BookTrust

INSPIRING KIDS' PASSION FOR READING

Financial Statements
and
Independent Auditors' Report
June 30, 2016 and 2015

EKS&H

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BOOK TRUST

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Book Trust
Denver, Colorado

We have audited the accompanying financial statements of Book Trust, which are comprised of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Book Trust as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EKS+H LLLP

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September 22, 2016
Fort Collins, Colorado

BOOK TRUST

Statements of Financial Position

	June 30, 2016	June 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 431,548	$ 294,277
Restricted cash	63,074	53,543
Promises to give, current portion	1,051,242	1,059,020
Other current assets	13,048	500
Total current assets	1,558,912	1,407,340
Non-current assets		
Furniture and equipment, net	29,200	14,737
Promises to give, net of current portion	10,982	68,400
Total non-current assets	40,182	83,137
Total assets	$ 1,599,094	$ 1,490,477
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 42,110	$ 26,672
Accrued liabilities	17,990	7,317
Total current liabilities	60,100	33,989
Net assets		
Unrestricted	424,093	124,264
Temporarily restricted	1,114,901	1,332,224
Total net assets	1,538,994	1,456,488
Total liabilities and net assets	$ 1,599,094	$ 1,490,477

See notes to financial statements.

BOOK TRUST

Statements of Activities

	For the Years Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support						
Contributions						
Individuals	$ 1,012,018	$ 12,280	$ 1,024,298	$ 745,080	$ 15,420	$ 760,500
Foundations	657,272	1,007,715	1,664,987	585,819	1,135,402	1,721,221
Organizations	239,331	4,506	243,837	233,108	1,470	234,578
Corporations	28,932	2,000	30,932	19,779	12,560	32,339
Total contributions	1,937,553	1,026,501	2,964,054	1,583,786	1,164,852	2,748,638
Special events	436,107	-	436,107	239,888	113,192	353,080
In-kind contributions	362,016	-	362,016	245,995	-	245,995
	2,735,676	1,026,501	3,762,177	2,069,669	1,278,044	3,347,713
Net assets released from restrictions	1,243,824	(1,243,824)	-	1,189,597	(1,189,597)	-
Total revenues and support	3,979,500	(217,323)	3,762,177	3,259,266	88,447	3,347,713
Expenses						
Program expenses	2,902,828	-	2,902,828	2,538,143	-	2,538,143
Support services						
Administration and general	174,335	-	174,335	150,884	-	150,884
Fundraising	602,508	-	602,508	529,967	-	529,967
Total support services	776,843	-	776,843	680,851	-	680,851
Total expenses	3,679,671	-	3,679,671	3,218,994	-	3,218,994
Change in net assets	299,829	(217,323)	82,506	40,272	88,447	128,719
Net assets at beginning of year	124,264	1,332,224	1,456,488	83,992	1,243,777	1,327,769
Net assets at end of year	$ 424,093	$ 1,114,901	$ 1,538,994	$ 124,264	$ 1,332,224	$ 1,456,488

See notes to financial statements.

BOOK TRUST

Statements of Cash Flows

	For the Years Ended June 30, 2016	For the Years Ended June 30, 2015
Cash flows from operating activities		
Change in net assets	$ 82,506	$ 128,719
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	980	17,013
Depreciation expense	3,214	4,412
Loss on disposal of assets	6,220	3,001
Changes in assets and liabilities		
Promises to give	64,216	(103,277)
Other current assets	(12,548)	10,180
Accounts payable	15,438	10,232
Accrued liabilities	10,673	3,306
	88,193	(55,133)
Net cash provided by operating activities	170,699	73,586
Cash flows from investing activities		
Change in restricted cash	(9,531)	26,302
Purchase of furniture and equipment	(23,897)	-
Net cash (used in) provided by investing activities	(33,428)	26,302
Net increase in cash and cash equivalents	137,271	99,888
Cash and cash equivalents at beginning of year	294,277	194,389
Cash and cash equivalents at end of year	$ 431,548	$ 294,277

See notes to financial statements.

