



BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
WITH
ACCOUNTANTS' COMPILATION REPORT

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2022 AND 2021

	<u>PAGE</u>
Accountants' compilation report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets	3-4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to the financial statements	8-12

GOLDEN, GORMLY & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

55 CHERRY LANE, 2A - P.O. BOX 150 - WAKEFIELD, RHODE ISLAND 02880

ROBERT C. GOLDEN, CPA
BRIAN P. GORMLY, CPA

TELEPHONE (401) 783-1040
FAX (401) 782-1040

ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Books Are Wings, Inc.
Pawtucket, Rhode Island

Management is responsible for the accompanying financial statements of Books Are Wings, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Golden, Gormly & Company, Ltd.

Golden, Gormly & Company, Ltd.
Wakefield, Rhode Island

June 6, 2023

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash	\$ 94,666	\$ 108,606
Grant receivable	11,992	12,500
Pledges receivable	1,000	655
Prepaid expenses	572	2,182
Inventory	20,916	16,277
Property and equipment, net of related accumulated depreciation	20,510	24,905
Security deposit	1,615	-
Total assets	\$ 151,271	\$ 165,125
 Liabilities and Net Assets		
Liabilities		
Note Payable	\$ -	\$ 16,432
Total liabilities	\$ -	\$ 16,432
 Net Assets		
Without donor restrictions	\$ 138,771	\$ 137,193
With donor restrictions	12,500	11,500
Total net assets	\$ 151,271	\$ 148,693
Total liabilities and net assets	\$ 151,271	\$ 165,125

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets from:			
Revenue and contributed support:			
Contributions and grants	\$ 78,180	\$ 153,158	\$ 231,338
Donated goods and services	39,068	-	39,068
Special events, net	7,847	-	7,847
Loan Forgiveness Income	16,516	-	16,516
Net assets released from restrictions:			
Satisfaction of program restrictions	152,158	(152,158)	-
Total revenue and support	<u>293,769</u>	<u>1,000</u>	<u>294,769</u>
Expenses:			
Program services	229,067	-	229,067
Management and general	26,211	-	26,211
Fundraising	36,913	-	36,913
Total expenses	<u>292,191</u>	<u>-</u>	<u>292,191</u>
Change in net assets	1,578	1,000	2,578
Net assets, beginning of year	<u>137,193</u>	<u>11,500</u>	<u>148,693</u>
Net assets, end of year	<u>\$ 138,771</u>	<u>\$ 12,500</u>	<u>\$ 151,271</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	2021		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Changes in net assets from:			
Revenue and contributed support:			
Contributions and grants	\$ 96,707	\$ 100,200	\$ 196,907
Donated goods and services	34,995	-	34,995
Special events, net	11,110	-	11,110
Loan Forgiveness Income	16,432	-	16,432
Net assets released from restrictions:			
Satisfaction of program restrictions	88,700	(88,700)	-
Total revenue and support	<u>247,944</u>	<u>11,500</u>	<u>259,444</u>
Expenses:			
Program services	158,720	-	158,720
Management and general	12,847	-	12,847
Fundraising	34,379	-	34,379
Total expenses	<u>205,946</u>	<u>-</u>	<u>205,946</u>
Change in net assets	41,998	11,500	53,498
Net assets, beginning of year	<u>95,195</u>	<u>-</u>	<u>95,195</u>
Net assets, end of year	<u>\$ 137,193</u>	<u>\$ 11,500</u>	<u>\$ 148,693</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	2022			
	Program services	Management and general	Fundraising	Total
Personnel costs:				
Salaries and payroll taxes	\$ 119,491	\$ 11,920	\$ 18,146	\$ 149,557
Total personnel costs	119,491	11,920	18,146	149,557
Other costs:				
Program materials and supplies	36,888	-	-	36,888
Donated books	33,055	-	-	33,055
Unusable books	1,375	-	-	1,375
Contract Services	12,010	-	12,010	24,020
Rent and utilities	13,566	6,484	2,907	22,957
Accounting	-	4,800	-	4,800
Van expenses	2,226	-	-	2,226
Depreciation	4,395	-	-	4,395
Marketing	1,197	975	187	2,359
Telephone and technology	1,478	357	278	2,113
Payroll processing	-	1,349	-	1,349
Travel	1,980	48	16	2,044
Fundraising expenses	-	-	1,763	1,763
Office supplies	112	21	238	371
Postage and printing	-	19	491	510
Insurance	567	-	-	567
Website	354	-	354	708
Grant write-off	-	-	-	-
Other	373	238	523	1,134
Total other costs	109,576	14,291	18,767	142,634
Total expenses	\$ 229,067	\$ 26,211	\$ 36,913	\$ 292,191

