MAKE WAY FOR BOOKS

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2021 and 2020

JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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Years ended June 30, 2021 and 2020

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JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Make Way For Books
Tucson, Arizona

I have audited the accompanying financial statements of Make Way For Books (an Arizona nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses 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 State 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 of material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make Way For Books as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jennifer J Phillips, CPA, PLLC

JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

January 5, 2022

MAKE WAY FOR BOOKS
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,286,844	$ 869,739
Unconditional promises to give	103,096	180,674
Prepaid expenses	14,051	9,884
Other assets - Note 4	27,831	48,303
Property and equipment - Note 5	1,162,588	1,196,429
	$ 2,594,410	$ 2,305,029
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 10,697	$ 83,173
Accrued expenses	39,744	44,648
Refundable advances - Note 6	651,688	393,770
	702,129	521,591
Net assets:		
Without donor restrictions:		
Available for operations	360,876	221,847
Expended for property and equipment	1,162,588	1,196,429
	1,523,464	1,418,276
With donor restrictions - Note 9	368,817	365,162
	1,892,281	1,783,438
	$ 2,594,410	$ 2,305,029

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 234,499	$ 103,147	$ 337,646
Grants and contracts	1,393,271	253,737	1,647,008
Fundraising events, net of direct donor benefit costs of $0	968	-	968
In-kind contributions - Note 10	3,093	-	3,093
Miscellaneous	2,473	-	2,473
	1,634,304	356,884	1,991,188
Releases from restrictions	353,229	(353,229)	-
Total public support and revenues	1,987,533	3,655	1,991,188
Expenses:			
Program services	1,602,964	-	1,602,964
General and administrative	178,135	-	178,135
Fundraising	101,246	-	101,246
Total expenses	1,882,345	-	1,882,345
Change in net assets	105,188	3,655	108,843
Net assets, beginning of year	1,418,276	365,162	1,783,438
Net assets, end of year	$ 1,523,464	$ 368,817	$ 1,892,281

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 176,575	$ 107,500	$ 284,075
Grants and contracts	1,316,464	204,771	1,521,235
Fundraising events, net of direct donor benefit costs of $2,482	6,640	-	6,640
In-kind contributions - Note 10	27,692	-	27,692
Miscellaneous	4,158	-	4,158
	1,531,529	312,271	1,843,800
Releases from restrictions	393,616	(393,616)	-
Total public support and revenues	1,925,145	(81,345)	1,843,800
Expenses:			
Program services	1,705,347	-	1,705,347
General and administrative	178,993	-	178,993
Fundraising	102,067	-	102,067
Total expenses	1,986,407	-	1,986,407
Change in net assets	(61,262)	(81,345)	(142,607)
Net assets, beginning of year	1,479,538	446,507	1,926,045
Net assets, end of year	$ 1,418,276	$ 365,162	$ 1,783,438

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	Program services					
	Family literacy	**Story project**	**Total program services**	**General and administrative**	**Fundraising**	**Total**
Salaries and wages	$ 505,948	$ 458,134	$ 964,082	$ 112,349	$ 67,920	$ 1,144,351
Payroll taxes and benefits	87,025	83,532	170,557	19,121	11,519	201,197
	592,973	541,666	1,134,639	131,470	79,439	1,345,548
Program support services	-	-	-	-	-	-
Bank and credit card fees	-	-	-	5,084	3,132	8,216
Books	114,055	137,337	251,392	2,503	-	253,895
Depreciation and amortization	24,013	21,744	45,757	5,332	3,224	54,313
Direct donor benefit	-	-	-	-	-	-
Insurance	5,739	5,196	10,935	1,275	770	12,980
Occupancy	7,392	6,693	14,085	1,642	992	16,719
Office expenses	10,586	2,409	12,995	10,707	241	23,943
Postage and printing	4,154	4,026	8,180	4,065	7,381	19,626
Promotion	479	-	479	1,304	3,372	5,155
Professional services	47,273	3,170	50,443	10,155	222	60,820
Repairs and maintenance	1,176	825	2,001	202	122	2,325
Supplies	34,713	30,677	65,390	2,306	89	67,785
Travel and meetings	165	802	967	91	-	1,058
Miscellaneous	1,290	4,411	5,701	1,999	2,262	9,962
Total functional expenses	844,008	758,956	1,602,964	178,135	101,246	1,882,345
Less: Direct donor benefit	-	-	-	-	-	-
	$ 844,008	$ 758,956	$ 1,602,964	$ 178,135	$ 101,246	$ 1,882,345

