

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2007 and 2006

BOOK 'EM

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
BOOK'EM
Nashville, Tennessee

We have audited the accompanying statements of financial position of BOOK'EM (a nonprofit organization) as of December 31, 2007 and 2006, 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, 2007 and 2006, 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

June 24, 2008

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,971	\$ 117,595
Donated book inventories	62,723	62,900
Other	<u>816</u>	<u>206</u>
Total current assets	137,510	180,701
Furniture and equipment, net of accumulated depreciation of \$3,422 and \$3,163	<u>779</u>	<u>1,038</u>
Total assets	<u><u>\$ 138,289</u></u>	<u><u>\$ 181,739</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 304	\$ 710
Net assets:		
Unrestricted	<u>137,985</u>	<u>181,029</u>
Total liabilities and net assets	<u><u>\$ 138,289</u></u>	<u><u>\$ 181,739</u></u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrestricted net assets:		
Revenues:		
In-kind contributions	\$ 122,371	\$ 292,038
Contributions	76,218	75,231
Special event (less direct benefit costs of \$11,106)	2,753	-
Interest and other	<u>13,223</u>	<u>1,555</u>
Total revenues	<u>214,565</u>	<u>368,824</u>
Expenses		
Program services:		
Book distributions	113,439	245,009
Ready for Reading	14,879	17,302
Biblioteca sin Paredes	18,085	18,405
Reading is Fundamental	33,835	27,257
Other programs	<u>10,531</u>	<u>12,333</u>
Total program services	<u>190,769</u>	<u>320,306</u>
Supporting services:		
Management and general	46,048	34,398
Fund raising	<u>20,792</u>	<u>11,571</u>
Total supporting services	<u>66,840</u>	<u>45,969</u>
Total expenses	<u>257,609</u>	<u>366,275</u>
Change in net assets	<u>(43,044)</u>	<u>2,549</u>
Transfer of net assets	-	42,428
Unrestricted net assets at beginning of year	<u>181,029</u>	<u>136,052</u>
Unrestricted net assets at end of year	<u><u>\$ 137,985</u></u>	<u><u>\$ 181,029</u></u>

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	Program Services					Supporting Services				
	Book Distributions	Ready for Reading	Biblioteca sin Paredes	Reading is Fundamental	Other Programs	Total Programs	Management and General	Fund Raising	Total Supporting	Total Expenses
Salaries	\$ 12,952	\$ 9,079	\$ 5,652	\$ 7,355	\$ 5,307	\$ 40,345	\$ 28,464	\$ 10,605	\$ 39,069	\$ 79,414
Payroll taxes and employee benefits	-	-	-	-	-	-	6,075	-	6,075	6,075
Total compensation	12,952	9,079	5,652	7,355	5,307	40,345	34,539	10,605	45,144	85,489
Book distributions	86,469	299	8,052	21,765	38	116,623	-	-	-	116,623
Fundraising	4,522	2,262	2,262	2,262	2,262	13,570	4,524	4,524	9,048	22,618
Miscellaneous	674	1,908	845	894	1,379	5,700	3,015	905	3,920	9,620
Facility costs	6,707	91	136	151	75	7,160	453	272	725	7,885
Supplies	175	286	203	304	361	1,329	838	2,386	3,224	4,553
Local travel	726	532	460	482	566	2,766	828	237	1,065	3,831
Professional fees	638	175	261	290	145	1,509	871	523	1,394	2,903
Postage and shipping	113	63	44	110	266	596	442	1,000	1,442	2,038
Telephone	209	57	86	95	48	495	278	171	449	944
Printing	254	127	84	127	84	676	-	169	169	845
Depreciation	-	-	-	-	-	-	260	-	260	260
Total	\$ 113,439	\$ 14,879	\$ 18,085	\$ 33,835	\$ 10,531	\$ 190,769	\$ 46,048	\$ 20,792	\$ 66,840	\$257,609

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Program Services					Supporting Services				
	Book Distributions	Ready for Reading	Biblioteca sin Paredes	Reading is Fundamental	Other Programs	Total Programs	Management and General	Fund Raising	Total Supporting	Total Expenses
Salaries	\$ 15,358	\$ 10,338	\$ 6,682	\$ 1,600	\$ 6,736	\$ 40,714	\$ 21,409	\$ 5,337	\$ 26,746	\$ 67,460
Payroll taxes and employee benefits	-	-	-	-	-	-	5,161	-	5,161	5,161
Total compensation	15,358	10,338	6,682	1,600	6,736	40,714	26,570	5,337	31,907	72,621
Book distributions	219,833	281	6,926	24,234	2,598	253,872	-	-	-	253,872
Facility costs	6,049	49	49	13	49	6,209	58	58	116	6,325
Miscellaneous	413	4,010	2,344	862	795	8,424	2,853	603	3,456	11,880
Professional fees	829	829	829	220	829	3,536	995	995	1,990	5,526
Printing	181	181	416	69	68	915	1,345	2,450	3,795	4,710
Postage and shipping	331	330	224	42	198	1,125	372	1,804	2,176	3,301
Local travel	966	658	619	131	766	3,140	867	130	997	4,137
Supplies	375	614	304	86	282	1,661	1,066	182	1,248	2,909
Telephone	674	12	12	-	12	710	12	12	24	734
Depreciation	-	-	-	-	-	-	260	-	260	260
Total	\$ 245,009	\$ 17,302	\$ 18,405	\$ 27,257	\$ 12,333	\$ 320,306	\$ 34,398	\$ 11,571	\$ 45,969	\$ 366,275

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (43,044)	\$ 44,977
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	259	260
Purchase of fixed assets	-	(1,298)
Changes in operating assets and liabilities:		
Donated book inventories	177	(48,107)
Other current assets	(610)	404
Accounts payable	<u>(406)</u>	<u>710</u>
Net cash used in operating activities	<u>(43,624)</u>	<u>(3,054)</u>
Net decrease in cash and cash equivalents	(43,624)	(3,054)
Cash and cash equivalents at beginning of year	<u>117,595</u>	<u>120,649</u>
Cash and cash equivalents at end of year	<u><u>\$ 73,971</u></u>	<u><u>\$ 117,595</u></u>

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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. There were no temporarily restricted net assets at December 31, 2007 and 2006.

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, 2007 and 2006.

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, 2007 and 2006.

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, 2007 and 2006

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, 2007 and 2006, there are no temporarily or 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.

Concentrations

The Organization had cash deposits in excess of federally insured limits as of December 31, 2007 and 2006. Credit risk is managed by maintaining all deposits in high quality financial institutions.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

	<u>2007</u>	<u>2006</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>2,500</u>	<u>2,500</u>
	4,201	4,201
Less accumulated depreciation	<u>(3,422)</u>	<u>(3,163)</u>
	<u>\$ 779</u>	<u>\$ 1,038</u>

NOTE 3 – IN-KIND CONTRIBUTIONS

In-kind contributions received during the years ended December 31, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Books	\$ 99,753	\$ 292,038
Public relations/website	<u>22,618</u>	<u> </u>
	<u>\$ 122,371</u>	<u>\$ 292,038</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. Rent expense totaled \$6,375 and \$6,000 for the years ended December 31, 2007 and 2006, respectively.