

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2015 and 2014

BOOK 'EM
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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, 2015 and 2014, and the related statements of activities 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 of 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, 2015 and 2014, 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, Owen + Hand, PLLC

Nashville, Tennessee

August 19, 2016

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 52,855 | \$ 55,198 |
| Grant receivable | - | 4,672 |
| Book inventories | 72,786 | 65,528 |
| Other | <u>810</u> | <u>-</u> |
| Total current assets | 126,451 | 125,398 |
| Beneficial interest in assets at Community Foundation of Middle Tennessee | 44,502 | 45,635 |
| Furniture and equipment, net of accumulated depreciation of \$7,871 | <u>-</u> | <u>-</u> |
| Total assets | <u><u>\$ 170,953</u></u> | <u><u>\$ 171,033</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | <u>\$ -</u> | <u>\$ 580</u> |
| Total liabilities | <u>-</u> | <u>580</u> |
| Net assets: | | |
| Unrestricted | | |
| Undesignated | 126,451 | 121,318 |
| Designated | <u>44,502</u> | <u>45,635</u> |
| Total unrestricted | 170,953 | 166,953 |
| Temporarily restricted | <u>-</u> | <u>3,500</u> |
| Total net assets | <u>170,953</u> | <u>170,453</u> |
| Total liabilities and net assets | <u><u>\$ 170,953</u></u> | <u><u>\$ 171,033</u></u> |

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|--------------------------|--------------------------|
| Changes in unrestricted net assets: | | |
| Revenues: | | |
| In-kind contributions | \$ 200,820 | \$ 200,115 |
| Contributions | 166,051 | 151,294 |
| Grant revenue | 14,084 | 9,172 |
| Interest and other | 259 | 24 |
| Change in beneficial interest in assets held at | | |
| Community Foundation of Middle Tennessee | (1,133) | 1,959 |
| Net assets released from restrictions | <u>3,500</u> | <u>6,000</u> |
| Total revenues | <u>383,581</u> | <u>368,564</u> |
| Expenses: | | |
| Program services: | | |
| Books for Nashville Kids | 222,367 | 219,692 |
| Reading is Fundamental | 66,958 | 51,531 |
| Ready for Reading | 13,547 | 13,215 |
| Read Me Week | <u>9,433</u> | <u>11,057</u> |
| Total program services | <u>312,305</u> | <u>295,495</u> |
| Supporting services: | | |
| Management and general | 37,505 | 33,706 |
| Fundraising | <u>29,771</u> | <u>41,719</u> |
| Total supporting services | <u>67,276</u> | <u>75,425</u> |
| Total expenses | <u>379,581</u> | <u>370,920</u> |
| Change in unrestricted net assets | <u>4,000</u> | <u>(2,356)</u> |
| Changes in temporarily restricted net assets: | | |
| Contributions | - | 3,500 |
| Net assets released from restrictions | <u>(3,500)</u> | <u>(6,000)</u> |
| Change in temporarily restricted net assets | <u>(3,500)</u> | <u>(2,500)</u> |
| Total change in net assets | 500 | (4,856) |
| Net assets at beginning of year | <u>170,453</u> | <u>175,309</u> |
| Net assets at end of year | <u><u>\$ 170,953</u></u> | <u><u>\$ 170,453</u></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 Week | 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
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

