

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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

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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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisvenu & Company, P.C.

March 8, 2018

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	2017	2016
ASSETS		
Current Assets		
Cash	\$ 65,554	\$ 33,930
Accounts receivable	3,608	2,183
Supplies	90,482	96,856
Prepaid expenses	-	2,405
Total Current Assets	<u>159,644</u>	<u>135,374</u>
Non-current Assets		
Equipment	190,680	166,180
Less accumulated depreciation	<u>163,145</u>	<u>157,516</u>
Total Non-current Assets	<u>27,535</u>	<u>8,664</u>
Other Assets		
Investments	3,964,156	3,607,831
Security deposit	<u>2,288</u>	<u>2,288</u>
Total Other Assets	<u>3,966,444</u>	<u>3,610,119</u>
TOTAL ASSETS	<u><u>\$ 4,153,623</u></u>	<u><u>\$ 3,754,157</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 13,046	\$ 11,200
Total Liabilities	<u>13,046</u>	<u>11,200</u>
Net Assets		
Unrestricted		
Undesignated	2,763,471	2,285,957
Board designated	1,370,479	1,445,400
Temporarily restricted	<u>6,627</u>	<u>11,600</u>
Total Net Assets	<u>4,140,577</u>	<u>3,742,957</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,153,623</u></u>	<u><u>\$ 3,754,157</u></u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
OPERATING REVENUE				
Book sales	\$ 144,336	\$ -	\$ 144,336	\$ 144,911
OPERATING EXPENSES				
Program	588,895	-	588,895	552,322
Management and general	22,473	-	22,473	21,577
Total Operating Expenses	<u>611,368</u>	<u>-</u>	<u>611,368</u>	<u>573,899</u>
DEFICIENCY FROM OPERATIONS	<u>(467,032)</u>	<u>-</u>	<u>(467,032)</u>	<u>(428,988)</u>
SUPPORT AND OTHER EXPENSES				
Contributions	393,348	2,000	395,348	569,702
Grants	46,345	4,000	50,345	56,260
Special events and auxiliary activities	11,857	3,200	15,057	6,496
Donated services	14,663	-	14,663	20,108
Investment income	125,359	-	125,359	97,498
Realized and unrealized gain on investments - net	308,972	-	308,972	153,298
Fund raising expenses	<u>(45,092)</u>	<u>-</u>	<u>(45,092)</u>	<u>(38,881)</u>
	855,452	9,200	864,652	864,481
Net assets released from restrictions	<u>14,173</u>	<u>(14,173)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND OTHER EXPENSES	<u>869,625</u>	<u>(4,973)</u>	<u>864,652</u>	<u>864,481</u>
CHANGE IN NET ASSETS	402,593	(4,973)	397,620	435,493
NET ASSETS, beginning of year	<u>3,731,357</u>	<u>11,600</u>	<u>3,742,957</u>	<u>3,307,464</u>
NET ASSETS, end of year	<u>\$ 4,133,950</u>	<u>\$ 6,627</u>	<u>\$ 4,140,577</u>	<u>\$ 3,742,957</u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Program	Management and General	Fund Raising	Total	
				2017	2016
Book production materials	\$ 135,407	\$ -	\$ -	\$ 135,407	\$ 116,568
Salary and wages	287,250	13,361	33,401	334,012	311,614
Payroll taxes	22,140	1,030	2,574	25,744	24,418
Other personnel costs	8,422	936	540	9,898	12,509
Occupancy	67,065	1,397	1,397	69,859	68,521
Telephone	5,805	61	309	6,175	3,563
Postage and mail service	5,456	64	898	6,418	6,047
Office supplies	6,887	26	475	7,388	8,557
Equipment repair and maintenance	6,928	326	326	7,580	6,773
Printing, promotion and website	14,297	-	2,523	16,820	15,221
Production development, conferences and membership	3,026	-	316	3,342	2,729
Transportation	5,603	290	417	6,310	6,035
Outside services	14,663	4,598	1,532	20,793	26,148
Directors and officers insurance	543	271	271	1,085	1,085
Total Functional Expenses Before Depreciation	583,492	22,360	44,979	650,831	609,788
Depreciation	5,403	113	113	5,629	2,992
Total Functional Expenses	<u>\$ 588,895</u>	<u>\$ 22,473</u>	<u>\$ 45,092</u>	<u>\$ 656,460</u>	<u>\$ 612,780</u>