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	2021			
	Program services	Management and general	Fundraising	Total
Personnel costs:				
Salaries and payroll taxes	\$ 71,483	\$ 6,134	\$ 20,286	\$ 97,903
Total personnel costs	71,483	6,134	20,286	97,903
Other costs:				
Program materials and supplies	21,835	-	-	21,835
Donated books	24,435	-	-	24,435
Unusable books	950	-	-	950
Contract Services	16,878	-	9,170	26,048
Rent and utilities	12,116	2,923	2,596	17,635
Accounting	-	1,291	-	1,291
Van expenses	2,813	-	-	2,813
Depreciation	4,395	-	-	4,395
Marketing	-	175	1	176
Telephone and technology	1,298	333	238	1,869
Payroll processing	-	1,125	-	1,125
Travel	1,295	-	83	1,378
Fund-raising expenses	-	-	1,205	1,205
Office supplies	253	96	-	349
Postage and printing	373	34	201	608
Insurance	-	622	-	622
Website	586	-	251	837
Other	10	114	348	472
Total other costs	87,237	6,713	14,093	108,043
Total expenses	\$ 158,720	\$ 12,847	\$ 34,379	\$ 205,946

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,578	\$ 53,498
Reconciliation of changes in net assets to net cash provided by operating activities:		
Depreciation	4,395	4,395
In-kind donation of books, net	(6,014)	(10,560)
Loan Forgiveness Income	(16,432)	
Changes in asset and liability accounts:		
(Increase) decrease in grant receivable	508	(1,300)
(Increase) pledges receivable	(345)	(655)
(Increase) decrease in prepaid expenses	1,610	(2,125)
Decrease in inventory	1,375	950
(Increase) in security deposit	(1,615)	
Net cash flow provided by (used in) operating activities	<u>(13,940)</u>	<u>44,203</u>
Cash flows from investing activities:		
Purchase of vehicle	<u>-</u>	<u>-</u>
Net cash flow provided by (used in) operating activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Loan proceeds	<u>-</u>	<u>-</u>
Net cash flow provided by (used in) operating activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash	(13,940)	44,203
Cash at beginning of year	<u>\$ 108,606</u>	<u>\$ 64,403</u>
Cash at end of year	<u><u>\$ 94,666</u></u>	<u><u>\$ 108,606</u></u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1. Description of organization and summary of significant accounting policies

a) Description of organization:

Books Are Wings, Inc. (the Organization) is a Rhode Island nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is to improve literacy by putting free books into the hands of children. This is done through an active volunteer base and community engagement primarily at book parties held by the Organization at local schools, libraries, community centers, and summer programs. The Organization is located in Pawtucket, Rhode Island.

b) Summary of significant accounting policies:

Accounting method: The Organization uses the accrual basis of accounting.

Basis of presentation: The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under this guidance, the Organization is required to report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits based on the nature of the Organization, the environment in which it operates, the purposes specified in the organizational documents and its application for tax exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; The Organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Promises to give: Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period the promise to give is made and as net assets, decreases of liabilities, or as expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1. Description of organization and summary of significant accounting policies (continued)

Property and equipment and depreciation: Property and equipment is stated at cost except donated property and equipment which is capitalized at its fair market value (FMV) at date of donation. The threshold for capitalizing donated equipment is a FMV of \$500 or more. Depreciation is provided for by use of the straight-line method over the estimated useful life of the assets. The Organization capitalizes all other property and equipment costing over \$500.

Donated goods and services: The Organization records only the value of donated goods, services, and facilities it would have otherwise expended its own resources to obtain at fair market value at the date of the donation.

Cash and cash equivalents: Cash is considered to be cash in bank accounts and on hand for the purposes of the presentation of cash on the statements of cash flows. The Organization had no cash equivalents at June 30, 2022 and 2021.

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 the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing certain activities have been summarized on a functional basis in the statement of activities and changes in net assets. The Organization allocates expenses between functional categories on a specific identification basis where practical and on a percentage allocation where specific identification is not practical based on management's judgment and consistent with the prior year's allocations except when change is warranted.

Grant revenue: Grant revenue deemed an exchange transaction is recognized when earned as the Organization fulfills the terms accompanying award of such funds. Revenue received but not earned is classified as a liability or net assets with donor restrictions on the statement of financial position. Grant revenue not deemed an exchange transaction is recognized as a contribution.

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Therefore, the Organization has not made a provision for federal or state income taxes in the accompanying financial statements.

Uncertain tax positions: The Organization accounts for certain tax positions in accordance with the Tax Topics of the FASB Accounting Standards Codification. This guidance increases the relevancy and comparability of financial reporting by clarifying the way entities account for uncertainties in income taxes for tax positions taken or expected to be taken. The adoption of this guidance resulted in no change to net assets and no increase in accrued liabilities. The Organization has evaluated its accounting and tax positions, including its properly approved and maintained non-profit status, and is of the opinion that more likely than not policies and positions it has adopted will remain unchanged.

