

**SEEDLINGS...BRAILLE
BOOKS FOR CHILDREN**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

**BOISVENU & COMPANY, P.C.
Certified Public Accountants
Bingham Farms, Michigan**

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SEEDLINGS...Braille Books for Children

We have audited the accompanying financial statements of SEEDLINGS...Braille Books for Children (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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 SEEDLINGS...Braille Books for Children as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited SEEDLINGS...Braille Books for Children's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisvenu & Company, P.C.

March 16, 2020

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 135,076	\$ 185,361
Investments appropriated for operations	100,000	200,000
Accounts receivable	4,734	2,559
Supplies	96,752	94,885
Total Current Assets	<u>336,562</u>	<u>482,805</u>
Non-current Assets		
Investments	4,034,438	3,443,850
Equipment - net	20,757	29,664
Security deposit	2,288	2,288
Total Non-current Assets	<u>4,057,483</u>	<u>3,475,802</u>
TOTAL ASSETS	<u>\$ 4,394,045</u>	<u>\$ 3,958,607</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 10,558	\$ 13,256
Total Liabilities	<u>10,558</u>	<u>13,256</u>
Net Assets		
Without donor restrictions		
Undesignated	3,163,734	2,734,798
Board designated	1,201,053	1,201,053
With donor restrictions	18,700	9,500
Total Net Assets	<u>4,383,487</u>	<u>3,945,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,394,045</u>	<u>\$ 3,958,607</u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
OPERATING REVENUE				
Book sales	\$ 139,915	\$ -	\$ 139,915	\$ 148,284
OPERATING EXPENSES				
Program	649,048	-	649,048	647,016
Management and general	24,343	-	24,343	23,650
Total Operating Expenses	673,391	-	673,391	670,666
DEFICIENCY FROM OPERATIONS	(533,476)	-	(533,476)	(522,382)
SUPPORT AND OTHER EXPENSES				
Contributions	344,276	7,200	351,476	333,687
Grants	66,209	6,000	72,209	97,273
Special events and auxiliary activities	33,689	7,500	41,189	60,984
Donated services	18,365	-	18,365	25,590
Investment income - net	81,539	-	81,539	160,606
Realized and unrealized gain (loss) on investments - net	459,043	-	459,043	(302,912)
Fund raising expenses	(52,209)	-	(52,209)	(48,072)
	950,912	20,700	971,612	327,156
Net assets released from restrictions	11,500	(11,500)	-	-
TOTAL SUPPORT AND OTHER EXPENSES	962,412	9,200	971,612	327,156
CHANGE IN NET ASSETS	428,936	9,200	438,136	(195,226)
NET ASSETS, beginning of year	3,935,851	9,500	3,945,351	4,140,577
NET ASSETS, end of year	\$ 4,364,787	\$ 18,700	\$ 4,383,487	\$ 3,945,351

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Program	Management and General	Fund Raising	Total	
				2019	2018
Book production materials	\$ 142,366	\$ -	\$ -	\$ 142,366	\$ 145,376
Salary and wages	314,317	14,619	36,549	365,485	350,145
Payroll taxes	24,515	1,140	2,850	28,505	27,110
Other personnel costs	15,575	1,266	4,596	21,437	23,105
Occupancy	70,105	1,460	1,460	73,025	71,313
Telephone	8,351	89	444	8,884	7,268
Postage and mail service	4,922	58	810	5,790	6,010
Office supplies	8,966	36	624	9,626	8,597
Equipment repair and maintenance	6,835	202	203	7,240	7,558
Printing, promotion and website	15,369	-	1,708	17,077	19,576
Production development, conferences and membership	4,567	-	440	5,007	4,090
Transportation	5,604	302	470	6,376	6,565
Outside services	18,365	4,673	1,557	24,595	31,720
Directors and officers insurance	639	320	320	1,279	1,079
Total Functional Expenses Before Depreciation	<u>640,496</u>	<u>24,165</u>	<u>52,031</u>	<u>716,692</u>	<u>709,512</u>
Depreciation	<u>8,552</u>	<u>178</u>	<u>178</u>	<u>8,908</u>	<u>9,226</u>
Total Functional Expenses	<u>\$ 649,048</u>	<u>\$ 24,343</u>	<u>\$ 52,209</u>	<u>\$ 725,600</u>	<u>\$ 718,738</u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 438,136	\$ (195,226)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	8,908	9,226
Realized gain on investments	(644,811)	(121,731)
Unrealized loss on investments	185,768	424,643
(Increase) decrease in operating assets		
Accounts receivable	(2,175)	1,049
Supplies	(1,867)	(4,403)
Increase (decrease) in operating liabilities		
Accrued expenses	(2,698)	210
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(18,739)</u>	<u>113,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,446,850)	(172,606)
Proceeds from sale of investments	7,415,304	190,000
Purchase of equipment	<u>-</u>	<u>(11,355)</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(31,546)</u>	<u>6,039</u>
NET (DECREASE) INCREASE IN CASH	(50,285)	119,807
CASH, beginning of year	<u>185,361</u>	<u>65,554</u>
CASH, end of year	<u>\$ 135,076</u>	<u>\$ 185,361</u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

SEEDLINGS...Braille Books For Children is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation.

