

2018
Financial Statements
With
Auditor's Letters

BOOK 'EM

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Independent Auditor's Report Thereon)

BOOK 'EM
FINANCIAL STATEMENTS
DECEMBER 31, 2018

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6–10



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Book 'em

We have audited the accompanying financial statements of Book 'em (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, inventory and net assets without donor restrictions balances were understated in previously issued financial statements. Our opinion is not modified with respect to that matter.

Patterson Hardee & Ballentine

August 14, 2019

1889 General George Patton Drive, Suite 200

Franklin, TN 37067

phone: 615-750-5537

fax: 615-750-5543

BOOK 'EM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash	\$	34,088	
Contribution receivable		15,479	
Inventory		90,300	
Investments		50,786	
Total current assets			\$ 190,653

Fixed assets, net	\$	437
-------------------	----	-----

Total Assets		<u>\$ 191,090</u>
--------------	--	-------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	450	
Total current liabilities			<u>\$ 450</u>

Net Assets:

Without donor restrictions		190,640	
With donor restrictions		-	

Total net assets			<u>190,640</u>
------------------	--	--	----------------

Total Liabilities and Net Assets			<u>\$ 191,090</u>
----------------------------------	--	--	-------------------

BOOK 'EM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating Revenue, Gains, and Other Support:			
In-kind contributions	\$ 371,024	\$ -	\$ 371,024
Contributions	257,826	-	257,826
Other income	1,499	-	1,499
Net investment loss	<u>(2,780)</u>	<u>-</u>	<u>(2,780)</u>
Total operating revenue, gains, and other support	<u>627,569</u>	<u>-</u>	<u>627,569</u>
Operating Expenses:			
Program Services:			
Books for Nashville Kids	437,283	-	437,283
Ready for Reading	7,802	-	7,802
Reading is Fundamental	104,986	-	104,986
Read Me Day	<u>10,670</u>	<u>-</u>	<u>10,670</u>
Total Program Services	560,741	-	560,741
Supporting Services:			
Management and general	35,373	-	35,373
Fundraising	<u>39,939</u>	<u>-</u>	<u>39,939</u>
Total supporting services	<u>75,312</u>	<u>-</u>	<u>75,312</u>
Total program and supporting expenses	<u>636,053</u>	<u>-</u>	<u>636,053</u>
Increase in net assets	<u>(8,484)</u>	<u>-</u>	<u>(8,484)</u>
Net assets - beginning of year, as previously reported	179,879	-	179,879
Prior period adjustment	<u>19,245</u>	<u>-</u>	<u>19,245</u>
Net assets - beginning of year, as restated	<u>199,124</u>	<u>-</u>	<u>199,124</u>
Net assets - end of year	<u>\$ 190,640</u>	<u>\$ -</u>	<u>\$ 190,640</u>

See accompanying notes to financial statements.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Books for Nashville Kids	Ready for Reading	Reading is Fundamental	Read Me Day	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 35,584	\$ 6,035	\$ 30,561	\$ 6,541	\$ 78,721	\$ 19,137	\$ 23,993	\$ 43,130	\$ 121,851
Payroll taxes and employee benefits	3,432	399	1,567	415	5,813	2,692	2,029	4,721	10,534
Professional fees	3,115	445	2,670	445	6,675	4,248	1,235	5,483	12,158
Event	-	-	-	-	-	-	2,167	2,167	2,167
Background checks	-	84	1,180	-	1,264	-	-	-	1,264
Travel and mileage	260	-	48	150	458	382	26	408	866
Depreciation	-	-	-	-	-	131	-	131	131
Printing	-	-	209	590	799	320	7,352	7,672	8,471
Insurance	956	96	382	223	1,657	927	191	1,118	2,775
Leases	10,027	676	2,028	676	13,407	1,685	1,352	3,037	16,444
Book distributions	379,015	-	63,451	-	442,466	-	-	-	442,466
Supplies	2,772	-	1,472	307	4,551	751	734	1,485	6,036
Postage and mailing	1,589	-	998	807	3,394	122	387	509	3,903
Telephone and internet	533	67	400	67	1,067	133	133	266	1,333
Meals	-	-	-	-	-	958	50	1,008	1,008
Licenses and subscriptions	-	-	-	-	-	2,011	290	2,301	2,301
Miscellaneous	-	-	20	449	469	1,876	-	1,876	2,345
Total expenses	<u>\$ 437,283</u>	<u>\$ 7,802</u>	<u>\$ 104,986</u>	<u>\$ 10,670</u>	<u>\$ 560,741</u>	<u>\$ 35,373</u>	<u>\$ 39,939</u>	<u>\$ 75,312</u>	<u>\$ 636,053</u>

