

OPEN BOOKS LTD.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

OPEN BOOKS LTD.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
Open Books Ltd.

We have audited the accompanying financial statements of Open Books Ltd. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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, 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 Open Books Ltd. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, Ltd.

November 18, 2020

OPEN BOOKS LTD.

STATEMENTS OF FINANCIAL POSITION

June 30,	2020	2019
ASSETS		
Cash	\$ 813,143	\$ 156,823
Accounts receivable	22,112	35,410
Inventory	155,068	269,176
Prepaid expense	50,522	22,274
Property and equipment, net	63,598	56,498
Deposits	6,000	6,000
Total assets	\$ 1,110,443	\$ 546,181
LIABILITIES AND NET ASSETS		
Liabilities:		
Capital lease payable	\$ 14,619	\$ 24,422
Accounts payable and accrued expenses	145,382	126,182
Deferred rent	118,085	115,741
Deferred revenue	5,400	10,306
Total liabilities	283,486	276,651
Net assets:		
Without donor restrictions	230,696	268,564
With donor restrictions	596,261	966
Total net assets	826,957	269,530
Total liabilities and net assets	\$ 1,110,443	\$ 546,181

See notes to financial statements.

OPEN BOOKS LTD.

STATEMENTS OF ACTIVITIES

Years ended June 30,	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions and grants	\$ 992,251	\$ 621,372	\$ 1,613,623	\$ 861,151	\$ 500	\$ 861,651
Contributed books	663,185		663,185	851,433		851,433
Book and merchandise sales	1,301,856		1,301,856	1,292,945		1,292,945
Less: cost of sales	(711,090)		(711,090)	(710,094)		(710,094)
Program income	30,876		30,876	48,157		48,157
Special events:						
Gross proceeds, including contributed goods and services of \$40,231 in 2020 and \$19,294 in 2019	114,538		114,538	94,293		94,293
Less cost of direct benefit to donors, including contributed goods and services of \$10,089 in 2020 and \$19,294 in 2019	(38,727)		(38,727)	(31,979)		(31,979)
Rental and miscellaneous income	10,715		10,715	5,585		5,585
Net assets released from restrictions	26,077	(26,077)		2,593	(2,593)	
Total revenue	2,389,681	595,295	2,984,976	2,414,084	(2,093)	2,411,991
Expenses:						
Program services	1,924,279		1,924,279	1,878,105		1,878,105
Management and general	254,466		254,466	286,403		286,403
Fundraising	248,804		248,804	229,402		229,402
Total expenses	2,427,549		2,427,549	2,393,910		2,393,910
Change in net assets	(37,868)	595,295	557,427	20,174	(2,093)	18,081
Net assets:						
Beginning of year	268,564	966	269,530	248,390	3,059	251,449
End of year	\$ 230,696	\$ 596,261	\$ 826,957	\$ 268,564	\$ 966	\$ 269,530

See notes to financial statements.

OPEN BOOKS LTD.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2020	Program services									Supporting services				Total
	Reading Buddies	Creative Writing Workshops	Creative Writing Club	Book Granting Programs	North Lawndale Reads	Publishing Academy	Storytime	The Dolly Parton Imagination Library	Book collection, processing and sales	Total program services	Management and general	Fundraising	Cost of direct benefit to donors	
Account fees and bank charges	\$ 230	\$ 214	\$ 126	\$ 211	\$ 125	\$ 149	\$ 70	\$ 125	\$ 304,478	\$ 305,728	\$ 8,374	\$ 8,135		\$ 322,237
Books donated/given to others		1,923	29	121,395		26	31			123,404	670	48		124,122
Cost of sales									711,090	711,090				711,090
Depreciation and amortization	2,114	1,960	1,155	1,950	1,143	1,366	639	1,147	6,443	17,917	1,205	3,024		22,146
Marketing, promotion and special events											14,229	44,653	\$ 38,727	97,609
Occupancy	16,780	15,562	9,166	15,483	9,076	10,848	5,072	9,109	218,552	309,648	16,274	8,896		334,818
Office and other expenses	7,200	6,887	4,961	13,955	3,788	6,549	2,402	53,968	66,191	165,901	45,944	9,978		221,823
Postage and shipping	83	77	47	77	45	54	25	45	214,539	214,992	155	461		215,608
Salaries and related costs	84,926	78,760	46,390	78,364	45,933	54,903	25,668	46,103	325,642	786,689	167,615	173,609		1,127,913
Total expenses	111,333	105,383	61,874	231,435	60,110	73,895	33,907	110,497	1,846,935	2,635,369	254,466	248,804	38,727	3,177,366
Less expenses included with revenue in the statements of activities									(711,090)	(711,090)			(38,727)	(749,817)
Total functional expenses	\$ 111,333	\$ 105,383	\$ 61,874	\$ 231,435	\$ 60,110	\$ 73,895	\$ 33,907	\$ 110,497	\$ 1,135,845	\$ 1,924,279	\$ 254,466	\$ 248,804	\$ -	\$ 2,427,549

