

COPY

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

BALANCE SHEET AS OF DECEMBER 31, 2014

INCOME & EXPENDITURE ACCOUNT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 .

AND

STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

BALANCE SHEET As of December 31, 2014

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1105200 CHASE Checking	577,157.38
1105250 CHASE Payroll	7,081.71
1105260 CHASE Savings	1,002.22
1106100 US Bank	126,488.85
1116100 Petty Cash	1,000.00
Total Bank Accounts	<u>\$712,730.16</u>
Accounts Receivable	
1301202 Perseus	361,665.82
1301300 Estimated Return Reserve	-108,499.74
1301400 Bad Debt Reserves	-2,000.00
Total Accounts Receivable	<u>\$251,166.08</u>
Other current assets	
1498000 Contribution Receivable	1,000,000.00
1509100 Inventory	584,534.00
1509300 Prepaid Royalties	
1509310 Author Advances	2,012,137.00
1509320 Expensed Royalties	-1,911,802.73
Total 1509300 Prepaid Royalties	<u>100,334.27</u>
Total Other current assets	<u>\$1,684,868.27</u>
Total Current Assets	<u>\$2,648,764.51</u>
Other Assets	
1509400 Prepaid Insurance	12,495.50
1509460 Security Deposit	2,190.04
1604000 Deposits	11,709.23
Total Other Assets	<u>\$26,394.77</u>
TOTAL ASSETS	<u><u>\$2,675,159.28</u></u>
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2101100 Accounts Payable	122,804.95
Total Accounts Payable	<u>\$122,804.95</u>
Total Current Liabilities	<u>\$122,804.95</u>
Total Liabilities	<u>\$122,804.95</u>
Equity	
2915200 Temporarily restricted	1,000,000.00
2918100 Retained Earnings	1,279,662.00

Net Income	272,692.33
Total Equity	<u>\$2,552,354.33</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$2,675,159.28</u></u>

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

INCOME AND EXPENDITURE ACCOUNT

January - December 2014

	TOTAL
Income	
3000000 Sales	
3021000 Gross Book Sales	1,982,892.14
3022000 Permission Sales	24,663.25
Total 3000000 Sales	2,007,555.39
3021800 Returns & Credits	
3021900 Actual	-483,303.95
3021910 Return reserve adjustment	33,342.40
Total 3021800 Returns & Credits	-449,961.55
3031000 Contributions	548,000.00
3091000 Other Income	
3091010 Interest Income	0.48
3091020 Reimb. Exp.	21,754.29
Total 3091000 Other Income	21,754.77
Total Income	\$2,127,348.61
Cost of Goods Sold	
3900000 Handling Fees	
3900002 Perseus Handling Fee	181,698.13
Total 3900000 Handling Fees	181,698.13
Total Cost of Goods Sold	\$181,698.13
Gross Profit	\$1,945,650.48
Expenses	
4000000 Administrative Operations	
4021000 Bank Charges	5,131.05
4031000 Computer Support	2,271.13
4031100 Software Maintenance	17,622.02
4031300 Hardware	11,004.76
Total 4031000 Computer Support	30,897.91
4041000 Dues and Memberships	5,272.31
4053000 Equip Rent	5,810.95
4053200 Postage Meter	822.00
Total 4053000 Equip Rent	6,632.95
4062000 Furn & Fixt Purchased	4,442.39
4091000 Insurance	
4091100 Directors & Officers	6,154.01
4091200 Liability Insurance	6,454.00
Total 4091000 Insurance	12,608.01
4101000 Janitorial Service	6,107.81
4132000 Miscellaneous	757.69
4151000 Office Supplies	8,233.40

4161000 Postage and Delivery	61,321.21
4163000 Printing	7,837.95
4164000 Promotion	1,045.58
4165000 Professional Fees	40.00
4165100 Audit	16,279.00
4165200 Bookkeeping	12,000.00
4165300 Accounting	19,998.47
4165400 Legal	4,293.50
4165600 Filing Fees	988.00
Total 4165000 Professional Fees	53,598.97
4166000 Property Taxes	7,717.80
4181000 Rent	107,369.76
4183000 Repairs & Maintenance	500.00
4191000 Subscriptions	227.98
4201000 Telephone	5,058.88
4203000 Travel & Entertainment	
4203200 Accommodations	1,509.38
4203300 Meals	18,960.74
4203400 Travel	5,910.62
Total 4203000 Travel & Entertainment	26,380.74
4211000 Utilities	5,679.01
Total 4000000 Administrative Operations	356,821.40
5000000 Editorial/Acquisitions	
5012000 Author Royalties	389,809.91
5031000 Copyrights	895.00
5051000 Editing Services	0.00
5051100 Copyediting	52,021.30
5051150 Indexing	11,968.25
5051200 Peer Review	250.00
5051300 Proofreading	548.00
Total 5051000 Editing Services	64,787.55
5181000 Reprint Rights	
5181100 Licensing	811.20
5181300 Permissions Fee	15,900.00
Total 5181000 Reprint Rights	16,711.20
5201000 Travel & Entertainment	
5201300 Meals	1,816.35
5201400 Travel	222.16
Total 5201000 Travel & Entertainment	2,038.51
Total 5000000 Editorial/Acquisitions	474,242.17
6000000 Production/Manufacturing	
6010000 Electronic Printing	603.12
6022000 Print & Bind	518,961.25
6161000 Pre-Press	0.00
6161100 Design	104,673.60
6161200 Photo Research	600.00
6161400 Production Management	32,823.95

