Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

BOOKSPRING

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

30 JUNE 2023

Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management
BookSpring

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of BookSpring (the "Organization"), which comprise the statement of financial position as of 30 June 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of 30 June 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, certain errors resulted in the understatement of amounts previously reported for net assets without donor restrictions and the overstatement of amounts previously reported for net assets with donor restrictions as of 30 June 2022. Accordingly, amounts recorded for net assets with and without donor restrictions have been restated in the fiscal year 2022 financial statements, and an adjustment has been made as of 30 June 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor’s Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Montemayor Britton Bender PC

30 October 2023
Austin, Texas

BOOKSPRING

STATEMENT OF FINANCIAL POSITION

30 JUNE 2023

ASSETS

CURRENT ASSETS	
Cash	$522,507
Accounts receivable	229,051
Inventory	180,049
Prepaid expenses	2,593
	934,200
FIXED ASSETS	2,135,590
	$3,069,790

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$48,185
Current portion of long-term debt	52,351
	100,536
LONG-TERM DEBT	1,417,216
	1,517,752
NET ASSETS	
Without donor restrictions	1,551,019
With donor restrictions	1,019
	1,552,038
	$3,069,790

The accompanying notes are an integral part of this financial statement presentation.

BOOKSPRING

STATEMENT OF ACTIVITIES

YEAR ENDED 30 JUNE 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Governmental contracts	$742,850	$0	$742,850
Grants and contributions	308,308	376,910	685,218
Nonfinancial contributions	292,566	0	292,566
Program fees and other	46,907	0	46,907
Net assets released from restriction	511,419	(511,419)	0
	1,902,050	(134,509)	1,767,541
EXPENSES			
Program	1,560,670	0	1,560,670
Administrative	249,263	0	249,263
Fundraising	151,427	0	151,427
	1,961,360	0	1,961,360
CHANGE IN NET ASSETS	(59,310)	(134,509)	(193,819)
BEGINNING NET ASSETS	1,610,329	135,528	1,745,857
ENDING NET ASSETS	$1,551,019	$1,019	$1,552,038

The accompanying notes are an integral part of this financial statement presentation.

BOOKSPRING

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	($193,819)
Depreciation	40,058
Change in accounts receivable	227,401
Change in prepaid expenses	133,368
Change in accounts payable and accrued liabilities	6,510
Change in inventory	(31,840)
	181,678
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(267,544)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment of debt	(50,433)
NET CHANGE IN CASH	(136,299)
BEGINNING CASH	658,806
ENDING CASH	$522,507
INTEREST PAID	$60,566

The accompanying notes are an integral part of this financial statement presentation.

BOOKSPRING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED 30 JUNE 2023

	Program	Administrative	Fundraising	Total
Payroll and related	$437,099	$140,982	$68,721	$646,802
Children's book distributions	616,169	0	0	616,169
Professional services	252,714	60,587	35,117	348,418
Office expenses	97,581	5,645	5,556	108,782
Repairs and maintenance	38,531	11,884	11,655	62,070
Interest	37,370	11,598	11,598	60,566
Rent	39,550	4,850	4,850	49,250
Depreciation	24,900	7,579	7,579	40,058
Other	16,756	6,138	6,351	29,245
	$1,560,670	$249,263	$151,427	$1,961,360

The accompanying notes are an integral part of this financial statement presentation.

NOTE 1: ORGANIZATION

BookSpring (the "Organization") is a Texas nonprofit organization that envisions a world of families reading and succeeding together. The Organization builds early literacy in children and families through healthcare, education, and community through over 200 partnerships designed to provide access to quality, developmentally appropriate print and digital books as a means of developing the lifelong motivation to read. The Organization provides support and volunteers to reach children, parents, and caregivers with activities such as book distributions and read-aloud events nearly every day of the year. The Organization offers a continuum of early literacy programs targeting low-income zip codes in three program segments which include healthcare, education, and community. These three areas are comprised of the following program initiatives:

Books-For-Me motivates children from 3 to 12 years old to read through distribution of at least three books to own, motivational activities, and family involvement in children's reading. Books-For-Me is implemented through partnering childcare centers, preschools, and elementary schools.

