

# **Book Industry Charitable Foundation**

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**Financial Report  
December 31, 2015**

# **Book Industry Charitable Foundation**

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## Independent Accountant's Review Report

To the Board of Directors  
Book Industry Charitable Foundation

We have reviewed the accompanying financial statements of Book Industry Charitable Foundation (the "Foundation"), which comprise the balance sheet as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets 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 foundation 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 American Institute of Certified Public Accountants. 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 report.

### ***Accountant's 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.

*Plante & Moran, PLLC*

February 23, 2016

# Book Industry Charitable Foundation

## Balance Sheet

	December 31, 2015	December 31, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 531,693	\$ 826,693
Investments (Note 4)	1,936,813	2,042,447
Prepaid expenses	5,487	5,416
Total current assets	2,473,993	2,874,556
<b>Noncurrent Assets</b>		
Investments - Net of current portion (Note 4)	-	135,000
Security deposits	1,200	1,200
Total assets	<u>\$ 2,475,193</u>	<u>\$ 3,010,756</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,289	\$ 9,827
Derivatives liability (Note 5)	13,597	-
Total current liabilities	28,886	9,827
<b>Net Assets</b>		
Unrestricted	1,787,878	2,292,422
Temporarily restricted	658,429	708,507
Total net assets	2,446,307	3,000,929
Total liabilities and net assets	<u>\$ 2,475,193</u>	<u>\$ 3,010,756</u>

# Book Industry Charitable Foundation

## Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2015			December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions - Employees	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
Contributions - Corporate	12,236	-	12,236	9,500	-	9,500
Contributions - Other	55,680	-	55,680	28,666	-	28,666
In-kind contributions	41,558	-	41,558	4,580	-	4,580
Investment income	52,564	-	52,564	29,277	-	29,277
Unrealized (loss) gain on investments	(114,191)	-	(114,191)	15,702	-	15,702
Net assets released from restrictions	50,078	(50,078)	-	81,897	(81,897)	-
Total revenue, gains, and other support	97,925	(50,078)	47,847	169,622	(78,897)	90,725
<b>Expenses</b>						
Program services:						
Financial assistance	49,279	-	49,279	82,897	-	82,897
Scholarship program	223,924	-	223,924	211,746	-	211,746
Program staffing	62,927	-	62,927	79,902	-	79,902
Other program expenses	29,166	-	29,166	36,150	-	36,150
Management and general (Note 3)	117,677	-	117,677	106,719	-	106,719
Fundraising	119,496	-	119,496	43,399	-	43,399
Total expenses	602,469	-	602,469	560,813	-	560,813
<b>Decrease in Net Assets</b>	(504,544)	(50,078)	(554,622)	(391,191)	(78,897)	(470,088)
<b>Net Assets - Beginning of year</b>	2,292,422	708,507	3,000,929	2,683,613	787,404	3,471,017
<b>Net Assets - End of year</b>	<u>\$ 1,787,878</u>	<u>\$ 658,429</u>	<u>\$ 2,446,307</u>	<u>\$ 2,292,422</u>	<u>\$ 708,507</u>	<u>\$ 3,000,929</u>

See Notes to Financial Statements and  
Independent Accountant's Review Report.

# Book Industry Charitable Foundation

## Statement of Cash Flows

	Year Ended	
	December 31, 2015	December 31, 2014
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (554,622)	\$ (470,088)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Unrealized loss (gain) on investments	114,191	(15,702)
Changes in operating assets and liabilities which (used) provided cash:		
Prepaid expenses	(71)	(3,625)
Accounts payable	5,462	891
Derivatives liability	13,597	-
Net cash used in operating activities	(421,443)	(488,524)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(2,052,549)	(1,610,537)
Proceeds from sales and maturities of investments	2,178,992	2,794,118
Net cash provided by investing activities	126,443	1,183,581
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(295,000)	695,057
<b>Cash and Cash Equivalents - Beginning of year</b>	826,693	131,636
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 531,693</b>	<b>\$ 826,693</b>

# Book Industry Charitable Foundation

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## Notes to Financial Statements December 31, 2015 and 2014

### Note 1 - Nature of Business and Significant Accounting Policies

**Nature of the Organization** - Book Industry Charitable Foundation (the "Foundation") is a nonprofit organization created for the purpose of coordinating programs and services to assist with the charitable needs of the employees of the book industry. The Foundation achieves its objectives through three basic programs: (1) the Employee Assistance Program, (2) the Scholarship Program, and (3) Community Support.

The Employee Assistance Program was established in February 1996 to provide short-term financial assistance to individuals who have demonstrated financial need due to severe hardship and/or emergency circumstances. In addition to immediate financial assistance, the Foundation also makes available other tools to help affected employees deal with ongoing financial challenges.

The Scholarship Program was established in January 2002 to assist employees with the costs of higher education. The Scholarship Program is managed by an independent panel of judges who select recipients based on academic performance, leadership and participation in community and/or school activities, work experience, statement of career goals, and unusual personal circumstance.