The Organization was established in 1984 to provide quality literature in Braille for young readers at an affordable price, thereby fostering the love of reading and increasing the rate of literacy among people who are blind.

The Organization's program and supporting services are as follows:

Program Services

SEEDLINGS...Braille Books For Children is organized under the laws of the State of Michigan to promote literacy among the blind by providing blind children with quality, thought-provoking and entertaining literature in braille that is sold domestically and internationally.

Management and General

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the Organization's programs, and manage the financial and budgeting responsibilities of the Organization.

Fund Raising

This provides the structure necessary to encourage and secure support from individuals, foundations and government agencies.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

from contractual agreements with creditors and others that are entered into in the course of its operations. This includes board designated net assets which are designated for the Organization's activities. These designations are based on actions by the Board of Directors, which can be altered or revoked at a future time.

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity.

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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value. The Organization has no cash equivalents at December 31, 2019.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at December 31, 2019; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments are recorded at fair value, or for gifts of investment securities, market value at the date of the gift. Gains or losses on the disposition of investments are determined on the average cost basis. Investment income and realized and unrealized gains are reported in the statement of financial position and activities as increases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Investment losses reduce net assets with donor restrictions only to

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

the extent that donor imposed restrictions on net appreciation of the fund have not been met (or used) before the loss occurs. Any remaining losses are reported as decreases in net assets without donor restrictions.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of three to five years. The Organization's policy is to capitalize acquisitions of \$500 or more. Expenditures for major renewals and betterments that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue and Support

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If the contribution and use of purpose restricted donations occurs in the same period, then the support will be recorded as without donor restrictions.

The Organization receives donated services and supplies from various organizations and individuals in order to accomplish its program objectives. Contributions of donated services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to the associated program and supporting services. Certain indirect costs have been allocated among the programs and supporting services benefitted. Personnel and related costs are allocated based on estimates of time and effort. Other costs, such as occupancy, are allocated on a square footage basis.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Positions

The Organization is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2012.

Fair Value Disclosure

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short term assets and liabilities. For these financial instruments, carrying values approximate fair value.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$ 4,274,248
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(18,700)
Board designations:	
Give-away Programs	<u>(1,201,053)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,054,495</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS

Various inputs may be used in determining the fair value of the Organization's assets and liabilities measured on a recurring basis. These inputs are market-based measurements based on and determined by the assumptions that market participants would use in pricing an asset or a liability and are summarized into three levels:

Level (1): Inputs to the valuation methodology are quoted prices for identical assets in active markets.

Level (2): Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly.

Level (3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumptions in determining the fair value of an asset or a liability).

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about projections market participants would use in developing a price that would be received to sell an asset or paid to transfer a liability based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In instances where 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 Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table summarizes the Organization's inputs used to determine their values on December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 3,370,116</u>	<u>\$ 764,322</u>	<u>\$ -</u>

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

Investments are carried at fair value and at December 31, 2019, are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 46,863	\$ 46,863
Exchange Traded Funds	2,698,239	2,791,516
Certificates of Deposit	750,000	764,322
Mutual funds	98,068	98,554
Stocks	<u>439,099</u>	<u>433,183</u>
	<u>\$ 4,032,269</u>	<u>\$ 4,134,438</u>

The following schedule details the investment income in the statement of activities for the year ended December 31, 2019:

Interest and dividend income	\$ 99,819
Investment fees	<u>(18,280)</u>
	<u>\$ 81,539</u>

5. EQUIPMENT

At December 31, 2019, equipment consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Equipment	<u>\$ 202,035</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 202,035
Less accumulated depreciation				<u>181,278</u>
				<u>\$ 20,757</u>

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

6. LEASE COMMITMENTS

The Organization is obligated under a lease for office facilities expiring April 30, 2021 and a new vehicle lease expiring February 2023.

Future minimum lease payments are as follows for the years ending December 31:

	<u>Office</u>	<u>Vehicle</u>
2020	\$ 44,280	\$ 3,930
2021	14,760	3,960
2022	-	3,960
2023	<u>-</u>	<u>330</u>
	<u>\$ 59,040</u>	<u>\$ 12,180</u>

Office rent expense was \$44,280 and vehicle lease expense was \$3,597 for the year ended December 31, 2019.

7. DONATED SERVICES

During the year volunteers provided transcribing, proofreading and other services. For the year ended December 31, 2019, contributed services received and recognized as support total \$18,365 with an offsetting charge to outside services.

8. BOARD DESIGNATED NET ASSETS

Net assets that are designated for Give-Away Programs. These designations are based on actions by the Board of Directors, which can be altered or revoked at a future time by vote of the entire Board.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions consist of cash and are available for the following:

Subject to expenditure for specified purpose:

Bowl-a-thon	\$ 7,500
Believe in Reading - BELL 2020	6,000
Book sponsors	<u>5,200</u>
	<u>\$ 18,700</u>

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year are as follows:

Subject to expenditure for specified purpose:

Book sponsors	\$ 6,000
Books for Michigan Braille & Talking Book Library	3,000
Bowl-a-thon	<u>2,500</u>
	<u>\$ 11,500</u>

11. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balance in one financial institution in Michigan. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019, the cash balance is fully insured.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

12. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 2020, the date the financial statements were available to be issued.