

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2004 and 2003

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows.....	7
Notes to Financial Statements	8 – 10



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BOOK 'EM

We have audited the accompanying statements of financial position of BOOK 'EM (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

May 2, 2005

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 99,257	\$ 76,514
Donated book inventories	38,475	53,205
Contributions receivable	-	3,446
Other	<u>767</u>	<u>389</u>
Total current assets	138,499	133,554
Furniture and equipment, net of accumulated depreciation of \$2,903 and \$6,056, respectively	<u>-</u>	<u>1,107</u>
Total assets	<u><u>\$ 138,499</u></u>	<u><u>\$ 134,661</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	<u>\$ 5,830</u>	<u>\$ -</u>
Net assets:		
Unrestricted	132,669	131,215
Temporarily restricted	<u>-</u>	<u>3,446</u>
Total net assets	<u>132,669</u>	<u>134,661</u>
Total liabilities and net assets	<u><u>\$ 138,499</u></u>	<u><u>\$ 134,661</u></u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Changes in unrestricted net assets:		
Revenues:		
In-kind contributions	\$ 90,555	\$ 124,564
Contributions	144,137	61,839
Special event (including in-kind donations of \$4,686 and \$1,700, respectively)	20,103	19,735
Less: Direct benefit costs (including in-kind expenses of \$0 and \$1,700, respectively)	(4,764)	(7,275)
Interest and other	1,910	1,279
Total unrestricted revenues	<u>251,941</u>	<u>200,142</u>
Net assets released from restrictions:		
Expiration of time restrictions	<u>3,446</u>	<u>3,841</u>
Total net assets released from restrictions	<u>3,446</u>	<u>3,841</u>
Total unrestricted revenues and other support	<u>255,387</u>	<u>203,983</u>
Functional expenses:		
Program services:		
Book distributions	199,077	218,709
Ready for Reading	7,946	11,738
Other programs	7,255	11,235
Total program services	<u>214,278</u>	<u>241,682</u>
Supporting services:		
Management and general	33,663	17,820
Fund raising	5,992	14,450
Total supporting services	<u>39,655</u>	<u>32,270</u>
Total functional expenses	<u>253,933</u>	<u>273,952</u>
Increase (decrease) in unrestricted net assets	<u>1,454</u>	<u>(69,969)</u>
Changes in temporarily restricted net assets:		
Contributions	-	3,446
Net assets released from restrictions	<u>(3,446)</u>	<u>(3,841)</u>
Decrease in temporarily restricted net assets	<u>(3,446)</u>	<u>(395)</u>
Decrease in net assets	(1,992)	(70,364)
Net assets at beginning of year	<u>134,661</u>	<u>205,025</u>
Net assets at end of year	<u>\$ 132,669</u>	<u>\$ 134,661</u>

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2004

	Program Services				Supporting Services			
	Book Distributions	Ready for Reading	Other Programs	Total Programs	Management and General	Fund Raising	Total Supporting	Total Expenses
Salaries	\$ 7,378	\$ 4,696	\$ 1,342	\$ 13,416	\$ 17,777	\$ 2,348	\$ 20,125	\$ 33,541
Payroll taxes and employee benefits	570	363	104	1,037	1,373	181	1,554	2,591
Total compensation	7,948	5,059	1,446	14,453	19,150	2,529	21,679	36,132
Book distributions	181,252	-	-	181,252	-	-	-	181,252
Miscellaneous	2,488	1,404	878	4,770	4,780	129	4,909	9,679
Facility costs	6,172	747	746	7,665	-	-	-	7,665
Contract labor	-	-	2,500	2,500	3,666	917	4,583	7,083
Postage and shipping	-	-	287	287	746	1,478	2,224	2,511
Professional fees	-	-	-	-	2,400	-	2,400	2,400
Printing	-	283	1,010	1,293	110	834	944	2,237
Supplies	-	115	45	160	1,861	-	1,861	2,021
Telephone	819	273	205	1,297	100	68	168	1,465
Local travel	271	61	121	453	850	37	887	1,340
Depreciation	127	4	17	148	-	-	-	148
Total	\$ 199,077	\$ 7,946	\$ 7,255	\$ 214,278	\$ 33,663	\$ 5,992	\$ 39,655	\$ 253,933

