



BooksAreWings
Putting Free Books in the Hands of Children

BOOKS ARE WINGS, INC.

(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

WITH

ACCOUNTANTS' COMPILATION REPORT

**BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
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JUNE 30, 2019 AND 2018**

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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 statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

The 2018 financial statements of Books Are Wings, Inc. were compiled by Marcum, LLP, whose report dated March 21, 2019, stated that they did not audit or review the 2018 financial statements, and accordingly, they did not express an opinion, a conclusion, nor provide any form of assurance on those financial statements.

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

January 28, 2020

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Cash	\$ 35,430	\$ 18,430
Grant receivable	7,200	15,000
Prepaid expenses	685	1,700
Inventory	35,844	38,572
Property and equipment, net of related accumulated depreciation	525	1,524
Total assets	\$ 79,684	\$ 75,226
 Net Assets		
Without donor restrictions	\$ 45,366	\$ 22,556
With donor restrictions	34,318	52,670
Total net assets	\$ 79,684	\$ 75,226

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Changes in net assets from:			
Revenue and contributed support:			
Contributions and grants	\$ 65,553	\$ 72,328	\$ 137,881
Donated goods and services	38,780	-	38,780
Special events, net	23,978	-	23,978
Net assets released from restrictions:			
Satisfaction of program restrictions	87,680	(87,680)	-
Total revenue and support	<u>215,991</u>	<u>(15,352)</u>	<u>200,639</u>
Expenses:			
Program services	129,224	3,000	132,224
Management and general	16,333	-	16,333
Fundraising	47,624	-	47,624
Total expenses	<u>193,181</u>	<u>3,000</u>	<u>196,181</u>
Change in net assets	22,810	(18,352)	4,458
Net assets, beginning of year	<u>22,556</u>	<u>52,670</u>	<u>75,226</u>
Net assets, end of year	<u>\$ 45,366</u>	<u>\$ 34,318</u>	<u>\$ 79,684</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets from:			
Revenue and contributed support:			
Contributions and grants	\$ 61,712	\$ 70,050	\$ 131,762
Donated goods and services	35,187	-	35,187
Special events, net	9,390	-	9,390
Net assets released from restrictions:			
Satisfaction of program restrictions	36,137	(36,137)	-
Total revenue and support	<u>142,426</u>	<u>33,913</u>	<u>176,339</u>
Expenses:			
Program services	92,389	-	92,389
Management and general	25,985	-	25,985
Fundraising	51,926	-	51,926
Total expenses	<u>170,300</u>	<u>-</u>	<u>170,300</u>
Change in net assets	(27,874)	33,913	6,039
Net assets, beginning of year	<u>50,430</u>	<u>18,757</u>	<u>69,187</u>
Net assets, end of year	<u>\$ 22,556</u>	<u>\$ 52,670</u>	<u>\$ 75,226</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

2019

	Program services	Management and general	Fundraising	Total
Personnel costs:				
Salaries and payroll taxes	\$ 61,111	\$ 7,280	\$ 43,389	\$ 111,780
Total personnel costs	61,111	7,280	43,389	111,780
Other costs:				
Book parties and materials	6,873	-	-	6,873
Donated books	41,355	-	-	41,355
Furniture and equipment	-	-	-	-
Rent and utilities	11,589	3,045	2,483	17,117
Contract Services	500	2,500	-	3,000
Accounting	-	1,200	-	1,200
Telephone and technology	930	199	199	1,328
Van expenses	1,996	-	-	1,996
Marketing	2,289	-	50	2,339
Payroll processing	-	909	-	909
Depreciation	999	-	-	999
Travel	1,009	15	154	1,178
Internet and website	277	-	277	554
Postage and printing	259	36	230	525
Insurance	-	580	-	580
Fund-raising expenses	-	-	663	663
Office supplies	37	238	-	275
Grant write-off	3,000	-	-	3,000
Other	-	331	179	510
Total other costs	71,113	9,053	4,235	84,401
Total expenses	\$ 132,224	\$ 16,333	\$ 47,624	\$ 196,181