See accompanying notes to financial statements.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 397,620	\$ 435,493
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,629	2,992
Realized gain on investments	(91,038)	(1,248)
Unrealized gain on investments	(217,934)	(152,050)
(Increase) decrease in operating assets		
Accounts receivable	(1,425)	1,123
Supplies	6,374	(8,587)
Prepaid expenses	2,405	(2,405)
Increase (decrease) in operating liabilities		
Accounts payable	-	(5,068)
Accrued expenses	1,846	6,225
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>103,477</u>	<u>276,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(257,353)	(359,497)
Proceeds from sale of investments	210,000	60,000
Purchase of equipment	<u>(24,500)</u>	<u>(2,806)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(71,853)</u>	<u>(302,303)</u>
NET INCREASE (DECREASE) IN CASH	31,624	(25,828)
CASH, beginning of year	<u>33,930</u>	<u>59,758</u>
CASH, end of year	<u>\$ 65,554</u>	<u>\$ 33,930</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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Unrestricted Net Assets – net assets that are not subject to "donor-imposed" time or purpose restrictions.

Temporarily Restricted Net Assets – net assets subject to “donor-imposed” restrictions that may or will be met by actions of the Organization and/or the passage of time. Restrictions that expire with the passage of time or can be removed by accomplishing certain requirements are classified as temporarily restricted net assets.

Permanently Restricted Net Assets – net assets subject to “donor-imposed” restrictions that they be maintained in perpetuity. Restrictions that require an asset be invested and only allow the income to be used are classified as permanently restricted net assets. The Organization has no permanently restricted net assets at December 31, 2017.

Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-Designated Net Assets – net assets 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.

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, 2017.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at December 31, 2017; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Equipment

Equipment is recorded at cost or, if donated, at the estimated fair market 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 property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Classification of Expenses

Direct expenses, which can be clearly defined as incurred for a specific program, are charged to that program. The Organization allocates common expenses to program, management and general and fund raising based on time and use analysis by management.

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, 2010.

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. 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).

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS (continued)

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 3,964,156</u>	<u>\$ -</u>	<u>\$ -</u>

3. INVESTMENTS

Investments are carried at fair value and at December 31, 2017, are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 3,247,774</u>	<u>\$ 3,964,156</u>

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

4. LEASE COMMITMENTS

The Organization is obligated under a lease for office facilities expiring April 30, 2021 and a vehicle lease expiring March 9, 2020.

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

	<u>Office</u>	<u>Vehicle</u>
2018	\$ 44,280	\$ 3,597
2019	44,280	3,597
2020	44,280	899
2021	<u>14,760</u>	<u>-</u>
	<u>\$ 147,600</u>	<u>\$ 8,093</u>

Office rent expense was \$44,280 and vehicle lease expense was \$3,577 for the year ended December 31, 2017.

5. DONATED SERVICES

During the year volunteers provided transcribing and proofreading services. For the year ended December 31, 2017, contributed services received and recognized as support total \$14,663 with an offsetting charge to outside services.

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, temporarily restricted net assets consist of cash and cash equivalents and are available for the following purposes:

Bowl-a-thon	\$ 3,150
Book sponsors	3,000
Books for Michigan children	<u>477</u>
	<u>\$ 6,627</u>

SEEDLINGS...BRAILLE BOOKS FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS

7. 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:

Purpose restriction accomplished	
Book sponsors	\$ 6,000
Books for Livonia and Redford libraries	3,250
Books for Michigan children	2,523
Bowl-a-thon	<u>2,400</u>
	<u>\$ 14,173</u>

8. 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, 2017, the cash balance is fully insured.

9. 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, 2016, from which the summarized information was derived.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2018, the date the financial statements were available to be issued.