See notes to financial statements.

OPEN BOOKS LTD.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2019	Program services							Supporting services				Total
	Reading Buddies	Creative Writing Workshops	Book Granting Programs	ReadThen Write	Publishing Academy	The Dolly Parton Imagination Library	Book collection, processing and sales	Total program services	Management and general	Fundraising	Cost of direct benefit to donors	
Account fees and bank charges	\$ 67	\$ 78	\$ 57	\$ 54	\$ 28	\$ 29	\$ 291,478	\$ 291,791	\$ 7,516	\$ 5,160		\$ 304,467
Books donated/given to others	44	3,945	161,151	91	48			165,279	22	665		165,966
Cost of sales							710,094	710,094				710,094
Depreciation and amortization	2,374	2,730	1,989	1,880	988	1,025	5,004	15,990	1,129	3,074		20,193
Marketing, promotion and special events									16,924	19,237	\$ 31,979	68,140
Occupancy	20,253	23,299	16,976	16,040	8,430	8,750	218,169	311,917	16,206	8,776		336,899
Office and other expenses	14,115	16,235	11,830	11,177	5,874	6,097	66,069	131,397	42,427	13,671		187,495
Postage and shipping	55	64	47	44	23	24	186,255	186,512	73	118		186,703
Salaries and related costs	91,146	94,100	81,399	65,015	54,942	45,847	342,770	775,219	202,106	178,701		1,156,026
Total expenses	128,054	140,451	273,449	94,301	70,333	61,772	1,819,839	2,588,199	286,403	229,402	31,979	3,135,983
Less expenses included with revenue in the statements of activities							(710,094)	(710,094)			(31,979)	(742,073)
Total functional expenses	\$ 128,054	\$ 140,451	\$ 273,449	\$ 94,301	\$ 70,333	\$ 61,772	\$ 1,109,745	\$ 1,878,105	\$ 286,403	\$ 229,402	\$ -	\$ 2,393,910

See notes to financial statements.

OPEN BOOKS LTD.

STATEMENTS OF CASH FLOWS

Years ended June 30,	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 557,427	\$ 18,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,146	20,193
Contributed books	(663,185)	(851,433)
Cost of sales - contributed books and merchandise	654,946	668,692
Books and goods donated/given to others	124,122	165,966
Deferred rent	2,344	9,975
(Increase) decrease in operating assets:		
Accounts receivable	13,298	18,471
Inventory - new books	(1,775)	5,624
Prepaid expense	(28,248)	(10,140)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	19,200	17,276
Deferred revenue	(4,906)	6,341
Net cash provided by operating activities	695,369	69,046
Cash flows from investing activity:		
Purchases of property and equipment	(29,246)	(2,122)
Net cash used in investing activity	(29,246)	(2,122)
Cash flows from financing activity:		
Payments on capital lease	(9,803)	(9,619)
Net cash used in financing activity	(9,803)	(9,619)
Net increase in cash	656,320	57,305
Cash, beginning of year	156,823	99,518
Cash, end of year	\$ 813,143	\$ 156,823

See notes to financial statements.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

Open Books Ltd. (the Organization) is a not-for-profit social venture with a mission to collect, grant and sell books, provide community programs and mobilize passionate volunteers to raise awareness about literacy, improve reading skills and spread the love of reading and writing in Chicago and beyond.

