1, 2023 and May 8, 2023, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassification: Certain balances in the financial statements for the year ended December 31, 2021 were reclassified to conform to the current year presentation.

**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 years ended December 31, 2022 and 2021, approximately 27% and 29%, respectively, of the Book Fairies' total contribution revenue was derived from its four largest donors in 2022 and five largest donors in 2021.

**NOTE 3 - LEASE COMMITMENT**

Effective September 2022, the Book Fairies leased warehouse space from family members of a board member on a month-to-month basis. Effective January 1, 2023, the Book Fairies entered into a formal lease agreement for a one year term, requiring a base monthly rent payment of \$3,200. If elected to renew for another year, the monthly rent payments increase to \$3,500, effective December 1, 2023. As this lease does not exceed one year in duration, it is classified as a short-term lease that is not subject to the provisions of Accounting Standards Codification 842, Leases, requiring the recognition of a right-of-use asset and lease liability.

**NOTE 4 - AVAILABILITY AND LIQUIDITY**

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

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents.....	\$ 473,422	\$ 396,114
Accounts receivable.....	4,000	12,480
Financial assets available to meet general expenditures over the next twelve months.....	<u>\$ 477,422</u>	<u>\$ 408,594</u>

The Book Fairies' goal is to maintain financial assets to cover operating expenses for ninety days (approximately \$118,000).

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 5 - FINANCIAL IMPACTS OF THE COVID-19 PANDEMIC**

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

In May 2020, the Book Fairies received a loan of \$28,550 as part of the Paycheck Protection Program ("PPP") of the United States of America CARES Act. PPP forgiveness income was recognized during the year ended December 31, 2020 because qualifying expenditures were incurred during the year then ended up to the total amount of the loan. The loan was formally forgiven by the United States Small Business Administration ("SBA") during the year ended December 31, 2021.

In March 2021, the Book Fairies received a second PPP loan of \$33,090. The loan was forgiven in October 2021. PPP forgiveness income was recognized during the year ended December 31, 2021 because qualifying expenditures were incurred during the year then ended up to the total amount of the loan.

During the year ended December 31, 2021 the Book Fairies also applied for Employee Retention Tax Credits ("ERTC"). The ERTC is a payroll tax credit (not an income tax credit) and is ultimately to be reported on IRS Form 941. Eligible employers can claim the ERTC by computing the ERTC amount for a pay period and decreasing the required payroll deposit by that amount. To be eligible, organizations must meet one of the following criteria: (1) the organization's operations were either fully or partially suspended due to a COVID-19 government order; or (2) the organization suffered a significant reduction in gross receipts as compared with the same calendar quarter in the previous year. The Book Fairies was eligible to apply and recognized \$20,806 ERTC tax credits within other income in the statement of activities for the year ended December 31, 2021.