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Program services					
	Family literacy	Story project	Total program services	General and administrative	Fundraising	Total
Salaries and wages	$ 495,889	$ 451,591	$ 947,480	$ 120,677	$ 73,748	$ 1,141,905
Payroll taxes and benefits	81,149	89,801	170,950	19,980	11,772	202,702
	577,038	541,392	1,118,430	140,657	85,520	1,344,607
Program support services	-	-	-	6,531	-	6,531
Bank and credit card fees	2,119	1,968	4,087	452	2,790	7,329
Books	105,607	178,401	284,008	591	-	284,599
Depreciation and amortization	25,123	23,330	48,453	5,356	3,094	56,903
Direct donor benefit	-	-	-	-	2,482	2,482
Insurance	5,265	4,889	10,154	1,123	648	11,925
Occupancy	8,615	8,569	17,184	1,878	721	19,783
Office expenses	11,768	11,544	23,312	2,307	967	26,586
Postage and printing	5,587	5,188	10,775	8,895	4,474	24,144
Promotion	-	-	-	7,014	316	7,330
Professional services	98,950	9,505	108,455	1,081	635	110,171
Repairs and maintenance	4,948	1,149	6,097	461	92	6,650
Supplies	37,257	21,938	59,195	531	330	60,056
Travel and meetings	4,919	2,643	7,562	491	180	8,233
Miscellaneous	6,068	1,567	7,635	1,625	2,300	11,560
Total functional expenses	893,264	812,083	1,705,347	178,993	104,549	1,988,889
Less: Direct donor benefit	-	-	-	-	(2,482)	(2,482)
	$ 893,264	$ 812,083	$ 1,705,347	$ 178,993	$ 102,067	$ 1,986,407

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 108,843	$ (142,607)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	(5,129)	(2,549)
Proceeds from sale of donated stock	5,129	2,549
Depreciation and amortization	54,313	56,903
(Increase) decrease in operating assets:		
Unconditional promises to give	77,578	(20,696)
Prepaid expenses	(4,167)	1,620
Increase (decrease) in operating liabilities:		
Accounts payable	(72,476)	56,455
Accrued expenses	(4,904)	15,100
Refundable advances	257,918	106,517
Net cash provided by operating activities	417,105	73,292
Cash flows from investing activities -		
Purchases of property and equipment	-	(7,814)
Net change in cash and cash equivalents	417,105	65,478
Cash and cash equivalents, beginning of year	869,739	804,261
Cash and cash equivalents, end of year	$ 1,286,844	$ 869,739

Supplemental cash flow information:
No cash paid for interest or income taxes in 2021 or 2020.

See Accompanying Notes.

NOTE 1 – Organization and purpose

Make Way For Books is a not-for-profit organization incorporated under the laws of Arizona on January 9, 1998. The purpose of Make Way for Books (MWFB) is to give children the chance to read and succeed. MWFB is committed to giving young children the opportunity to develop emergent literacy skills that help them to thrive in the classroom and throughout life. MWFB fosters the success of children through cultivating the love of books and reading. MWFB's highest priority is to serve economically disadvantaged young children and families in southern Arizona. Since 1998, MWFB has provided a comprehensive continuum of services to strengthen a culture of literacy in the community by developing and implementing research-based early literacy programs and resources that reach young children and families at low-resource preschools/childcare centers and at other community locations. MWFB uses a variety of proven strategies to empower children with the skills they need to thrive by reaching them with quality early literacy experiences before they enter kindergarten.