The Organization's main activity is providing a diverse group of reading and writing programs designed to build the literacy skills and to enrich the lives of thousands of students each year. The Organization operates the following programs:

Reading Buddies is a twice-weekly program that allows elementary students to work one-on-one with a trained, supportive mentor to help boost reading skills such as fluency and comprehension, as well as confidence with reading. Twice each week, a Big Buddy and a Little Buddy pair read together in 30-minute segments. In response to the COVID-19 pandemic, this program was suspended in mid-March 2020.

Creative Writing Workshops are experiences designed to help young people develop their writing skills in meaningful and creative ways. Students write and read as a whole group, in small groups and as individuals, working with supportive writing coaches at the literacy center. They read sample work aloud, discuss it as a group and write their own prose or poetry. Field trips conclude with a trip to the Open Books bookstore where each student receives one free book. In response to the COVID-19 pandemic, this program was suspended in mid-March 2020.

Creative Writing Club is a free, weekly drop-in writing program designed for 4th through 8th graders that consists of creative writing exercises and skill-building activities. While each session is designed to be a stand-alone experience, students are encouraged to attend regularly, and each quarter culminates in a group-produced creative writing Zine (a homemade magazine). The program launched as a free program offering in the Open Books bookstore, and soon expanded as an after-school program at a partner school in North Lawndale. In response to the COVID-19 pandemic, the program was temporarily suspended in mid-March and later transitioned to a virtual platform over summer 2020.

Book Granting Programs donates in-classroom lending libraries, grants of children's books and reading resource materials to schools and nonprofit partners across Chicago for students to enjoy and share with their families. In response to the COVID-19 pandemic, the Organization shifted to distributing books directly to students in order to build home libraries through the Gift of Books campaign.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

ReadThenWrite is an immersive reading, writing and publishing experience for teenage authors. Students begin by reading relevant texts in specific genres (memoir, mystery, science fiction, etc.) and discussing them as a group. With the help of their Open Books leader and volunteer coaches, students learn about pertinent literary devices and how to apply them to writing and life experiences. Next, students write their own novella, poems or short story using the skills covered during the reading portion. They workshop their drafts with peers, then edit and polish their work with the help of the leader and coaches. Finally, the new authors present their work at a gala event at the Open Books bookstore. They finish ReadThenWrite with a published book. This program was discontinued during the year ended June 30, 2019.

Publishing Academy is a summer writing program for aspiring teen writers. Students from across the city take part in an experience of writing and publishing their very own novel. With the guidance of supportive and enthusiastic coaches, students are inspired to bring their imagination to life by working through the entire publishing process, from initial draft to polished prose. Students' final novels are unveiled at special gala book launches in the Open Books bookstore. In response to the COVID-19 pandemic, this program was shifted to a virtual format.

North Lawndale Reads launched in summer 2019 with the formation of a steering committee comprised of over 30 organizations tied to the North Lawndale community. The program is a multi-year, multi-strategy campaign designed to amplify in North Lawndale the importance of literacy and give the community's families, parents, and children the resources critical for early reading, from pre-natal experiences to preschool, from kindergarten through a child's first elementary years in school. Its two over-arching goals are to 1) to increase the number of children in North Lawndale who are school-ready when they enter kindergarten and 2) to increase the number of students in North Lawndale who meet or exceed grade-level reading benchmarks through community engagement, providing books and promoting literacy skills development and socio-emotional supports for both children and adults.

Storytime is a regularly-scheduled program designed for preschool aged children and their caregivers. The program incorporates read-alouds from beloved children's books, music and sing-along songs, and age-appropriate literacy and movement activities. The program was run weekly at the Open Books bookstore, and monthly in the Pilsen store. In response to the COVID-19 pandemic, the program was moved to Facebook Live in mid-March 2020 and was suspended in June 2020.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

The Dolly Parton Imagination Library is a program that provides children in Chicago with access to free, age-appropriate books delivered directly to their homes. The books arrive by mail every month from birth until the child turns five. Each book is brand new and carefully selected by a panel of experts on childhood literacy and early education. During the year ended June 30, 2020, this program was available to children living in the following zip codes: 60608, 60612, 60621, 60623, 60624, 60636, 60644, and 60651.