Summer Success effectively reverses the summer reading slide in over 60% of participants. We offer a classroom-based curriculum for K, 1st, and 2nd grade teachers to provide reading support such as vocabulary and oral comprehension, together with a distribution to the students of 10 books before the summer break and supportive parent materials and text message reminders.

ReadWell and Pediatric Literacy Kit programs promote early literacy and school readiness to children birth to 5 years by giving new books to children and advice to parents about the importance of reading aloud. The program operates in pediatric well-child visits, primary care settings, nurse home visitor programs, and WIC clinics.

Parent with Books is an intergenerational literacy training program for parents and toddlers that improve literacy skills of both parents and children. Through role modeling, the programs encourage parents to read in family settings with their children to enhance their ability to succeed in school. We offer direct trainings and materials for sites to replicate this program, primarily through parent support in the schools and comprehensive parenting programs of other nonprofits.

BookSpring Days and ReBook programs place donated children's books into the hands of children in the community. Donated books are carefully sorted and distributed to children through community outreach events, children's shelters, faith-based organizations, laundry mats, and libraries, with a special focus on the 20 highest poverty zip codes in central Texas.

NOTE 1: ORGANIZATION

Books Beginning at Birth is a statewide program that provides young children and their families access to books and resources. All families can access an open library of hundreds of high-quality digital children's books accompanied by videos and at-home literacy activities. Once enrolled, children receive free print books delivered to their home twice a year until the age of 5.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Organization uses the accrual basis method of accounting. Revenues and support are recorded when earned, rather than when received. Expenses are recorded when incurred regardless of when paid.

FINANCIAL STATEMENT PRESENTATION

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions
Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, which includes when the stipulated time has elapsed, when the stipulated purpose for which the restricted resource has been fulfilled, or both.

ACCOUNTS RECEIVABLE

Contract receivables report amounts due to the Organization under a cost-reimbursement contracts. Grants, contributions, program fees and other receivables are recorded when revenue is earned prior to cash being received. Accounts receivable are considered past due based upon contractual terms of the underlying agreement. The Organization analyzes all receivables individually for purposes of determining collectability at year-end. At year-end, no allowance for doubtful accounts is required.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORY

The Organization maintains inventories of new and used books to support its programs. Inventory is stated at the lower of cost or net realizable value.

FIXED ASSETS

Fixed assets over $1,000 are recorded at cost if purchased and estimated fair value if donated. Depreciation is provided using the straight-line method over the useful lives of the assets ranging from 3 to 40 years.

CONTRIBUTIONS

Contributions received are recorded at fair value as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are reported as restricted support when recognized and are then reclassified to unrestricted net assets upon meeting the restriction.

GOVERNMENTAL CONTRACTS

A portion of the Organization's revenue is derived from cost-reimbursable federal, state, and local awards, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. At year-end, the Organization has received cost-reimbursable grants of $49,487 that have not yet been recognized because qualifying expenditures have not yet been incurred.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers consists of program fees for books distributed through certain partner programs. The Organization receives a set fee per book distributed. The Organization recognizes revenue at a point in time as books are distributed. Amounts earned are billed monthly and typically paid one month after billing. In general, revenue does not have a significant financing component because payment terms are relatively short.

ESTIMATES

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUNCTIONAL EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, which is allocated based on estimates of time and effort; and professional services, office expenses, repairs and maintenance, interest, rent, depreciation, and other, which are allocated based on management’s review and analysis of individual transactions and costs.

CONTRIBUTED GOODS, SPACE AND BOOKS

The Organization recognizes contributed services at their fair value if the services create or enhance a nonfinancial asset or require specialized skills, are provided by the individuals possessing those skills, and would have been purchased if not provided by contributors. The Organization recognizes other contributed support at fair value on the date received. Contributed support and donated assets consist of donated books (new and gently used), goods and space.

