

BOOK 'EM

FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2017
and 2016***

And Report of Independent Auditor

BOOK 'EM
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Report of Independent Auditor

To the Board of Directors of
Book'em
Nashville, Tennessee

We have audited the accompanying financial statements of Book'em (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 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 Book'em 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.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated June 19, 2017 expressed an unmodified opinion on those statements.



Nashville, Tennessee
December 4, 2018

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,693	\$ 61,132
Book inventories	81,894	74,497
Prepaid book purchase	15,142	-
Other	-	315
Total Current Assets	<u>125,729</u>	<u>135,944</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	53,582	46,927
Furniture and equipment, net of accumulated depreciation of \$7,958 and \$7,958, respectively	<u>568</u>	<u>568</u>
Total Assets	<u><u>\$ 179,879</u></u>	<u><u>\$ 183,439</u></u>
NET ASSETS		
Net Assets:		
Unrestricted:		
Undesignated	\$ 126,297	\$ 136,512
Designated	<u>53,582</u>	<u>46,927</u>
Total Unrestricted Net Assets	<u><u>\$ 179,879</u></u>	<u><u>\$ 183,439</u></u>

BOOK 'EM
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets:		
Revenues:		
In-kind contributions	\$ 377,320	\$ 250,924
Contributions	166,781	181,596
Change in beneficial interest in assets held at Community Foundation of Middle Tennessee	6,655	2,425
Interest and other	1,153	682
Total Revenues	<u>551,909</u>	<u>435,627</u>
Expenses:		
Program Services:		
Books for Nashville Kids	407,059	284,299
Reading is Fundamental	72,031	65,192
Ready for Reading	7,172	8,270
Read Me Day	7,479	7,589
Total Program Services	<u>493,741</u>	<u>365,350</u>
Supporting Services:		
Management and general	41,380	36,570
Fundraising	20,348	21,221
Total Supporting Services	<u>61,728</u>	<u>57,791</u>
Total Expenses	<u>555,469</u>	<u>423,141</u>
Change in unrestricted net assets	(3,560)	12,486
Net assets unrestricted, beginning of year	<u>183,439</u>	<u>170,953</u>
Net assets unrestricted, end of year	<u><u>\$ 179,879</u></u>	<u><u>\$ 183,439</u></u>

BOOK 'EM
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services			
	Books for Nashville Kids	Reading is Fundamental	Ready for Reading	Read Me Day	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Salaries	\$ 28,416	\$ 27,445	\$ 5,004	\$ 5,499	\$ 66,364	\$ 17,781	\$ 14,369	\$ 32,150	\$ 98,514
Payroll taxes and employee benefits	2,174	2,099	383	421	5,077	1,360	1,099	2,459	7,536
Total compensation	30,590	29,544	5,387	5,920	71,441	19,141	15,468	34,609	106,050
Book distributions	365,320	38,531	-	-	403,851	-	-	-	403,851
Facility costs	8,070	2,421	807	807	12,105	2,421	1,614	4,035	16,140
Professional fees	-	-	-	-	-	8,726	-	8,726	8,726
Miscellaneous	910	910	910	684	3,414	1,024	2,255	3,279	6,693
Software and equipment	-	-	-	-	-	5,882	-	5,882	5,882
Supplies	1,454	182	-	-	1,636	1,818	182	2,000	3,636
Telephone	-	-	-	-	-	1,489	-	1,489	1,489
Local travel	612	340	68	68	1,088	136	136	272	1,360
Printing	103	103	-	-	206	568	258	826	1,032
Postage and shipping	-	-	-	-	-	175	435	610	610
Total	<u>\$ 407,059</u>	<u>\$ 72,031</u>	<u>\$ 7,172</u>	<u>\$ 7,479</u>	<u>\$ 493,741</u>	<u>\$ 41,380</u>	<u>\$ 20,348</u>	<u>\$ 61,728</u>	<u>\$ 555,469</u>

The accompanying notes to the financial statements are an integral part of these statements.

BOOK 'EM
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services			
	Books for Nashville Kids	Reading is Fundamental	Ready for Reading	Read Me Day	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Salaries	\$ 22,788	\$ 28,860	\$ 5,159	\$ 4,666	\$ 61,473	\$ 17,465	\$ 13,107	\$ 30,572	\$ 92,045
Payroll taxes and employee benefits	1,581	2,002	358	324	4,265	1,212	909	2,121	6,386
Total compensation	24,369	30,862	5,517	4,990	65,738	18,677	14,016	32,693	98,431
Book distributions	248,292	26,697	-	-	274,989	-	-	-	274,989
Facility costs	6,565	1,789	1,665	1,541	11,560	2,312	1,541	3,853	15,413
Miscellaneous	1,420	4,723	971	605	7,719	556	3,533	4,089	11,808
Professional fees	-	-	-	-	-	8,819	-	8,819	8,819
Supplies	2,223	259	6	229	2,717	2,916	89	3,005	5,722
Printing	326	326	-	115	767	2,262	903	3,165	3,932
Local travel	902	536	111	109	1,658	190	222	412	2,070
Postage and shipping	202	-	-	-	202	106	830	936	1,138
Telephone	-	-	-	-	-	732	-	732	732
Depreciation	-	-	-	-	-	-	87	87	87
Total	<u>\$ 284,299</u>	<u>\$ 65,192</u>	<u>\$ 8,270</u>	<u>\$ 7,589</u>	<u>\$ 365,350</u>	<u>\$ 36,570</u>	<u>\$ 21,221</u>	<u>\$ 57,791</u>	<u>\$ 423,141</u>

The accompanying notes to the financial statements are an integral part of these statements.

