

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2016 and 2015

BOOK 'EM
TABLE OF CONTENTS

	Page
Independent Auditor's Report	2 – 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses.....	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements.....	9 – 13



INDEPENDENT AUDITOR'S REPORT

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 statements of financial position as of December 31, 2016 and 2015, 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.

Auditor's 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 BOOK 'EM as of December 31, 2016 and 2015, 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.

Frasier, Orr & Hunt, PLLC

Nashville, Tennessee
June 19, 2017

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,132	\$ 52,855
Book inventories	74,497	72,786
Other	<u>315</u>	<u>810</u>
Total current assets	135,944	126,451
Beneficial interest in assets at Community Foundation of Middle Tennessee	46,927	44,502
Furniture and equipment, net of accumulated depreciation of \$7,958 and \$7,871, respectively	<u>568</u>	<u>-</u>
Total assets	<u><u>\$ 183,439</u></u>	<u><u>\$ 170,953</u></u>
Net Assets		
Net assets:		
Unrestricted:		
Undesignated	\$ 136,512	\$ 126,451
Designated	<u>46,927</u>	<u>44,502</u>
Total unrestricted	183,439	170,953
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u><u>\$ 183,439</u></u>	<u><u>\$ 170,953</u></u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Revenues:		
In-kind contributions	\$ 250,924	\$ 200,820
Contributions	181,596	166,051
Change in beneficial interest in assets held at Community Foundation of Middle Tennessee	2,425	(1,133)
Interest and other	682	259
Grant revenue	-	14,084
Net assets released from restrictions	-	3,500
Total revenues	<u>435,627</u>	<u>383,581</u>
Expenses:		
Program services:		
Books for Nashville Kids	284,299	222,367
Reading is Fundamental	65,192	66,958
Ready for Reading	8,270	13,547
Read Me Day	7,589	9,433
Total program services	<u>365,350</u>	<u>312,305</u>
Supporting services:		
Management and general	36,570	37,505
Fundraising	21,221	29,771
Total supporting services	<u>57,791</u>	<u>67,276</u>
Total expenses	<u>423,141</u>	<u>379,581</u>
Change in unrestricted net assets	<u>12,486</u>	<u>4,000</u>
Changes in temporarily restricted net assets:		
Net assets released from restrictions	-	(3,500)
Change in temporarily restricted net assets	<u>-</u>	<u>(3,500)</u>
Total change in net assets	12,486	500
Net assets at beginning of year	<u>170,953</u>	<u>170,453</u>
Net assets at end of year	<u><u>\$ 183,439</u></u>	<u><u>\$ 170,953</u></u>

See accompanying notes.

BOOK 'EM
STATEMENT 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>

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	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	\$ 17,192	\$ 18,332	\$ 9,932	\$ 6,588	\$ 52,044	\$ 21,980	\$ 17,962	\$ 39,942	\$ 91,986
Payroll taxes and employee benefits	1,315	1,402	760	504	3,981	1,682	1,374	3,056	7,037
Total compensation	18,507	19,734	10,692	7,092	56,025	23,662	19,336	42,998	99,023
Book distributions	193,546	35,745	-	-	229,291	-	-	-	229,291
Facility costs	6,656	1,850	1,711	1,572	11,789	2,358	1,572	3,930	15,719
Miscellaneous	927	5,453	1,105	600	8,085	485	2,303	2,788	10,873
Supplies	2,060	3,268	-	102	5,430	670	3,349	4,019	9,449
Professional fees	-	-	-	-	-	8,492	-	8,492	8,492
Printing	-	229	-	-	229	230	1,379	1,609	1,838
Local travel	642	679	39	67	1,427	145	128	273	1,700
Telephone	-	-	-	-	-	1,303	-	1,303	1,303
Postage and shipping	29	-	-	-	29	160	1,076	1,236	1,265
In-kind	-	-	-	-	-	-	628	628	628
Total	\$ 222,367	\$ 66,958	\$ 13,547	\$ 9,433	\$ 312,305	\$ 37,505	\$ 29,771	\$ 67,276	\$ 379,581

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,486	\$ 500
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	(1,711)	(7,258)
Grant receivable	-	4,672
Other current assets	495	(810)
Beneficial interest in assets held by others	(2,425)	1,133
Accounts payable	-	(580)
	<u>8,932</u>	<u>(2,343)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(655)	-
	<u>(655)</u>	<u>-</u>
Net cash used in investing activities		
	<u>(655)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,277	(2,343)
Cash and cash equivalents at beginning of year	<u>52,855</u>	<u>55,198</u>
Cash and cash equivalents at end of year	<u><u>\$ 61,132</u></u>	<u><u>\$ 52,855</u></u>

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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.

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, 2016 and 2015.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Book Inventories

Book inventories are valued at weighted average cost at December 31, 2016 and 2015. 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.

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.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

The Organization follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2016 and 2015.

Subsequent Events

The Organization has evaluated subsequent events through June 19, 2017, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

	<u>2016</u>	<u>2015</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>6,825</u>	<u>6,170</u>
	8,526	7,871
Less accumulated depreciation	<u>(7,958)</u>	<u>(7,871)</u>
	<u>\$ 568</u>	<u>\$ -</u>

NOTE 3 – LEASE COMMITMENTS

The Organization has a lease agreement for office space with monthly payments of \$1,078 required through June 30, 2017. Subsequent to year end, the lease was renewed with required monthly payments of \$1,109 through June 30, 2018. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$12,941 and \$12,941 for the years ended December 31, 2016 and 2015, respectively.

Minimum payments for lease commitments at December 31, 2016 are as follows:

Year ending <u>December 31:</u>	
2017	\$ 13,122
2018	<u>6,654</u>
	<u>\$ 19,776</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Books	\$ 250,299	\$ 199,950
Other	<u>625</u>	<u>870</u>
	<u>\$ 250,924</u>	<u>\$ 200,820</u>

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

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 \$46,927 and \$44,502 at December 31, 2016 and 2015, respectively, in the accompanying statements of financial position. In addition, the Organization has recorded changes in market value of \$2,425 and (\$1,133) for the years ended December 31, 2016 and 2015, respectively, in the accompanying statements of activities.