The Foundation also provides general support to charitable organizations that are meeting the immediate needs of communities affected by widespread disasters, such as hurricanes or floods.

**Cash Equivalents** - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except for 90-day certificates of deposit and certain cash equivalents, which are considered part of the investment portfolio.

**Investments** - Investments in readily marketable securities are measured at fair market value as described in Note 4. In addition, investments include cash equivalents and certificates of deposit that are managed as part of the investment portfolio.

**Contributions** - Contributions of cash and other assets are measured at fair value and reported as revenue when received. Contributions with donor-imposed time or purpose restrictions are reported as temporarily restricted support. All other contributions are reported as unrestricted or permanently restricted support.

**Classification of Net Assets** - Net assets of the Foundation are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

# Book Industry Charitable Foundation

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## Notes to Financial Statements December 31, 2015 and 2014

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Temporarily restricted net assets at December 31, 2015 and 2014 are purpose-restricted for employee financial assistance. The Foundation had no permanently restricted net assets as of December 31, 2015 and 2014.

**Federal Tax Status** - The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation has adequate funding from nonprivate sources to be exempt from private foundation excise taxes.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**Reclassification** - Certain reclassifications were made to amounts in the 2014 financial statements to conform to the classifications used in 2015. Special events income reported in the 2014 financial statements has been reclassified to contributions - other on the statement of activities and changes in net assets. Also, the associated expenses with the 2014 special events have been reclassified into expenses on the statement of activities and changes in net assets. These reclassifications have no impact on the net assets of the Foundation.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including February 23, 2016, which is the date the financial statements were available to be issued.

# Book Industry Charitable Foundation

## Notes to Financial Statements December 31, 2015 and 2014

### Note 2 - Leases

Beginning in November 2011, the Foundation leased offices space under an operating lease agreement that expired on October 31, 2014, at which time the Foundation renewed the lease through October 31, 2017. The renewed lease requires the Foundation to pay a base rent plus an allocable share of common area maintenance and utilities per month. The base rents are subject to a 3 percent increase each contract year and have been accounted for on straight-line presentation. Total expense under this agreement for the years ended December 31, 2015 and 2014 was \$16,540 and \$15,862, respectively.

Total payments due in 2016 and 2017 under this operating lease are \$16,618 and \$14,190, respectively.

### Note 3 - Management and General

Management and general expenses during 2015 and 2014 consist of the following:

	2015	2014
Accounting fees	\$ 15,703	\$ 14,931
Administrative staffing	67,958	63,858
Rent and utilities	6,231	8,234
Equipment	1,972	636
Brokerage fees	11,524	5,104
Other expenses	14,289	13,956
Total	<u>\$ 117,677</u>	<u>\$ 106,719</u>

# **Book Industry Charitable Foundation**

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## **Notes to Financial Statements December 31, 2015 and 2014**

### **Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Certificates of deposit as of December 31, 2015 and 2014 totaled \$135,907 and \$1,652,000, respectively. These securities are not required to be disclosed under this accounting standard, but are classified as investments on the Foundation's balance sheet.

# Book Industry Charitable Foundation

## Notes to Financial Statements December 31, 2015 and 2014

### Note 4 - Fair Value (Continued)

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
<b>Assets</b>				
Money market and cash equivalents	\$ 283,471	\$ -	\$ -	\$ 283,471
Equities	1,174,390	-	-	1,174,390
Mutual funds - Fixed income	209,614	-	-	209,614
Corporate bonds	-	128,711	-	128,711
Preferred stock	-	4,720	-	4,720
Total assets	<u>\$ 1,667,475</u>	<u>\$ 133,431</u>	<u>\$ -</u>	<u>\$ 1,800,906</u>
<b>Liabilities</b> - Call options	<u>\$ -</u>	<u>\$ 13,597</u>	<u>\$ -</u>	<u>\$ 13,597</u>

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
<b>Assets</b>				
Money market and cash equivalents	\$ 27,732	\$ -	\$ -	\$ 27,732
Mutual funds - Fixed income	497,715	-	-	497,715
Total assets	<u>\$ 525,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,447</u>

The fair value of corporate bonds, preferred stock, and call options at December 31, 2015 was determined primarily based on level 2 inputs. The Foundation estimates the fair value of these investments through the use of an independent third-party custodian. The fair value is determined using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models.

# **Book Industry Charitable Foundation**

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## **Notes to Financial Statements December 31, 2015 and 2014**

### **Note 5 - Derivative Call Options**

The Foundation is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of future earnings and cash flows, which are managed through the use of derivatives. All derivative financial instruments are reported in the balance sheet at fair value.

At December 31, 2015, the Foundation held call options that do not qualify for hedge accounting. Any gains or losses recognized on derivatives that are not designated as hedging instruments are recognized in current year earnings.

As of December 31, 2015, the Foundation held a derivative liability of \$13,597.