BOOK 'EM**STATEMENTS OF FINANCIAL POSITION***YEARS ENDED DECEMBER 31, 2017 AND 2016*

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (3,560)	\$ 12,486
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	87
Changes in operating assets and liabilities:		
Book inventories	(7,397)	(1,711)
Prepaid book purchase	(15,142)	-
Other current assets	315	495
Beneficial interest in assets held by others	(6,655)	(2,425)
Net cash provided by (used in) operating activities	<u>(32,439)</u>	<u>8,932</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>-</u>	<u>(655)</u>
Net cash used in investing activities	<u>-</u>	<u>(655)</u>
Net increase (decrease) in cash and cash equivalents	(32,439)	8,277
Cash and cash equivalents at beginning of year	<u>61,132</u>	<u>52,855</u>
Cash and cash equivalents at end of year	<u><u>\$ 28,693</u></u>	<u><u>\$ 61,132</u></u>

BOOK 'EM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities and significant accounting policies

Book'em (the "Organization") is a nonprofit organization located in Nashville, Tennessee. The Organization serves to provide books to children from low-income families and reading volunteers to schools and community centers in Davidson County. Its programs focus on inspiring a love of books and reading in children.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets:

Undesignated – net assets not subject to donor-imposed stipulations or designated by the Organization's board.

Designated – net assets designated by the Organization's board for particular purposes, presently designated by the board as agency endowment.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. The Organization currently has no temporarily restricted net assets.

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Book Purchase – During the fiscal year ended December 31, 2017, the Organization paid another nonprofit organization for future book orders to be received by the Organization. At December 31, 2017, no books had been received under this agreement.

Furniture and Equipment – Furniture and equipment is recorded at cost or at fair value as of the date contributed. Maintenance and repairs are charged to general expenses when incurred. Betterments and renewals that materially extend the life of the assets are capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, all of which were five years as of December 31, 2017 and 2016.

Book Inventories – Book inventories are valued at weighted average cost at December 31, 2017 and 2016. Donated books are recorded at \$5.00 per item contributed. Purchased books are initially recorded at cost.

Donated Materials and Services – Donated materials are reflected as contributions in the accompanying statements of activities at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

BOOK 'EM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities and significant accounting policies (continued)

Contributions – Contributions are recognized as revenue when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When a restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions whose restrictions are met in the same reporting period are shown as increases in unrestricted net assets.

Program and Supportive Services – The following program and supportive services are included in the accompanying financial statements:

Books for Nashville Kids – provides donated books to children in lower income families from birth through high school that might not otherwise have books of their own.

Reading Is Fundamental – places volunteers in Title I elementary schools in Davidson County, providing readers and new books to these children five times throughout the school year.

Ready for Reading – places reading volunteers in community preschools focusing on children in low-income areas. These reading role models read with small groups of preschoolers once a week.

Read Me Day – an annual event highlighting the importance and fun of reading.

Allocation of Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Subsequent Events – The Organization has evaluated subsequent events through December 4, 2018, when these financial statements were available to be issued.

Future Pronouncements – In August 2016, FASB issued accounting standard, ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU will be effective for the Organization on July 1, 2018. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

BOOK 'EM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Furniture and equipment

Furniture and equipment include the following as of December 31:

	2017	2016
Furniture	\$ 1,701	\$ 1,701
Office equipment	6,825	6,825
	8,526	8,526
Less accumulated depreciation	(7,958)	(7,958)
	<u>\$ 568</u>	<u>\$ 568</u>

Note 3—Lease commitments

The Organization has a lease agreement for office space with monthly payments of \$1,078 required through June 30, 2018. Subsequent to December 31, 2017, the lease was renewed with required monthly payments of \$1,540 through June 30, 2020. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$13,587 and \$12,941 for the years ended December 31, 2017 and 2016, respectively.

Note 4—In-kind contributions

In-kind contributions received include the following during the years ended December 31:

	2017	2016
Books	\$ 376,916	\$ 250,299
Other	404	625
	<u>\$ 377,320</u>	<u>\$ 250,924</u>

Note 5—Book 'em endowment fund at community foundation of middle Tennessee

The Community Foundation of Middle Tennessee (the "Community Foundation") maintains agency investments on behalf of the Organization. Under the terms of the agreement, the Community Foundation has variance power and is the legal owner of the investments. However, the Organization is the beneficiary of the fund and receives distributions of income, subject to the Community Foundation's spending policy. The investments resulted from unrestricted amounts transferred by the Organization to the Community Foundation in prior years. The Organization has recorded the related asset which totaled \$53,582 and \$46,927 at December 31, 2017 and 2016, respectively, in the accompanying statements of financial position. In addition, the Organization has recorded changes in market value of \$6,655 and \$2,425 for the years ended December 31, 2017 and 2016, respectively, in the accompanying statements of activities.