

Book Industry Charitable Foundation

Financial Report
December 31, 2016

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, 2016 and 2015, 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 28, 2017

Book Industry Charitable Foundation

Balance Sheet

	December 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 221,176	\$ 531,693
Investments (Note 4)	1,963,820	1,936,813
Prepaid expenses	5,103	5,487
Total current assets	2,190,099	2,473,993
Noncurrent Assets - Security deposits	1,200	1,200
Total assets	<u>\$ 2,191,299</u>	<u>\$ 2,475,193</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 24,834	\$ 15,289
Derivatives liability (Note 5)	6,785	13,597
Total current liabilities	31,619	28,886
Net Assets		
Unrestricted	1,582,657	1,787,878
Temporarily restricted	577,023	658,429
Total net assets	2,159,680	2,446,307
Total liabilities and net assets	<u>\$ 2,191,299</u>	<u>\$ 2,475,193</u>

Book Industry Charitable Foundation

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2016			December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support						
Contributions - Corporate	\$ 39,814	\$ -	\$ 39,814	\$ 12,236	\$ -	\$ 12,236
Contributions - Other	86,658	-	86,658	55,680	-	55,680
In-kind contributions	36,967	-	36,967	41,558	-	41,558
Investment income	66,762	-	66,762	52,564	-	52,564
Unrealized gain (loss) on investments	119,343	-	119,343	(114,191)	-	(114,191)
Net assets released from restrictions	81,406	(81,406)	-	50,078	(50,078)	-
Total revenue, gains, and other support	430,950	(81,406)	349,544	97,925	(50,078)	47,847
Expenses						
Program services:						
Financial assistance	80,547	-	80,547	49,279	-	49,279
Scholarship program	127,623	-	127,623	223,924	-	223,924
Program staffing	60,129	-	60,129	62,927	-	62,927
Other program expenses	31,099	-	31,099	29,166	-	29,166
Management and general (Note 3)	155,778	-	155,778	117,677	-	117,677
Fundraising	180,995	-	180,995	119,496	-	119,496
Total expenses	636,171	-	636,171	602,469	-	602,469
Decrease in Net Assets	(205,221)	(81,406)	(286,627)	(504,544)	(50,078)	(554,622)
Net Assets - Beginning of year	1,787,878	658,429	2,446,307	2,292,422	708,507	3,000,929
Net Assets - End of year	<u>\$ 1,582,657</u>	<u>\$ 577,023</u>	<u>\$ 2,159,680</u>	<u>\$ 1,787,878</u>	<u>\$ 658,429</u>	<u>\$ 2,446,307</u>

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

Book Industry Charitable Foundation

Statement of Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
Cash Flows from Operating Activities		
Decrease in net assets	\$ (286,627)	\$ (554,622)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Unrealized (gain) loss on investments	(119,343)	114,191
Changes in operating assets and liabilities which provided (used) cash and cash equivalents:		
Prepaid expenses	384	(71)
Accounts payable	9,545	5,462
Derivatives liability	(1,512)	13,597
Net cash and cash equivalents used in operating activities	(397,553)	(421,443)
Cash Flows from Investing Activities		
Purchases of investments	(1,001,647)	(2,052,549)
Proceeds from sales and maturities of investments	1,088,683	2,178,992
Net cash and cash equivalents provided by investing activities	87,036	126,443
Net Decrease in Cash and Cash Equivalents	(310,517)	(295,000)
Cash and Cash Equivalents - Beginning of year	531,693	826,693
Cash and Cash Equivalents - End of year	<u>\$ 221,176</u>	<u>\$ 531,693</u>

Book Industry Charitable Foundation

Notes to Financial Statements December 31, 2016 and 2015

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 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

Notes to Financial Statements December 31, 2016 and 2015

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, 2016 and 2015 are purpose-restricted for employee financial assistance. The Foundation had no permanently restricted net assets as of December 31, 2016 and 2015.

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.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including February 28, 2017, which is the date the financial statements were available to be issued.

Note 2 - Leases

The Foundation leases office space under an operating lease agreement that expires on October 31, 2017. The lease requires the Foundation to pay a base rent of \$1,338 to \$1,419 per month plus an allocable share of common area maintenance and utilities. Total expense under this agreement for the years ended December 31, 2016 and 2015 was \$16,536 and \$16,450, respectively.

Total payments due in 2017 under this operating lease are \$14,190. Management expects that this lease will be renewed or replaced by another lease.

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Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Management and General

Management and general expenses during 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Accounting fees	\$ 17,740	\$ 15,703
Administrative staffing	70,986	67,958
Rent and utilities	8,839	6,231
Equipment	7,986	1,972
Brokerage fees	15,279	11,524
Travel	5,856	3,293
Meetings	6,139	770
Supplies	2,206	496
Postage	2,459	1,110
Volunteer recognition	2,439	564
Advisory services	4,250	-
Other expenses	<u>11,599</u>	<u>8,056</u>
Total	<u>\$ 155,778</u>	<u>\$ 117,677</u>

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide 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, 2016 and 2015 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.

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Notes to Financial Statements December 31, 2016 and 2015

Note 4 - Fair Value Measurements (Continued)

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, 2016 and 2015 totaled \$0 and \$135,907, respectively. These securities are not required to be disclosed under this accounting standard, but are classified as investments on the Foundation's balance sheet.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016

	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, 2016
Assets				
Money market and cash equivalents	\$ 198,116	\$ -	\$ -	\$ 198,116
Common stock	1,303,125	-	-	1,303,125
Mutual funds - Equity	62,280	-	-	62,280
Mutual funds - Fixed income	243,083	-	-	243,083
Corporate bonds	-	157,216	-	157,216
Total assets	<u>\$ 1,806,604</u>	<u>\$ 157,216</u>	<u>\$ -</u>	<u>\$ 1,963,820</u>
Liabilities - Call options	<u>\$ -</u>	<u>\$ 6,785</u>	<u>\$ -</u>	<u>\$ 6,785</u>

Assets 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
Assets				
Money market and cash equivalents	\$ 283,471	\$ -	\$ -	\$ 283,471
Common stock	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>
Liabilities - Call options	<u>\$ -</u>	<u>\$ 13,597</u>	<u>\$ -</u>	<u>\$ 13,597</u>

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Notes to Financial Statements December 31, 2016 and 2015

Note 4 - Fair Value Measurements (Continued)

The fair value of corporate bonds, preferred stock, and call options at December 31, 2016 and 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.

Note 5 - Derivative Call Options

At December 31, 2016 and 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. All derivative financial instruments are reported in the balance sheet at fair value.

As of December 31, 2016 and 2015, the Foundation held a derivative liability of \$6,785 and \$13,597, respectively.