

BOOKLYN, INC.
FINANCIAL STATEMENTS
(Together with Independent Accountant's Review Report)
YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Management of

Booklyn, Inc.
140 58th Street, Building B-7G
Brooklyn, NY 11220

We have reviewed the accompanying financial statements of Booklyn, Inc. (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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Zelin & Associates CPA LLC". The signature is written in a cursive style.

Zelin & Associates CPA LLC
New York, New York
November 8, 2020

BOOKLYN, INC.
(A Not-For-Profit Organization)
Statement of Financial Position
As of December 31, 2019

Assets:		
Cash	\$	23,686
Accounts receivable		220,513
Equipment & leasehold improvements, net		6,244
Other assets		13,368
TOTAL ASSETS	\$	263,811
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$	484,735
Sales tax payable		11,245
TOTAL LIABILITIES		495,980
Net Assets:		
Without donor restrictions		(232,169)
TOTAL NET ASSETS		(232,169)
TOTAL LIABILITIES AND NET ASSETS	\$	263,811

See Independent Accountant's Review Report and accompanying notes to financial statements

BOOKLYN, INC.
(A Not-For-Profit Organization)
Statement of Activities
For The Year Ended December 31, 2019

	Without Donor Restrictions	Total
Support and Revenue:		
Book sales	\$ 563,618	\$ 563,618
Contributions	31,496	31,496
Teaching and lectures	13,836	13,836
Fundraising	1,118	1,118
Other income	345	345
TOTAL SUPPORT AND REVENUE	610,413	610,413
Expenses:		
Program services	466,581	466,581
Management and general	104,115	104,115
Fundraising	44,106	44,106
TOTAL EXPENSES	614,802	614,802
CHANGE IN NET ASSETS	(4,389)	(4,389)
Net Assets (Deficit), beginning of year	(227,780)	(227,780)
Net Assets (Deficit), end of year	\$ (232,169)	\$ (232,169)

See Independent Accountant's Review Report and accompanying notes to financial statements

BOOKLYN, INC.
(A Not-For-Profit Organization)
Statement of Functional Expenses
For The Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 101,776	\$ 27,401	\$ 27,401	\$ 156,578
Payroll taxes & employee benefits	24,825	6,683	6,684	38,192
	<u>126,601</u>	<u>34,084</u>	<u>34,085</u>	<u>194,770</u>
Artist payments	221,309	-	-	221,309
Professional fees	20,010	35,379	195	55,584
Occupancy & rent	21,449	10,724	3,575	35,748
Book production	26,285	-	-	26,285
Travel	21,725	-	-	21,725
Insurance	9,790	7,832	1,958	19,580
Postage, website and supplies	6,315	4,421	1,895	12,631
Production expenses	6,249	-	47	6,296
Maintenance & repairs	-	3,553	-	3,553
Exhibition fees & supplies	2,885	-	-	2,885
Marketing	1,382	-	1,382	2,764
Telephone & internet	1,056	1,056	528	2,640
Bank & merchant fees	224	1,969	45	2,238
Other expenses	724	1,448	241	2,413
Fines & penalties	-	1,882	-	1,882
Depreciation	-	1,612	-	1,612
Payroll processing fees	577	155	155	887
TOTAL EXPENSES	<u>\$ 466,581</u>	<u>\$ 104,115</u>	<u>\$ 44,106</u>	<u>\$ 614,802</u>

See Independent Accountant's Review Report and accompanying notes to financial statements

BOOKLYN, INC.
(A Not-For-Profit Organization)
Statement of Cash Flows
For The Year Ended December 31, 2019

Cash Flows From Operating Activities

Change in net assets	\$ (4,389)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,612
Changes in operating assets and liabilities:	
Increase in accounts receivable	(84,361)
Decrease in prepaid expenses	5,507
Increase in accounts payable & accrued expenses	38,688
Increase in sales tax payable	1,352
NET CASH USED IN OPERATING ACTIVITIES	(41,591)
NET DECREASE IN CASH	(41,591)
Cash, beginning of year	65,277
Cash, end of year	\$ 23,686

See Independent Accountant's Review Report and accompanying notes to financial statements

Booklyn, Inc.
(A Nonprofit Organization)
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1. Organization and Nature of Activities

Booklyn, Inc. (the "Organization") was formed in 1999 and determined to be tax-exempt under section 501(c)(3) of the Internal Revenue Code by letter dated April 30, 2003.