See accompanying notes to financial statements.

BOOK 'EM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:

Increase in net assets	\$	(8,484)
------------------------	----	---------

Adjustment to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$	131	
Investment income, net		2,796	
Changes in:			
Accounts receivable		(15,479)	
Prepays		15,142	
Inventory		10,839	
Accounts payable		450	
Total adjustments		13,879	
Net cash provided by operating activities:		5,395	

Net increase in cash		5,395
----------------------	--	-------

Cash - beginning of year		28,693
--------------------------	--	--------

Cash - end of year	\$	34,088
--------------------	----	--------

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities and Program Description

In these notes, the terms "Organization", "we", "us" or "our" mean Book 'em. 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.

Program Services

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.

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:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2018, we had no net assets with donor restrictions.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash

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.

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.

Accounts Receivable

We provide services to our clients using credit terms customary in our industry. Interest is not normally charged on receivables. We use the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and our analysis of specific accounts. Losses are charged off to the allowance when we deem further collection efforts will not produce additional recoveries. For the year ended December 31, 2018, we did not believe that an allowance for bad debts was necessary.

At December 31, 2018, 100% of our accounts receivable was due from one customer.

Furniture and Equipment

Furniture and equipment are 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, 2018.

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. Many expenditures are classified on an invoice by invoice basis. We allocate other expenses based on our best estimates of time and effort spent as well as office space utilization.

Book Inventories

Book inventories are valued at weighted average cost at December 31, 2018. Donated books are recorded at \$5.00 per item contributed. Purchased books are initially recorded at cost. All of our investments are based on level 1 inputs at the active market price as of December 31, 2018.

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, 2018

NOTE 1 – Summary of Significant Accounting Policies (continued)

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

All of our investments are based on level 1 inputs at the active market price as of December 31, 2018.

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.

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.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

Cash	\$ 34,088
Accounts receivable	15,479
Inventory	90,300
Investments	50,786
	<hr/>
	190,653
	<hr/>

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of dues and contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. All of our cash accounts are readily available.

We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately liquidate our investments or reduce spending of program and management and general expenditures.

NOTE 3 – Furniture and Equipment

Furniture and equipment include the following as of December 31, 2018:

Financial assets for the year ended

Office Equipment	\$ 8,527
Less accumulated depreciation	<u>(8,090)</u>
	<u>\$ 437</u>

NOTE 4 - Net Assets

Net assets consisted of the following for the year ended December 31, 2018:

Net assets without donor restrictions	<u>\$ 190,640</u>
---------------------------------------	-------------------

NOTE 5 – 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, 2018, 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 \$16,444 for the year ended December 31, 2018.

NOTE 6 – In-kind contributions

In-kind contributions received include the following during the years ended December 31, 2018:

Book donations – Books for Nashville Kids	\$ 341,715
Book donations – Reading is Fundamental	<u>29,309</u>
	<u>\$ 371,024</u>

NOTE 7 - 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

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 - Book 'em endowment fund at Community Foundation of Middle Tennessee (continued)

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 \$50,786 at December 31, 2018, in the accompanying statement of financial position.

NOTE 8 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

Note 9 - Prior period adjustment

A prior period adjustment at the beginning of the fiscal year was made to correct an error in the previously reported inventory and net assets balances. An adjustment of \$19,245 was made to increase beginning inventory and beginning net assets without donor restrictions.

Note 10 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2018. As of August 14, 2019, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2018.