During the year ended June 30, 2018, the IRS approved the tax-exempt status of Make Way for Good, Inc., a Section 509(a)(3) supporting organization of MWFB. Make Way for Good had no activity through the year ended June 30, 2021. Any future activity will be consolidated with the financial statements of MWFB.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

MWFB considers all cash and highly liquid investments with an original maturity of three months or less which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. MWFB has no restricted cash as of either June 30, 2021 or 2020.

Unconditional promises to give

MWFB records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. All receivables at both June 30, 2021 and 2020 are due within one year.

MWFB determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management believes that all receivables are collectible, and, accordingly, has recorded no allowance for uncollectible amounts.

Other assets

Beginning in March 2017, MWFB entered into a contract with a mobile application developer to expand the uses and capabilities of MWFB's early literacy app. Costs related to application, infrastructure and graphics development were capitalized. During the year ended June 30, 2019, the project was completed. Amortization is computed using the straight-line method over the estimated useful life of the app of four years. Content development and operating costs are expensed as incurred.

Trademark costs are recorded at historical cost. Because the trademarks have indefinite lives, the costs are not amortized but will be evaluated for impairment on an annual basis. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2021 or 2020.

NOTE 2 – Summary of significant accounting policies – continued

Property and equipment

Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. MWFB capitalizes purchases in excess of $1,000 with a useful life of more than one year. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

MWFB reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2021 or 2020.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 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 the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

MWFB reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and revenue recognition

MWFB records fundraising events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. All goods and services are transferred at a point in time.

MWFB recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. MWFB's federal, state and certain other contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2021 and 2020, conditional grants approximating $750,000 and $429,557, respectively, representing the unexpended portion of MWFB's contracts and grants, have not been recognized as revenue in the accompanying financial statements.

NOTE 2 – Summary of significant accounting policies – continued

Donated goods, facilities and services

Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although MWFB uses the services of volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses

Costs are allocated to various programs, grants, contracts, agreements and functions of the organization. The general approach of the plan follows:

- All allowable direct costs are charged to programs, grants, activities and functions;
- Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base more appropriate to the particular cost being prorated;
- All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated using a base that results in an equitable distribution.

Advertising

Advertising costs are expensed as incurred. Advertising costs, which are included in promotion expense, totaled $891 and $2,291 for the years ended June 30, 2021 and 2020, respectively.

Library costs

The cost of circulating books and other library materials are not recorded as collections but are recorded as an expense in the year purchased, as the useful lives of such items are relatively short.

Income tax status

MWFB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to MWFB's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, MWFB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management of MWFB considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that MWFB met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, MWFB has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for the year ended June 30, 2021.

NOTE 2 – Summary of significant accounting policies – continued

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments and credit risk

MWFB manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, MWFB has not experienced losses in any of these accounts. Uninsured cash totaled $1,012,235 at June 30, 2021.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of MWFB's mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts. These amounts contain no collateral provisions for collection.

NOTE 3 – Liquidity and availability

MWFB has no internally designated net assets. Financial assets available for general expenditure (without donor or other restrictions limiting their use) within one year of the statement of financial position date comprise the following at June 30:

	2021	2020
Cash and cash equivalents	$ 266,338	$ 176,806
Unconditional promises to give	103,096	180,674
	$ 369,434	$ 357,480

As part of MWFB's liquidity management plan, cash in excess of annual operating requirements is invested in savings and money market funds.

NOTE 4 – Other assets

Other assets at June 30, 2021 and 2020 were as follows:

	2021	2020
App development costs, net	$ 22,177	$ 42,649
Trademark costs	5,654	5,654
	$ 27,831	$ 48,303

NOTE 5 – Property and equipment

Property and equipment at June 30, 2021 and 2020 was as follows:

	2021	2020
Land	$ 240,000	$ 240,000
Building and improvements	1,109,242	1,109,242
Computer equipment and software	22,792	22,792
Office furniture and fixtures	16,696	16,696
Vehicle	28,188	28,188
	1,416,918	1,416,918
Less accumulated depreciation	(254,330)	(220,489)
	$ 1,162,588	$ 1,196,429

NOTE 6 – Refundable advances

In April 2020, MWFB was granted a $66,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the federal government. MWFB was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. MWFB initially recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan were eligible for forgiveness if they were used for certain payroll, rent, and utility expenses. Eligible expenses in the amount of $66,000 were incurred during the year ended June 30, 2021, and, accordingly, MWFB recognized a contribution (governmental grant) for the year ended June 30, 2021.