BOOK TRUST

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Book Trust (the "Organization") is a non-profit corporation that empowers children from low-income families to choose and own books, inspiring a passion for reading, increasing literacy skills, and fostering lifelong learning. Book Trust Teachers implement the Book Trust Program in their classrooms every month with their students. They prioritize empowering student choice of reading materials, building a strong classroom culture of literacy, and engaging families in reading. The Organization was founded in 2001 and incorporated in 2006. Substantial operations began in January 2007.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

> Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations.
>
> Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs. Temporarily restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only in specific schools, geographical areas, or future years.
>
> Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor, but the Organization is permitted to use or expend part or all of any income derived from those assets. The Organization does not currently maintain any permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the statement of financial position date, and periodically throughout the year, the Organization has maintained balances in various operating accounts in excess of federally insured limits.

Restricted Cash

All donations received by the Organization and designated for Hawaii schools are required to be held at the Bank of Hawaii.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give or a pledge receivable that is, in substance, unconditional. Conditional promises to give are recognized only when the related conditions are met and the promises become unconditional.

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of June 30, 2016 and 2015, the present value discount for promises to give that are expected to be collected in future years was not recorded, as the amount was considered immaterial.

The allowance method is used to determine uncollectible, unconditional promises to give. The allowance is based on management's analysis of specific promises to give. As of June 30, 2016 and 2015, there were no allowances for doubtful promises to give.

Furniture and Equipment

Furniture and equipment purchased by the Organization are recorded at cost. Donated fixed assets are also capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which is seven years.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets and subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization.

Functional Expenses

Expenses incurred directly for a program service are charged to such service. Fringe benefits and certain overhead costs are allocated to all services based on a pro rata basis of total direct salary expenses incurred.

Income Taxes

The Organization is a non-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code (the "Code") and, as such, is subject to federal income taxes on unrelated business income. The Organization had no unrelated business income during the years ended June 30, 2016 and 2015.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2016 and 2015. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as administration and general expense. No interest or penalties have been assessed as of June 30, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

As of and for the year ended June 30, 2016, two donors comprised approximately 76% of promises to give and approximately 23% of contribution revenue. As of and for the year ended June 30, 2015, two donors comprised approximately 67% of promises to give and approximately 31% of contribution revenue. Credit risk associated with promises to give is limited because a substantial portion of the amount outstanding is due from financially strong individuals with consistent payment patterns.

In-Kind Contributions

The Organization recognizes contribution revenue for certain services received at the fair value of those services when they create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not donated. Contributed materials and furniture and equipment are recorded at the fair value at the date of donation.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or disclosure in the financial statements.

Note 2 - Furniture and Equipment

The Organization's furniture and equipment are comprised of the following:

	June 30, 2016	June 30, 2015
Furniture and equipment	$ 33,857	$ 21,346
Less accumulated depreciation	(4,657)	(6,609)
	$ 29,200	$ 14,737

Depreciation expense for the years ended June 30, 2016 and 2015 was $3,214 and $4,412, respectively.

Note 3 - In-Kind Contributions

Contributed materials and services are recorded in the statements of activities as in-kind contributions and program expenses. The details of recorded contributed materials, furniture and equipment, and services are summarized as follows:

	For the Years Ended June 30, 2016	For the Years Ended June 30, 2015
Discounts on books	$ 336,776	$ 235,000
Other materials and services	25,240	10,995
	$ 362,016	$ 245,995

Note 4 - Retirement Plan

The Organization has a SIMPLE IRA plan under IRS Code Section 408(p). Under the plan, employees are eligible to participate in the retirement plan upon hire, at which time the Organization may make a discretionary match of the employee's contribution up to 3% of the employee's gross salary. During the years ended June 30, 2016 and 2015, the Organization contributed $16,919 and $12,732, respectively, to the retirement plan.

Note 5 - Related Party Transactions

A foundation with related founders contributes to the Organization. Pledges and related contributions from the foundation as of June 30, 2016 and 2015 were $398,500 and $400,000, which accounted for approximately 11% and 15% of the Organization's contributions, respectively.

Note 6 - Commitments and Contingencies

The Organization leased office space under a non-cancelable operating lease that expired in June 2016. Rent expense for each of the years ended June 30, 2016 and 2015 was $36,000. During June 2016, the Organization entered into a non-cancelable operating lease agreement for office space that expires in September 2021.

Future minimum lease payments (excluding renewal option) under this lease are as follows:

For the Year Ending June 30,		
2017	$	75,114
2018		75,114
2019		75,114
2020		75,114
2021		75,114
Thereafter		18,779
	$	394,349