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2003

	Program Services				Supporting Services			Total Expenses
	Book Distributions	Ready for Reading	Other Programs	Total Programs	Management and General	Fund Raising	Total Supporting	
Salaries	\$ 9,671	\$ 1,185	\$ 1,275	\$ 12,131	\$ 11,851	\$ 8,431	\$ 20,282	\$ 32,413
Payroll taxes and employee benefits	744	89	99	932	903	645	1,548	2,480
Total compensation	10,415	1,274	1,374	13,063	12,754	9,076	21,830	34,893
Book distributions	188,350	-	-	188,350	-	-	-	188,350
Contract labor	-	8,000	5,000	13,000	-	-	-	13,000
Miscellaneous	7,659	497	421	8,577	1,308	1,674	2,982	11,559
Facility costs	10,156	566	566	11,288	-	-	-	11,288
Printing	630	298	2,334	3,262	-	1,147	1,147	4,409
Postage and shipping	359	291	453	1,103	151	1,559	1,710	2,813
Professional fees	-	-	-	-	2,300	-	2,300	2,300
Supplies	195	129	720	1,044	796	121	917	1,961
Telephone	247	618	247	1,112	62	61	123	1,235
Local travel	115	45	45	205	449	315	764	969
Depreciation	583	20	75	678	-	-	-	678
Other	-	-	-	-	-	497	497	497
Total	<u>\$ 218,709</u>	<u>\$ 11,738</u>	<u>\$ 11,235</u>	<u>\$ 241,682</u>	<u>\$ 17,820</u>	<u>\$ 14,450</u>	<u>\$ 32,270</u>	<u>\$ 273,952</u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (1,992)	\$ (70,364)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	148	678
Loss on disposal of furniture and equipment	959	121
Changes in operating assets and liabilities:		
Donated book inventories	14,730	68,575
Contributions receivable	3,446	395
Other current assets	(378)	277
Accounts payable	<u>5,830</u>	<u>(281)</u>
Net cash provided by (used in) operating activities	<u>22,743</u>	<u>(599)</u>
Net increase (decrease) in cash and cash equivalents	22,743	(599)
Cash and cash equivalents at beginning of year	<u>76,514</u>	<u>77,113</u>
Cash and cash equivalents at end of year	<u><u>\$ 99,257</u></u>	<u><u>\$ 76,514</u></u>

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

BOOK 'EM (the Organization) is a nonprofit organization located in Nashville, Tennessee. BOOK 'EM serves to provide books to children from low-income families and reading volunteers to schools and community centers in Davidson and Williamson Counties. 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 are net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may be met or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BOOK 'EM considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Donated Book Inventories

Donated books have been valued at \$5.00 per item contributed for the years ended December 31, 2004 and 2003.

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 are 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, 2004 and 2003.

Donations of furniture and equipment are reported as unrestricted support unless the donor has restricted the assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 2004 and 2003

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

BOOK 'EM is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying statements of activities at their estimated fair value at date of receipt.

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 certain reported amounts and disclosures. Accordingly, actual results could ultimately differ from those estimates.

Contributions Revenue

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. At December 31, 2004 and 2003, there are no permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

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.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS - Continued
December 31, 2004 and 2003

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

	<u>2004</u>	<u>2003</u>
Furniture	\$ 1,701	\$ 1,761
Office equipment	1,202	3,002
Vehicle	<u>-</u>	<u>2,400</u>
	2,903	7,163
Less accumulated depreciation	<u>(2,903)</u>	<u>(6,056)</u>
	<u>\$ -</u>	<u>\$ 1,107</u>

NOTE 3 - IN-KIND CONTRIBUTIONS

In-kind contributions received during the years ended December 31, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Books	\$ 87,159	\$119,775
Lease value of office and storage space	-	3,000
Special event items	4,686	1,700
Printing and copying services	500	1,250
Delivery services	200	200
Equipment	400	279
Other	<u>2,296</u>	<u>60</u>
	<u>\$ 95,241</u>	<u>\$126,264</u>

NOTE 4 - LEASE COMMITMENTS

In 2002, the Organization entered into a lease agreement for office space. The lease may continue indefinitely for one-year terms, until either party gives 90 days written notice of termination prior to the end of the term. Minimum lease amounts due for the year ending December 31, 2005 amount to \$5,926. Rent expense totaled \$5,776 and \$5,664 for the years ended December 31, 2004 and 2003, respectively.