

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2008 and 2007

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, 2008 and 2007, 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, 2008 and 2007, 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

July 6, 2009

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,370	\$ 73,971
Contribution receivable	25,000	-
Grant receivable	5,517	-
Donated book inventories	25,411	62,723
Other	<u>1,480</u>	<u>816</u>
Total current assets	109,778	137,510
Furniture and equipment, net of accumulated depreciation of \$3,887 and \$3,422	<u>1,340</u>	<u>779</u>
Total assets	<u><u>\$ 111,118</u></u>	<u><u>\$ 138,289</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 906	\$ 304
Grants payable to others	<u>18,250</u>	<u>-</u>
Total liabilities	<u>19,156</u>	<u>304</u>
Net assets:		
Unrestricted	82,873	137,985
Temporarily restricted	<u>9,089</u>	<u>-</u>
Total net assets	<u>91,962</u>	<u>137,985</u>
Total liabilities and net assets	<u><u>\$ 111,118</u></u>	<u><u>\$ 138,289</u></u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenues:		
Contributions	\$ 110,727	\$ 76,218
In-kind contributions	96,594	122,371
Grant revenue	21,054	10,691
Interest and other	125	2,532
Special event (less direct benefit costs of \$11,106)	-	2,753
Net assets released from restrictions	40,911	-
Total revenues	<u>269,411</u>	<u>214,565</u>
Expenses:		
Program services:		
Book distributions	167,943	114,429
Reading is Fundamental	51,549	34,400
Read me week	16,048	-
Ready for Reading	15,882	15,572
Biblioteca sin Paredes	8,690	18,516
Other programs	-	10,938
Total program services	<u>260,112</u>	<u>193,855</u>
Supporting services:		
Management and general	32,773	42,148
Fundraising	31,638	21,606
Total supporting services	<u>64,411</u>	<u>63,754</u>
Total expenses	<u>324,523</u>	<u>257,609</u>
Change in unrestricted net assets	<u>(55,112)</u>	<u>(43,044)</u>
Changes in temporarily restricted net assets:		
Contributions	50,000	-
Released from restriction	(40,911)	-
Change in temporarily restricted net assets	<u>9,089</u>	<u>-</u>
Total change in net assets	<u>(46,023)</u>	<u>(43,044)</u>
Net assets at beginning of year	<u>137,985</u>	<u>181,029</u>
Net assets at end of year	<u>\$ 91,962</u>	<u>\$ 137,985</u>

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	Program Services						Supporting Services			
	Book Distributions	Reading is Fundamental	Read me Week	Ready for Reading	Biblioteca sin Paredes	Total Programs	Management and General	Fund-raising	Total Supporting	Total Expenses
Salaries	\$ 14,973	\$ 10,553	\$ 6,604	\$ 9,176	\$ 3,928	\$ 45,234	\$ 20,180	\$ 20,000	\$ 40,180	\$ 85,414
Payroll taxes and employee benefits	1,145	808	506	702	300	3,461	1,543	1,530	3,073	6,534
Total compensation	16,118	11,361	7,110	9,878	4,228	48,695	21,723	21,530	43,253	91,948
Book distributions	100,144	32,267	2,921	-	-	135,332	-	-	-	135,332
Grants to others	36,500	-	-	-	-	36,500	-	-	-	36,500
Fundraising	2,987	1,493	1,493	1,493	1,493	8,959	2,987	2,987	5,974	14,933
Facility costs	4,684	1,300	1,226	1,300	1,226	9,736	1,300	1,226	2,526	12,262
Miscellaneous	2,680	2,508	663	1,719	713	8,283	1,013	896	1,909	10,192
Supplies	118	180	894	34	-	1,226	1,290	4,041	5,331	6,557
Local travel	1,812	1,081	887	700	490	4,970	642	283	925	5,895
Professional fees	1,303	892	521	671	521	3,908	782	521	1,303	5,211
Printing	-	-	-	-	-	-	2,015	38	2,053	2,053
Postage and shipping	76	467	333	87	19	982	556	116	672	1,654
Telephone	1,521	-	-	-	-	1,521	-	-	-	1,521
Depreciation	-	-	-	-	-	-	465	-	465	465
Total	\$ 167,943	\$ 51,549	\$ 16,048	\$ 15,882	\$ 8,690	\$ 260,112	\$ 32,773	\$ 31,638	\$ 64,411	\$ 324,523

See accompanying notes.

