BookTrust
INSPIRING KIDS' PASSION FOR READING

Financial Statements
and
Independent Auditors' Report
June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 28, 2015
Fort Collins, Colorado

BOOK TRUST

Statements of Financial Position

	June 30, 2015	June 30, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 294,277	$ 194,389
Restricted cash	53,543	79,845
Promises to give, current portion	1,059,020	1,016,976
Other current assets	500	10,680
Total current assets	1,407,340	1,301,890
Non-current assets		
Furniture and equipment, net	14,737	22,150
Promises to give, net of current portion	68,400	24,180
Total non-current assets	83,137	46,330
Total assets	$ 1,490,477	$ 1,348,220
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 26,672	$ 16,440
Accrued liabilities	7,317	4,011
Total current liabilities	33,989	20,451
Net assets		
Unrestricted	124,264	83,992
Temporarily restricted	1,332,224	1,243,777
Total net assets	1,456,488	1,327,769
Total liabilities and net assets	$ 1,490,477	$ 1,348,220

See notes to financial statements.

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Statements of Activities

	For the Years Ended June 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support						
Contributions						
Individuals	$ 745,080	$ 15,420	$ 760,500	$ 672,683	$ 86,978	$ 759,661
Foundations	585,819	1,135,402	1,721,221	530,116	953,795	1,483,911
Organizations	233,108	1,470	234,578	386	53,895	54,281
Corporations	19,779	12,560	32,339	13,292	13,349	26,641
Total contributions	1,583,786	1,164,852	2,748,638	1,216,477	1,108,017	2,324,494
Special events	239,888	113,192	353,080	90,195	75,760	165,955
In-kind contributions	245,995	-	245,995	248,777	-	248,777
	2,069,669	1,278,044	3,347,713	1,555,449	1,183,777	2,739,226
Net assets released from restrictions	1,189,597	(1,189,597)	-	944,604	(944,604)	-
Total revenues and support	3,259,266	88,447	3,347,713	2,500,053	239,173	2,739,226
Expenses						
Program expenses	2,538,143	-	2,538,143	1,968,056	-	1,968,056
Support services						
Administration and general	150,884	-	150,884	174,610	-	174,610
Fundraising	529,967	-	529,967	483,284	-	483,284
Total support services	680,851	-	680,851	657,894	-	657,894
Total expenses	3,218,994	-	3,218,994	2,625,950	-	2,625,950
Change in net assets	40,272	88,447	128,719	(125,897)	239,173	113,276
Net assets at beginning of year	83,992	1,243,777	1,327,769	209,889	1,004,604	1,214,493
Net assets at end of year	$ 124,264	$ 1,332,224	$ 1,456,488	$ 83,992	$ 1,243,777	$ 1,327,769

See notes to financial statements.

BOOK TRUST

Statements of Cash Flows

	For the Years Ended June 30, 2015	2014
Cash flows from operating activities		
Change in net assets	$ 128,719	$ 113,276
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	17,013	9,541
Depreciation expense	4,412	5,197
Loss on disposal of assets	3,001	-
Changes in assets and liabilities		
Promises to give	(103,277)	(265,775)
Other current assets	10,180	(8,680)
Accounts payable	10,232	(171,945)
Accrued liabilities	3,306	(7,905)
	(55,133)	(439,567)
Net cash provided by (used in) operating activities	73,586	(326,291)
Cash flows from investing activities		
Change in restricted cash	26,302	46,783
Net cash provided by investing activities	26,302	46,783
Net increase (decrease) in cash and cash equivalents	99,888	(279,508)
Cash and cash equivalents at beginning of year	194,389	473,897
Cash and cash equivalents at end of year	$ 294,277	$ 194,389

See 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, 2015 and 2014, 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, 2015 and 2014, 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 range from five to 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, 2015 and 2014.

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, 2015 and 2014. 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, 2015 and 2014.

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.

Concentration of Credit Risk

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. As of and for the year ended June 30, 2014, two donors comprised approximately 76% of promises to give and approximately 35% 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.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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, 2015	June 30, 2014
Furniture and fixtures	$ 18,460	$ 18,460
Computer equipment	2,886	12,462
	21,346	30,922
Less accumulated depreciation	(6,609)	(8,772)
	$ 14,737	$ 22,150

Depreciation expense for the years ended June 30, 2015 and 2014 was $4,412 and $5,197, 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, 2015	For the Years Ended June 30, 2014
Discounts on books	$ 235,000	$ 235,000
Other materials and services	10,995	13,777
	$ 245,995	$ 248,777

Note 4 - Retirement Plan

The Organization had a retirement plan under IRS Code Section 403(b) through July 22, 2014 and transferred to a SIMPLE IRA plan under IRS Code Section 408(p) on July 23, 2014. Under both plans, 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, 2015 and 2014, the Organization contributed $12,732 and $11,425, 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, 2015 and 2014 were $400,000 and $500,000, which accounted for approximately 15% and 20% of the Organization's contributions, respectively.

Throughout fiscal year 2014, the Organization reimbursed the founders for payments made to third-party vendors on behalf of the Organization. Effective July 1, 2014, this arrangement was no longer in place. As of June 30, 2015 and 2014, no amounts were due to the founders.

Note 6 - Commitments and Contingencies

The Organization leases office space under a non-cancelable operating lease that expires in June 2016. Rent expense for the years ended June 30, 2015 and 2014 was $36,000 and $18,000, respectively. Future minimum lease payments under this lease are approximately $36,000.