Total 6161000 Pre-Press	138,097.55
Total 6000000 Production/Manufacturing	657,661.92
7000000 Sales/Marketing	
7191000 Selling Exp	
7191100 Catalog	400.00
7191800 Travel	
7191830 Meals	463.67
Total 7191800 Travel	463.67
Total 7191000 Selling Exp	863.67
7461000 Promotion	0.00
7461100 Advertising	89,895.32
7461300 Booksignings	11,374.88
7461600 Publicity	165,037.57
7461700 Travel	3,952.33
7461720 Accommodations	1,120.54
7461730 Meals	23,517.30
7461740 Travel	4,452.04
Total 7461700 Travel	33,042.21
7461800 Web Design & Maintenance	
7461810 Internet	15.95
Total 7461800 Web Design & Maintenance	15.95
Total 7461000 Promotion	299,365.93
Total 7000000 Sales/Marketing	300,229.60
8000000 Fulfillment	
8165000 Printing	14,860.06
8231000 Warehousing	75,476.13
Total 8000000 Fulfillment	90,336.19
9000000 Personnel	
9000100 Salaries	595,222.83
9000101 Payroll Control	43.31
9000160 Interns	14,327.44
9051000 Benefits	200.00
9051050 Workers Compensation	1,434.12
9051500 Health & Life Insurance	49,396.10
9052000 SEP-IRA	87,038.64
9053000 Transp/Parking	567.09
9054000 Disability Insurance	319.20
9055000 Health Club	4,306.00
Total 9051000 Benefits	143,261.15
9201000 Payroll Taxes	40,812.14
Total 9000000 Personnel	793,666.87
Total Expenses	\$2,672,958.15
Net Operating Income	\$ -727,307.67
Other Income	
9919000 General Grant	1,000,000.00

Total Other Income	\$1,000,000.00
Net Other Income	\$1,000,000.00
Net Income	\$272,692.33

Encounter for Culture and Education, Inc.
Statement of Cash Flows

TWELVE MONTHS TO DECEMBER 31, 2014 AND 2013

	12 Months to <u>Dec-14</u>	12 Months to <u>Dec-13</u>
Cash Flows Provided (Used):		
From Operating Activities:		
Change in net assets for the period	\$ (727,512)	\$ (1,112,267)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in accounts receivable	77,799	46,268
Decrease (increase) in contributions receivable	1,000,000	1,000,000
Decrease (increase) in inventory	(16,692)	85,112
Decrease (increase) in prepaid royalties	89,106	144,315
Decrease (increase) in other assets	(1,985)	(3,304)
Increase (decrease) in accounts payable	(21,247)	(54,622)
	<hr/>	<hr/>
Net cash provided by operating activities	399,469	105,529
Cash and cash equivalents, beginning of year	<hr/> 313,261	<hr/> 207,732
Cash and cash equivalents, end of period	<u>\$ 712,730</u>	<u>\$ 313,261</u>

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. The value of books held in inventory as of December 31, 2014 is stated at estimated cost of \$649,483 less a reserve for slow moving books in the amount \$64,948.
2. Author Advances paid in respect of books in production and books which have not yet fully earned royalties equivalent to advances are capitalized in Prepaid Royalties. An amount equal to 25% of net sales is expensed from Prepaid Royalties and charged to Author Royalties each month. This charge off is verified annually by comparison to Royalties actually earned and Advances deemed unlikely to ever be fully earned back and thus written off. The Corporation had approximately \$169,833 of royalty advance commitments outstanding to authors as of December 31, 2014.
3. Fixed Assets have been expensed when purchased.
4. A reserve for anticipated book returns amounts to \$108,500 as at December 31, 2014, estimated at 30% of Accounts Receivable.
5. The reserve for bad debts is \$2,000.

M & N TAX CONSULTANTS

BUDGET

	ACTUAL 12 months to 31-Dec-14	BUDGET 2015
INCOME		
Book Sales	1,557,000	1,650,000
Other Income	22,000	25,000
Contributions	548,000	150,000
SUB-TOTAL INCOME	\$ 2,127,000	\$ 1,825,000
EXPENSES		
PERSEUS HANDLING FEE	\$ 182,000	\$ 228,000
GROSS PROFIT	1,945,000	1,597,000
ADMINISTRATIVE		
Rent	108,000	120,000
Postage & Delivery	62,000	70,000
Bookkeeping	33,000	36,000
Travel and Entertainment	27,000	35,000
Office Supplies	8,000	8,000
Audit Fees	17,000	18,000
Insurance	13,000	14,000
Telephone	5,000	5,000
Computer Support	31,000	30,000
Legal Fees	5,000	5,000
Utilities	6,000	8,000
Equipment	27,000	30,000
Subscriptions	5,000	6,000
Janitorial	6,000	6,000
Other Fees & Bank Charges	4,000	5,000
	\$ 357,000	\$ 396,000
EDITORIAL		
Permission Rights	17,000	25,000
Author Advances	53% 128,370	130,000
Author Royalties	47% 260,630	280,000
Copy Editing	66,000	70,000
Travel and Miscellaneous	2,000	5,000
	\$ 474,000	\$ 510,000
PRODUCTION		
Printing & Binding	522,000	550,000
Pre-Press	136,000	130,000
	\$ 658,000	\$ 680,000
SALES & PROMOTION		
Advertising	101,000	120,000
Publicity	165,000	200,000
Author Tours	7,000	10,000
Fulfillment	90,000	90,000
Travel	27,000	15,000
	\$ 390,000	\$ 435,000
PERSONNEL EXPENSES		
Salaries & Wages	599,000	625,000
Outside Services/Contract Labor	15,000	2,000
Benefits	140,000	170,000
Payroll Taxes	40,000	45,000
	\$ 794,000	\$ 842,000
OTHER EXPENSES		
	\$ -	\$ -
TOTAL EXPENSES	\$ 2,673,000	\$ 2,863,000
CASH REQUIREMENT	\$ 728,000	\$ 1,266,000