

COPY

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

BALANCE SHEET AS OF DECEMBER 31, 2015

INCOME & EXPENDITURE ACCOUNT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2015

AND

STATEMENT OF CASH FLOWS
FOR THE 12 MONTHS ENDED DECEMBER, 2015

ESC CONSULTING

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

BALANCE SHEET As of December 31, 2015

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1105200 CHASE Checking	201,551.45
1105250 CHASE Payroll	7,746.40
1105260 CHASE Savings	1,002.64
1105270 Chase Grants - MI	5,967.50
1106100 US Bank	131,091.63
1116100 Petty Cash	1,000.00
Total Bank Accounts	\$348,359.62
Accounts Receivable	
1301202 Perseus	482,938.06
1301300 Estimated Return Reserve	-144,881.42
1301400 Bad Debt Reserves	-2,000.00
Total Accounts Receivable	\$336,056.64
Other current assets	
1498000 Contribution Receivable	1,000,000.00
1509100 Inventory	590,769.00
1509300 Prepaid Royalties	222,724.40
Total Other current assets	\$1,813,493.40
Total Current Assets	\$2,497,909.66
Other Assets	
1509400 Prepaid Insurance	12,985.75
1509460 Security Deposit	2,190.04
1604000 Deposits	11,709.23
Total Other Assets	\$26,885.02
TOTAL ASSETS	\$2,524,794.68
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2101100 Accounts Payable	196,574.50
Total Accounts Payable	\$196,574.50
Total Current Liabilities	\$196,574.50
Total Liabilities	\$196,574.50
Equity	
2915200 Temporarily restricted	1,000,000.00
2918100 Retained Earnings	1,552,354.33
Net Income	-224,134.15
Total Equity	\$2,328,220.18
TOTAL LIABILITIES AND EQUITY	\$2,524,794.68

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

INCOME AND EXPENDITURE ACCOUNT

January - December 2015

	TOTAL
Income	
3000000 Sales	1,640,208.80
3021800 Returns & Credits	-363,701.33
3031000 Contributions	312,000.00
3091000 Other Income	28,185.50
Total Income	<u>\$1,616,692.97</u>
Cost of Goods Sold	
3900000 Handling Fees	131,252.58
Total Cost of Goods Sold	<u>\$131,252.58</u>
Gross Profit	<u>\$1,485,440.39</u>
Expenses	
4000000 Administrative Operations	393,739.65
5000000 Editorial/Acquisitions	432,786.95
6000000 Production/Manufacturing	542,367.76
7000000 Sales/Marketing	383,808.80
8000000 Fulfillment	76,799.25
9000000 Personnel	880,072.13
Total Expenses	<u>\$2,709,574.54</u>
Net Operating Income	<u>\$ -1,224,134.15</u>
Other Income	
9919000 General Grant	1,000,000.00
Total Other Income	<u>\$1,000,000.00</u>
Net Other Income	<u>\$1,000,000.00</u>
Net Income	<u><u>\$ -224,134.15</u></u>

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

TWELVE MONTHS TO DECEMBER 31, 2015 AND 2014

	12 Months to <u>Dec-15</u>	12 Months to <u>Dec-14</u>
Cash Flows Provided (Used):		
From Operating Activities:		
Change in net assets for the period	\$ (1,224,134)	\$ (727,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in accounts receivable	(84,891)	77,799
Decrease (increase) in contributions receivable	1,000,000	1,000,000
Decrease (increase) in inventory	(6,235)	(16,692)
Decrease (increase) in prepaid royalties	(122,390)	89,106
Decrease (increase) in other assets	(490)	(1,985)
Increase (decrease) in accounts payable	73,770	(21,247)
	<hr/>	<hr/>
Net cash provided by operating activities	(364,370)	399,469
Cash and cash equivalents, beginning of year	<hr/> 712,730	<hr/> 313,261
Cash and cash equivalents, end of period	<hr/> <u>\$ 348,360</u>	<hr/> <u>\$ 712,730</u>

ENCOUNTER FOR CULTURE AND EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. The value of books held in inventory as of December 31, 2015 is stated at estimated cost of \$656,410 less a reserve for slow moving books in the amount \$65,641.
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 \$154,500 of royalty advance commitments outstanding to authors as of December 31, 2015.
3. Fixed Assets have been expensed when purchased.
4. A reserve for anticipated book returns amounts to \$144,881 as of December 31, 2015, estimated at 30% of Accounts Receivable.
5. The reserve for bad debts is \$2,000.

BUDGET

	BUDGET 2016	ACTUAL 2015
INCOME		
Book Sales	1,475,000	1,276,508
Other Income	25,000	28,185
Contributions	175,000	312,000
SUB-TOTAL INCOME	\$ 1,675,000	\$ 1,616,693
EXPENSES		
PERSEUS HANDLING FEE	\$ 150,000	\$ 131,252
GROSS PROFIT	1,525,000	1,485,441
ADMINISTRATIVE		
Other Fees & Bank Charges	10,000	7,288
Computer Support	30,000	28,446
Subscriptions	8,000	8,228
Equipment & Furniture	20,000	26,129
Fundraising	12,000	10,097
Insurance	14,000	15,678
Janitorial	6,000	6,067
Postage & Delivery	75,000	71,653
Office Supplies	10,000	12,244
Audit Fees	24,000	22,784
Bookkeeping	36,000	34,483
Legal Fees	5,000	15,699
Rent & Property Tax	110,000	106,581
Telephone	7,000	6,706
Travel and Entertainment	20,000	16,526
Utilities	6,000	5,130
	\$ 393,000	\$ 393,739
EDITORIAL		
Permission Rights	25,000	24,008
Author Advances 47%	130,000	149,990
Author Royalties 53%	175,000	169,137
Copy Editing	75,000	87,601
Travel and Miscellaneous	5,000	2,050
	\$ 410,000	\$ 432,786
PRODUCTION		
Printing & Binding	473,000	472,268
Pre-Press	70,000	70,099
	\$ 543,000	\$ 542,367
SALES & PROMOTION		
Advertising	120,000	115,045
Publicity	210,000	239,091
Fulfillment	75,000	76,799
Travel	30,000	29,672
	\$ 435,000	\$ 460,607
PERSONNEL EXPENSES		
Salaries & Wages	695,000	669,342
Outside Services/Contract Labor	3,000	-
Benefits	175,000	167,634
Payroll Taxes	46,000	43,100
	\$ 919,000	\$ 880,076
OTHER EXPENSES		
	\$ -	\$ -
TOTAL EXPENSES	\$ 2,700,000	\$ 2,709,575
CASH REQUIREMENT	\$ 1,175,000	\$ 1,224,134