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

	Program Services					Supporting Services				
	<u>Book Distributions</u>	<u>Reading is Fundamental</u>	<u>Other Programs</u>	<u>Ready for Reading</u>	<u>Biblioteca sin Paredes</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Supporting</u>	<u>Total Expenses</u>
Salaries	\$ 12,952	\$ 7,355	\$ 5,307	\$ 9,079	\$ 5,652	\$ 40,345	\$ 28,464	\$ 10,605	\$ 39,069	\$ 79,414
Payroll taxes and employee benefits	990	565	407	693	431	3,086	2,175	814	2,989	6,075
Total compensation	13,942	7,920	5,714	9,772	6,083	43,431	30,639	11,419	42,058	85,489
Book distributions	86,469	21,765	38	299	8,052	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	894	1,379	1,908	845	5,700	3,015	905	3,920	9,620
Facility costs	6,707	151	75	91	136	7,160	453	272	725	7,885
Supplies	175	304	361	286	203	1,329	838	2,386	3,224	4,553
Local travel	726	482	566	532	460	2,766	828	237	1,065	3,831
Professional fees	638	290	145	175	261	1,509	871	523	1,394	2,903
Postage and shipping	113	110	266	63	44	596	442	1,000	1,442	2,038
Telephone	209	95	48	57	86	495	278	171	449	944
Printing	254	127	84	127	84	676	-	169	169	845
Depreciation	-	-	-	-	-	-	260	-	260	260
Total	<u>\$ 114,429</u>	<u>\$ 34,400</u>	<u>\$ 10,938</u>	<u>\$ 15,572</u>	<u>\$ 18,516</u>	<u>\$ 193,855</u>	<u>\$ 42,148</u>	<u>\$ 21,606</u>	<u>\$ 63,754</u>	<u>\$ 257,609</u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (46,023)	\$ (43,044)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	465	259
Changes in operating assets and liabilities:		
Donated book inventories	37,312	177
Contribution receivable	(25,000)	-
Grant receivable	(5,517)	-
Other current assets	(664)	(610)
Accounts payable	602	(406)
Grants payable to others	<u>18,250</u>	<u>-</u>
Net cash used in operating activities	<u>(20,575)</u>	<u>(43,624)</u>
Cash flows from financing activities:		
Purchase of fixed assets	<u>(1,026)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,026)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(21,601)	(43,624)
Cash and cash equivalents at beginning of year	<u>73,971</u>	<u>117,595</u>
Cash and cash equivalents at end of year	<u><u>\$ 52,370</u></u>	<u><u>\$ 73,971</u></u>

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – 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, 2008 and 2007.

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, 2008 and 2007.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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

Contributions are recognized as revenue when the donor makes an unconditional promise to give to the Organization. Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using a risk-free interest rate that corresponds with the term of each promise to give. The Organization uses the allowance method to determine uncollectible contributions receivable.

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.

Reclassifications

Certain reclassifications have been made to the December 31, 2007 statements to conform with the December 31, 2008 presentation.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 2 – CONTRIBUTION RECEIVABLE

As of December 31, 2008, a contribution receivable of \$25,000 consists of a promise to give by a foundation. Management considers the contribution receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

	<u>2008</u>	<u>2007</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>3,526</u>	<u>2,500</u>
	5,227	4,201
Less accumulated depreciation	<u>(3,887)</u>	<u>(3,422)</u>
	<u>\$ 1,340</u>	<u>\$ 779</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions received during the years ended December 31, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Books	\$ 78,306	\$ 99,753
Public relations/website	14,533	22,618
Rent	3,355	-
Other	<u>400</u>	<u>-</u>
	<u>\$ 96,594</u>	<u>\$ 122,371</u>

NOTE 5 – LEASE COMMITMENTS

In 2008, the Organization entered into a lease agreement for office space for one year. Monthly payments of \$1,355 are required through August 31, 2009. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$7,433 and \$6,375 for the years ended December 31, 2008 and 2007, respectively.