Cost-reimbursable federal, state and foundation grants and contracts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. These refundable advances totaled $651,688 and $327,770 as of June 30, 2021 and 2020, respectively.

NOTE 7 – Line of credit

MWFB has an unsecured $100,000 revolving line of credit with a financial institution maturing April 2022. The interest rate is variable, 5.25% at both June 30, 2021 and 2020. There was no outstanding balance on the line of credit at both June 30, 2021 and 2020.

NOTE 8 – Retirement plan

During the year ended June 30, 2019, MWFB implemented a SIMPLE retirement plan (Plan) available for all employees to defer compensation. MWFB must make matching employer contributions to the Plan of up to 3% of the employee's compensation for the year. MWFB made contributions of $28,868 and $24,981 to the Plan for the years ended June 30, 2021 and 2020, respectively. All contributions made under the Plan are fully vested.

NOTE 9 – Net assets with donor restrictions

Net assets with donor-specified purpose restrictions were as follows for the year ended June 30, 2021:

	Beginning balance	Additions	Releases	Ending balance
Blue Book House	$ 2,340	$ -	$ -	$ 2,340
Cover to Cover	139,761	50,237	(47,983)	142,015
Employee gifts	-	-	-	-
Family education and literacy	117,576	131,500	(150,439)	98,637
Make Way for Kindergarten	2,353	-	(2,353)	-
Mobile app development	36,760	50,175	(86,935)	-
Parent pipeline	-	-	-	-
Project 110	10,000	-	(10,000)	-
Storytime	9,877	6,000	(8,774)	7,103
The Story Project	6,000	5,000	(6,249)	4,751
The Story School	40,495	113,972	(40,496)	113,971
	$ 365,162	$ 356,884	$ (353,229)	$ 368,817

Net assets with donor-specified purpose restrictions were as follows for the year ended June 30, 2020:

	Beginning balance	Additions	Releases	Ending balance
Blue Book House	$ 472	$ 2,000	$ (132)	$ 2,340
Cover to Cover	137,237	65,271	(62,747)	139,761
Employee gifts	532	-	(532)	-
Family education and literacy	153,359	122,000	(157,783)	117,576
Make Way for Kindergarten	2,353	-	-	2,353
Mobile app development	53,893	100,000	(117,133)	36,760
Parent pipeline	-	-	-	-
Project 110	5,000	5,000	-	10,000
Storytime	7,598	6,000	(3,721)	9,877
The Story Project	6,063	5,000	(5,063)	6,000
The Story School	80,000	7,000	(46,505)	40,495
	$ 446,507	$ 312,271	$ (393,616)	$ 365,162

NOTE 10 – In-kind contributions

MWFB received in-kind contributions which are in included in the statements of functional expenses as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Books	$ 2,233	$ 25,312
Promotion	793	-
Supplies	67	2,380
	$ 3,093	$ 27,692

NOTE 11 – Contingencies

During the year ended June 30, 2016, MWFB was awarded a grant in the amount of $492,700 from Angel Charity for Children for the full and complete payment of MWFB's mortgage note payable. As a condition of the grant, a lien was placed on the property, forgivable on a pro-rata basis over ten years if MWFB continues to use the property for its children and youth programs prior to April 27, 2026. As of June 30, 2021, the remaining balance on the award was $238,138; however, MWFB was in compliance with the terms of the funding agreement.

NOTE 12 – Subsequent events

Subsequent events have been evaluated through January 5, 2022, which is the date the financial statements were available to be issued.