The Organization also actively collects books which are given to program participants, granted to community organizations, resold to raise money for programs or recycled. The Organization operates two retail bookstores and also maintains an online sales operation. Proceeds from the sale of books help support the Organization's literacy initiatives.

2. Summary of significant accounting policies

Basis of accounting:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncement:

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the financial statements of the Organization.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Net assets:

Net assets, revenues, gains, and losses 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 restrictions.

Net assets with donor restrictions - Net assets 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, where the donor stipulates that resources be maintained in perpetuity.

Accounts receivable:

Accounts receivable consist of program fees and book sales net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of specific account history and experience. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected. Management has determined that an allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2020 and 2019.

Inventory:

Contributed book inventory and other merchandise is stated at average fair value, which is based on net sales amounts. Books that are purchased for sale are valued at the lower of cost, with cost determined by specific identification, or net realizable value.

The components of inventory are as follows as of June 30, 2020 and 2019.

June 30,	2020	2019
Contributed books and merchandise	\$ 140,340	\$ 262,797
Purchased books	14,728	6,379
Total	\$ 155,068	\$ 269,176

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment:

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000 and with a useful life greater than one year. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on a straight-line basis over the lesser of the life of the lease or the life of the asset.

The Organization 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. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Deferred rent:

The Organization records rent expense on a straight-line basis over the life of the related leases. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent.

Deferred revenue:

Program tuition and payments collected for future programs and events are recorded as deferred revenue until earned. Program and event income and expenses are recognized by the Organization during the period in which the program or event is held.

Contributions and grants:

Contributions and grants received, including unconditional promises to give, are recorded as with or without donor restrictions, depending on the existence and nature of any donor-imposed restrictions. Donor-restricted support is reclassified to net assets without donor restrictions upon satisfaction of the restriction. The Organization reports donor-restricted contributions and grants for which restrictions are met in the same reporting period as revenue without donor restrictions.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributions and grants: (continued)

The Organization also recognizes as revenue the fair value of contributed (donated) goods and services. Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. During the years ended June 30, 2020 and 2019, the Organization received contributed goods and services as follows:

Years ended June 30,	2020	2019
Contributed books	\$ 663,185	\$ 851,433
Special events costs	40,231	19,294
Total	\$ 703,416	\$ 870,727

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with other events that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Book and merchandise sales:

Revenue from book and merchandise sales, net of sales tax, is recognized at the time of sale to customers.

Expense allocation:

The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related costs, depreciation and amortization, occupancy, and office and other expenses which are allocated on the basis of estimates of time and effort. All other expenses are directly allocated.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Shipping and handling:

The Organization records shipping and handling costs as incurred in program services expenses, mainly in postage and shipping expense, but also in other accounts. Shipping and handling amounted to approximately \$273,000 and \$240,000 for the years ended June 30, 2020 and 2019, respectively.

Use of estimates:

The preparation of financial statements in accordance with 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.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events through November 18, 2020, the date the financial statements were available to be issued.

3. COVID-19 impact

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. During the COVID-19 pandemic, the Organization's book store was temporarily closed in accordance with state guidelines, and has seen a shift in programming from in-person to virtual. Overall, the functions of the Organization have not been materially interrupted. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Organization's business operations, including how it impacts the Organization's students and families, employees, funders, suppliers and vendors, in addition to how the COVID-19 pandemic impacts the Organization's ability to provide reading and writing programs to students. The Organization believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Organization's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Organization.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. COVID-19 impact (continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP), which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and received \$221,873. The loan has a maturity date of May 6, 2022 and bears interest at an annual rate of 1%. Loan forgiveness is subject to the approval by the lender and the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Organization has accounted for the PPP loan as a conditional contribution and has recognized contributions and grants revenue of \$221,873 during the year ended June 30, 2020 based on qualifying expenses incurred. The Organization anticipates the loan to be fully forgiven. Subsequent to June 30, 2020, the Organization has applied for loan forgiveness under the provisions of Section 1106 of the CARES Act. As of November 18, 2020, the Organization has not yet received notification of approval of its application for forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender. The two-year maturity date could be extended to five years if approved by the lender.