Compensated absences: Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1. Description of organization and summary of significant accounting policies (continued)

Inventory: Inventory consists of books that are valued at the industry standard fair value for used books of \$0.50 for paperback books and \$1.00 for hard cover books on the date of their contribution. Inventory consisted of 41,831 donated books at June 30, 2022 and 32,454 donated books at June 30, 2021. Revenue from donated books is recognized at the time of the donation. Expense is recognized at the time of distribution.

Advertising costs: Advertising costs are expensed as incurred. The Organization incurred \$2,359 and \$176 in advertising costs for the years ended June 30, 2022 and 2021, respectively.

Subsequent events: Management has evaluated subsequent events through June 6, 2023, which is the date the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

2. Liquidity and availability resources

The Organization's financial assets available for general use within one year of the statement of financial position date of June 30, 2022 are as follows:

Cash	\$ 94,666
Receivables	<u>12,992</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 107,658</u>

The Organization manages its cash available to meet general expenditures using the following principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets

3. Property and equipment, net

Changes in property and equipment accounts during the year ended June 30, 2022 are as follows:

<u>Category:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$2,406	\$ -	\$ -	\$2,406
Vehicle	30,765	-	-	30,765
Less: Accumulated depreciation	<u>(8,266)</u>	<u>(4,395)</u>	-	<u>(12,661)</u>
Property and equipment, net:	<u>\$24,905</u>	<u>\$ (4,395)</u>	<u>\$ -</u>	<u>\$20,510</u>

Changes in property and equipment accounts during the year ended June 30, 2021 are as follows:

<u>Category:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$2,406	\$ -	\$ -	\$2,406
Vehicle	30,765	-	-	30,765
Less: Accumulated depreciation	<u>(3,871)</u>	<u>(4,395)</u>	-	<u>(8,266)</u>
Property and equipment, net:	<u>\$29,300</u>	<u>\$ (4,395)</u>	<u>\$ -</u>	<u>\$24,905</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

4. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes as of June 30, 2022:

	<u>2022</u>
General Programming – unspent grant funding	\$12,500

Net assets with donor restrictions are available for the following purposes as of June 30, 2021:

	<u>2021</u>
General Programming – unspent grant funding	\$11,500

5. Lease commitments

On August 15, 2017, the Organization entered into a lease agreement for 1,165 square feet of office space in Pawtucket, Rhode Island. The lease commenced on September 15, 2017 and expired August 15, 2018 with monthly rent of \$1,236. The lease agreement was renewed and extended from August 16, 2018 through August 15, 2019 with monthly rent at \$1,358. The lease agreement was extended again from August 16, 2019 through August 31, 2020 with monthly rent at \$1,396 and again from September 1, 2020 through August 31, 2021 with monthly rent of \$1,434.49. On May 25, 2021 the Organization entered into a lease agreement for 1,680 square feet of office space in Pawtucket. The lease commenced on July 1, 2021 and expires on July 31, 2022 with monthly rent of \$1,615 per month.

Total rent expense under the above operating leases was \$18,368 and \$17,350 for the years ended June 30, 2022 and 2021, respectively.

Future minimum rental payments due under the terms of the operating leases are as follows:

June 30,	2023	\$19,380
	2024	<u>1,615</u>
	Total	<u>\$20,995</u>

6. Donated goods and services

The Organization received the following in-kind contributions during 2022:

Books	\$39,068
-------	----------

The Organization received the following in-kind contributions during 2021:

Books	\$34,995
-------	----------

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

6. Donated goods and services (continued)

Volunteers have donated significant time to the Organization's program services without charge, which was not recognized as revenue. Volunteers contributed 150 hours and 100 hours of service in 2022 and 2021, respectively.

7. Note Payable

In April 2020, the Organization was granted a loan from Pawtucket Credit Union in the amount of \$16,432 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The loan, which was in the form of a note dated April 23, 2020 matures on April 23, 2022 and bears interest at a rate of 1% per annum, payable commencing on October 23, 2020. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent and utilities. The organization used the entire amount for qualifying expenses prior to June 30, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses and satisfy other requirements as described in the CARES Act. On November 10, 2020 the Small Business Administration approved forgiveness of the loan amount as well as accrued interest of \$91.75.

In March, 2021, the Organization was granted a loan from Pawtucket Credit Union in the amount of \$16,432 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The loan, which was in the form of a note dated March 22, 2021 matures on March 22, 2023 and bears interest at a rate of 1% per annum, payable commencing on September 23, 2021. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent and utilities. The organization used the entire amount for qualifying expenses prior to June 30, 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses and satisfy other requirements as described in the CARES Act. On September 16, 2021 the Small Business Administration approved forgiveness of the loan amount as well as accrued interest of \$83.99.