The Organization's mission is to promote artists' books as art and research material and to assist artists and organizations in documenting, exhibiting, and distributing their artworks and archives.

Note 2. Summary of Significant Accounting Policies

Adoption of Accounting Standards Update

ASU No. 2016-14

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly.

Basis of Accounting and Presentation

The Financial Statements of the Organization are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations.

Financial Statement Presentation

The Organization reports its financial position and operating activities according to two classes of net assets:

Net assets without donor restrictions - represents resources available for support of the Organization's operation over which the Board of Directors has discretionary control.

Net assets with donor restrictions – represents net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained intact in perpetuity by the Organization.

As of December 31, 2019, there were no net assets with donor restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts and Contributions Receivable

The Organization's accounts and contributions receivable balances at December 31, 2019 do not include an allowance for doubtful accounts. The Organization considers all contributions to be fully collectible. Such estimate is based on management's assessment of the creditworthiness of its funding sources, current economic conditions and historical information.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for on the straight-line basis over the estimated useful lives of the assets. Maintenance and repair costs are charged to expenses as incurred, and cost of renewals and improvements are capitalized. When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any resulting gain or loss is included in operations. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$1,000 or more, unless such property and equipment is funded by a grantor, and the grantor retains title to the property and equipment.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program Service

The Organization provides program service to promote artist books as an art form and an educational resource, to provide the general public and educational institutions with services and programming involving contemporary artist books, and to assist artists in exhibiting, distributing and publishing artist books.

Accounting for Uncertainty in Income Taxes

The Organization applies the provisions pertaining to uncertain tax positions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

ASU No. 2018-08

In June 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which will assist organizations in evaluating the transfer of assets and the nature of the related transaction. Organizations will be required to determine whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and if a contribution is conditional. The guidance in this ASU requires that organizations determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

For nonpublic entities who are recipients, the amendments of ASU No. 2018-08 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board (“IASB”) to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and the International Financial Reporting Standards (“IFRS”). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Booklyn, Inc.
(A Nonprofit Organization)
Notes to the Financial Statements
For the Year Ended December 31, 2019

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

The Organization does not believe that these ASUs will have a material effect on its financial statements.

Note 3. Property and Equipment

The following is a summary of equipment and leasehold improvements at cost less accumulated depreciation:

	<u>2019</u>
Equipment & leasehold improvements	\$ 30,950
Less: Accumulated depreciation	<u>(24,706)</u>
Net Carrying Value	<u>\$ 6,244</u>

Note 4. Commitments

On February 2, 2018, the Organization signed a 9-year lease for premises located in Brooklyn, New York. The lease provides for a minimum annual rent of \$33,410 plus a proportionate share of utility, maintenance and management costs plus a 3.5% escalation annually.

The monthly rent expense does not include the monthly maintenance fees.

As of December 31, 2019, the future minimum lease payments for the next five (5) years and thereafter are as follows:

Year ending December 31,

2020	\$	35,789
2021		37,042
2022		38,339
2023		39,681
2024		41,070
Thereafter		<u>86,501</u>
Total		<u>\$ 278,422</u>

For the year ended December 31, 2019, total rent expense was \$35,548, respectively.

Booklyn, Inc.
(A Nonprofit Organization)
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5. Accounts Payable and accrued expenses

The balance of accounts payable and accrued expenses is mostly made up of royalty payments payable to artists, with no specific repayment terms. The artist may demand payment at any time.

Note 6. Financial Assets and Liquidity Resources

The following represents the Organization's financial assets as of December 31, 2019:

Cash	\$ 23,686
Accounts Receivable	<u>220,513</u>
Total financial assets available to meet cash needs for general expenditures	<u>\$ 244,199</u>

The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity monthly.

Note 7. Date of Management's Review

In February 2020, an outbreak of COVID-19 originated in China has spread to other countries, including the U.S. In March 2020, the U.S. government has ordered the closure of the physical location of every non-essential business. The Organization has set up the ability for employees to work remotely from home and continued providing services to the communities. Employees have worked from home to maintain business operations. Future potential impacts may include restrictions on employees' ability to return to work physically and continued disruptions on expanding the Organization's programs and activities. The future effects of these issues are unknown.

The Organization has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through November 8, 2020 the day the financial statements were available to be issued. No material subsequent events were identified.