| | Program Services | | | | Supporting Services | | | | |
|--|-----------------------------|---------------------------|----------------------|------------------|------------------------------|---------------------------|------------------|---------------------------------|-------------------|
| | Books for Nashville Kids | Reading is Fundamental | Ready for Reading | Read Me Week | Total Program Services | Management and General | Fund- raising | Total Supporting Services | Total Expenses |
| Salaries | \$ 14,858 | \$ 18,054 | \$ 9,113 | \$ 7,783 | \$ 49,808 | \$ 17,776 | \$ 12,639 | \$ 30,415 | \$ 80,223 |
| Payroll taxes and employee benefits | 1,137 | 1,381 | 697 | 595 | 3,810 | 1,360 | 967 | 2,327 | 6,137 |
| Total compensation | 15,995 | 19,435 | 9,810 | 8,378 | 53,618 | 19,136 | 13,606 | 32,742 | 86,360 |
| Book distributions | 195,583 | 27,290 | - | - | 222,873 | - | - | - | 222,873 |
| Professional fees | - | - | - | - | - | 8,686 | 20,580 | 29,266 | 29,266 |
| Facility costs | 5,951 | 1,597 | 1,494 | 1,391 | 10,433 | 2,087 | 1,391 | 3,478 | 13,911 |
| Miscellaneous | 1,430 | 2,137 | 1,876 | 945 | 6,388 | 497 | 5,135 | 5,632 | 12,020 |
| Telephone | - | - | - | - | - | 2,143 | - | 2,143 | 2,143 |
| Supplies | 160 | 437 | - | 236 | 833 | 595 | 71 | 666 | 1,499 |
| Local travel | 548 | 444 | 35 | 107 | 1,134 | 149 | 99 | 248 | 1,382 |
| Postage and shipping | 25 | 191 | - | - | 216 | 413 | 370 | 783 | 999 |
| Printing | - | - | - | - | - | - | 467 | 467 | 467 |
| Total | <u>\$ 219,692</u> | <u>\$ 51,531</u> | <u>\$ 13,215</u> | <u>\$ 11,057</u> | <u>\$ 295,495</u> | <u>\$ 33,706</u> | <u>\$ 41,719</u> | <u>\$ 75,425</u> | <u>\$ 370,920</u> |

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 500 | \$ (4,856) |
| Changes in operating assets and liabilities: | | |
| Book inventories | (7,258) | (6,296) |
| Grant receivable | 4,672 | (4,672) |
| Other current assets | (810) | 41 |
| Beneficial interest in assets held by others | 1,133 | (1,959) |
| Accounts payable | <u>(580)</u> | <u>580</u> |
| Net cash used in operating activities | (2,343) | (17,162) |
| Cash and cash equivalents at beginning of year | <u>55,198</u> | <u>72,360</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 52,855</u></u> | <u><u>\$ 55,198</u></u> |

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 be met or will be met, either by actions of the Organization and/or the passage of time.

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 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, 2015 and 2014.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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

Book Inventories

Book inventories are valued at weighted average cost at December 31, 2015 and 2014. 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 Week – an annual event highlighting the importance and fun of reading.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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, 2015 and 2014. Tax years prior to the year ended December 31, 2012 are closed to examination.

Subsequent Events

The Organization has evaluated subsequent events through August 19, 2016, 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, 2015 and 2014

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|----------------|----------------|
| Furniture | \$ 1,701 | \$ 1,701 |
| Office equipment | <u>6,170</u> | <u>6,170</u> |
| | 7,871 | 7,871 |
| Less accumulated depreciation | <u>(7,871)</u> | <u>(7,871)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

NOTE 3 – LEASE COMMITMENTS

During 2014, the Organization renewed a lease agreement for office space effective January 1, 2015. Monthly payments of \$1,078 are required through December 31, 2016. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$12,941 and \$11,850 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4 – IN-KIND CONTRIBUTIONS

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

| | <u>2015</u> | <u>2014</u> |
|-------|-------------------|-------------------|
| Books | \$ 199,950 | \$ 200,115 |
| Other | <u>870</u> | <u>-</u> |
| | <u>\$ 200,820</u> | <u>\$ 200,115</u> |

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 \$44,502 and \$45,635 at December 31, 2015 and 2014, respectively, in the accompanying statements of financial position. In addition, the Organization has recorded changes in market value of (\$1,133) and \$1,959 for the years ended December 31, 2015 and 2014, respectively, in the accompanying statements of activities.