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

2018

	Program services	Management and general	Fundraising	Total
Personnel costs:				
Salaries and payroll taxes	\$ 36,656	\$ 18,976	\$ 46,292	\$ 101,924
Total personnel costs	<u>36,656</u>	<u>18,976</u>	<u>46,292</u>	<u>101,924</u>
Other costs:				
Book parties and materials	5,073	-	-	5,073
Donated books	24,058	-	-	24,058
Furniture and equipment	6,963	479	-	7,442
Rent and utilities	10,592	2,197	1,996	14,785
Accounting	-	1,150	-	1,150
Telephone and technology	1,046	206	204	1,456
Van expenses	3,412	-	-	3,412
Marketing	1,782	-	447	2,229
Payroll processing	-	978	-	978
Depreciation	1,533	51	51	1,635
Travel	387	-	-	387
Internet and website	521	-	521	1,042
Postage and printing	70	113	278	461
Insurance	-	470	-	470
Fund-raising expenses	-	-	805	805
Office supplies	-	201	18	219
Other	296	1,164	1,314	2,774
Total other costs	<u>55,733</u>	<u>7,009</u>	<u>5,634</u>	<u>68,376</u>
Total expenses	<u>\$ 92,389</u>	<u>\$ 25,985</u>	<u>\$ 51,926</u>	<u>\$ 170,300</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,458	\$ 6,039
Reconciliation of changes in net assets to net cash provided by operating activities:		
Depreciation	999	1,635
In-kind donation of books, net	2,575	(4,380)
Changes in asset and liability accounts:		
(Increase) decrease in grant receivable	7,800	(12,700)
(Increase) decrease in prepaid expenses	1,015	(599)
Decrease in inventory	153	203
Net cash flow provided by (used in) operating activities	<u>17,000</u>	<u>(9,802)</u>
Net (decrease) increase in cash	17,000	(9,802)
Cash at beginning of year	<u>\$ 18,430</u>	<u>\$ 28,232</u>
Cash at end of year	<u><u>\$ 35,430</u></u>	<u><u>\$ 18,430</u></u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 AND 2018

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, 2019 and 2018.

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, 2019 AND 2018

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 71,689 donated books at June 30, 2019 and 76,838 donated books at June 30, 2018. 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 \$2,339 and \$2,229 in advertising costs for the years ended June 30, 2019 and 2018, respectively.

Change in accounting principles: The Organization implemented FASB ASU No. 2016-14 in the current year. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (See Note 2.)

Subsequent events: Management has evaluated subsequent events through January 28, 2020, 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, 2019 are as follows:

Cash	\$ 35,430
Grant Receivable	<u>7,200</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,630</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

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

3. Property and equipment, net

Changes in property and equipment accounts during the year ended June 30, 2019 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	2,700	-	-	2,700
Less: Accumulated depreciation	<u>(3,582)</u>	<u>(999)</u>	<u>-</u>	<u>(4,581)</u>
Property and equipment, net	<u>\$1,524</u>	<u>\$(999)</u>	<u>\$ -</u>	<u>\$ 525</u>

Changes in property and equipment accounts during the year ended June 30, 2018 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	2,700	-	-	2,700
Less: Accumulated depreciation	<u>(1,947)</u>	<u>(1,635)</u>	<u>-</u>	<u>(3,582)</u>
Property and equipment, net	<u>\$3,159</u>	<u>\$(1,635)</u>	<u>\$ -</u>	<u>\$ 1,524</u>

4. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes as of June 30, 2019:

	<u>2019</u>
Book spot program – unspent grant funding	\$14,742
Programs in Pawtucket– unspent grant funding	9,901
Programs in Central Falls – unspent grant funding	3,616
Programs in Newport – unspent grant funding	3,059
Book donation supplies – unspent grant funding	<u>3,000</u>
Total net assets with donor restrictions	<u>\$34,318</u>

Net assets with donor restrictions are available for the following purposes as of June 30, 2018:

	<u>2018</u>
Programs in Central Falls – unspent grant funding	\$28,000
Programs in Pawtucket– unspent grant funding	8,000
Summer programs	7,255
Programs in Providence – unspent grant funding	6,047
Programs in Woonsocket – unspent grant funding	3,000
Programs in Newport – unspent grant funding	<u>368</u>
Total net assets with donor restrictions	<u>\$52,670</u>

BOOKS ARE WINGS, INC.
(A NON-PROFIT ORGANIZATION)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

Total rent expense under the above operating leases was \$16,687 and \$14,421 for the years ended June 30, 2019 and 2018, respectively

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

June 30,	2020	\$16,752
	2021	<u>2,792</u>
	Total	<u>\$19,544</u>

6. Donated goods and services

The Organization received the following in-kind contributions during 2019:

Books	\$38,780
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The Organization received the following in-kind contributions during 2018:

Books	\$28,437
Furniture	<u>6,750</u>
Total	<u>\$35,187</u>

Volunteers have donated significant time to the Organization's program services without charge, which was not recognized as revenue. Volunteers contributed 349 hours and 400 hours of service in 2019 and 2018, respectively