4. Liquidity and availability

Financial assets available for general expenditures within one year include cash and accounts receivable. The Organization manages available cash to meet general expenditures following these principles:

- Meet operating and contractual commitments
- Maintain adequate liquid assets
- Maintain sufficient reserves to fund programs

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability (continued)

The table below presents financial assets available for general expenditures within one year as at June 30, 2020 and 2019:

June 30,	2020	2019
Financial assets at year-end:		
Cash	\$ 813,143	\$ 156,823
Accounts receivable	22,112	35,410
Total financial assets	835,255	192,233
Less amount not available to be used within one year:		
Net assets with donor restrictions	596,261	966
Financial assets available to meet general expenditures within one year	\$ 238,994	\$ 191,267

5. Concentration of credit risk

The Organization maintains its cash in accounts held at banks. The amount of cash in excess of federally-insured limits totaled approximately \$554,000 and \$-0- at June 30, 2020 and 2019, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

6. Tax status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Property and equipment

The components of property and equipment are as follows:

June 30,	2020	2019
Computer software	\$ 6,191	\$ 6,191
Furniture and equipment	141,854	141,854
Leasehold improvements	17,220	17,220
Vehicle	39,446	10,200
Website	15,000	15,000
	219,711	190,465
Less accumulated depreciation and amortization	156,113	133,967
Property and equipment, net	\$ 63,598	\$ 56,498

8. Employees' salary deferral 401(k) plan

The Organization sponsors an employees' salary deferral 401(k) plan. Participation is voluntary and all employees who meet prescribed service requirements are eligible to defer up to 100% of their salaries or the maximum allowed under the Code. The Organization made no contributions to the plan for the years ended June 30, 2020 and 2019.

9. Related party transactions and concentration

During the year ended June 30, 2020, the Organization received approximately \$177,000 in contributions from the Founder and President and approximately \$29,000 in contributions from other officers and Board members of the Organization.

During the year ended June 30, 2019, the Organization received approximately \$151,000 in contributions from the Founder and President and approximately \$225,000 in contributions from other officers and Board members of the Organization.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Lease commitments

The Organization leases office, program, retail and warehouse space under various lease agreements through 2027.

Future minimum rental payments under these leases, not including the currently existing renewal option for the office lease, are as follows:

Year ending June 30:	Amount
2021	\$ 265,359
2022	273,492
2023	208,890
2024	178,139
2025	182,592
Thereafter	346,357
Total	\$ 1,454,829

Rent expense was \$292,126 and \$294,966 for the years ended June 30, 2020 and 2019, respectively.

11. Capital lease

The Organization financed a copier with a capitalized cost of \$38,477 in 2018. Accumulated depreciation and amortization in the statements of financial position included \$23,246 and \$13,627 relating to this leased copier as of June 30, 2020 and 2019, respectively, and depreciation and amortization expense reported in the statements of functional expenses included \$9,799 and \$9,619 for the years ended June 30, 2020 and 2019, respectively.

Future minimum payments under the lease are as follows:

Year ending June 30:	Amount
2021	\$ 9,619
2022	5,000
Total	\$ 14,619

OPEN BOOKS LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Net assets with donor restrictions

As of June 30, 2020 and 2019, net assets with donor restrictions include the following:

June 30,	2020	2019
Purpose restrictions:		
Gift of Books	\$ 3,602	
North Lawndale Reads	91,874	
Pilsen Story Time		\$ 181
Reading Buddies	785	785
The Dolly Parton Imagination Library	500,000	
Total net assets with donor restrictions	\$ 596,261	\$ 966

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions as follows:

Years ended June 30,	2020	2019
Purpose restricted:		
Gift of Books	\$ 7,770	
North Lawndale Reads	18,126	
Pilsen Story Time	181	\$ 319
Reading Buddies		2,274
Total net assets released from restrictions	\$ 26,077	\$ 2,593