INCOME TAX STATUS

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent that is has income from unrelated business activities. Therefore, has made no provision for federal income taxes in the accompanying financial statements.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events as of the date of the Independent Auditor’s Report, the date the financial statements were available to be issued.

NOTE 3: ACCOUNTS RECEIVABLE

Governmental contracts	$161,139
Grants and contributions	56,632
Program fees and other	11,280
	$229,051

NOTE 4: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	$522,507
Accounts receivable	229,051
Less: amounts unavailable for general expenditures due to donor-imposed restrictions	(1,019)
	$750,539

As part of the Organization's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the Organization's operating account.

NOTE 5: FIXED ASSETS

Land	$546,240
Buildings and improvements	1,629,394
Furniture and equipment	53,873
Website and software	18,260
Vehicles	21,470
Accumulated depreciation	(133,647)
	$2,135,590

NOTE 6: CONCENTRATIONS

During the year, the Organization received 42% of its revenue from one governmental contract. At year-end, 70% of accounts receivable was due from this contract.

At year-end, bank deposits exceeded FDIC coverage by $65,484. The Organization has not experienced any losses related to deposits exceeding FDIC coverage.

NOTE 7: RELATED PARTIES

During the year, the Organization received contributions of approximately $48,000, from Board members and their family members. These amounts are included in contributions and nonfinancial contributions in the accompanying statement of activities.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Purpose restrictions as of 30 June 2023:

Books beginning at birth	$1,019

Satisfaction of purpose restrictions during the year ended 30 June 2023:

Prepaid books	$90,660
Books for me	60,501
Early books for me	106,274
ReadWell	148,111
Books beginning at birth	40,648
Capital campaign	65,225
	$511,419

NOTE 9: REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's revenue based on the timing of the satisfaction of performance obligations for the year consisted of program fees of $45,819 recognized at a point in time.

CONTRACT BALANCES

Contract receivables consist of the Organization's right to payment from customers for goods that have been provided to the customers. The balances of contract receivables at 30 June 2023 and 2022, were $11,280 and $3,175, respectively.

NOTE 10: CONTRIBUTED NONFINANCIAL ASSETS

The Organization recognized $292,566 in contributed nonfinancial assets within revenue for donations of goods, space and books. Contributed nonfinancial assets did not have donor-imposed restrictions. Contributed books received of $221,549 were valued and reported at the estimated fair value in the financial statements based on a 3 year historical average of the price of purchased books. Contributed books are distributed to children through the Organization's early literacy program. Contributed books are reported within inventory, which is reflected on the statement of financial position, and within children's book distributions, which is reflected on the statement of activities.

NOTE 10: CONTRIBUTED NONFINANCIAL ASSETS

The Organization received contributed goods, warehouse and building space of $71,017, which were used in support of its program and is reported on the statement of activities. The contributed goods and space were recorded at the estimate fair value of comparable goods and space received.

The Organization receives substantial support from volunteers; however, these services do not meet the requirements for recognition in the financial statements under generally accepted accounting principles.

NOTE 11: LONG-TERM DEBT

In June 2022, the Organization executed a real estate loan in the amount of $1,520,000 to finance the construction of its administrative offices. The loan has a fixed interest rate of 3.99%, requires monthly payments of interest and principal of $9,251, and matures in June 2032. The loan is collateralized by building and land.

Future principal payments under the loan as of 30 June are as follows:

2024	$52,351
2025	54,669
2026	56,922
2027	59,268
2028	61,576
Thereafter	1,184,781
	$1,469,567

NOTE 12: RETIREMENT PLAN

The Organization has a qualified 401(k) deferred compensation plan (the "Plan") covering all employees. Under the Plan, the Organization matches participating employee contributions up to three percent of gross compensation. The Organization made contributions of $8,351 to the Plan for the year.

NOTE 13: PRIOR PERIOD ADJUSTMENT

As of 30 June 2022, net assets with donor restrictions were overstated by $148,209 and net assets without donor restrictions were understated by the same amount on the statement of financial position. A prior period adjustment has been recorded to correct beginning net assets with and without donor restrictions. This adjustment had no effect on the change in net assets for the year ended 30 June 2022.