

# 2019

## Financial Statements

BOOK'EM

FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Independent Auditor's Report Thereon)

**BOOK'EM**  
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**DECEMBER 31, 2019**

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**PATTERSON, HARDEE & BALLENTINE, P.C.**

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Book'em

We have audited the accompanying financial statements of Book'em (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patterson Hardee & Ballentine*

November 10, 2020

**BOOK'EM**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

Current Assets:

Cash	\$ 57,472	
Contribution receivable	2,327	
Inventory	<u>114,806</u>	
Total current assets		\$ 174,605

Fixed assets, net	<u>306</u>	
Total fixed assets, net		306

Assets Whose Use is Limited:

Investment - endowment	<u>60,455</u>	
Total assets whos use is limited		<u>60,455</u>

Total Assets		<u><u>\$ 235,366</u></u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	<u>\$ 4,578</u>	
Total current liabilities		<u>\$ 4,578</u>

Net Assets:

Without donor restrictions	170,333	
With donor restrictions	<u>60,455</u>	

Total net assets		<u>230,788</u>
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Total Liabilities and Net Assets		<u><u>\$ 235,366</u></u>
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**BOOK'EM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating Revenue, Gains, and Other Support:			
Revenues:			
Gross special events revenue	\$ 26,109	\$ -	\$ 26,109
Less direct cost of special events	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Net special events revenue	23,609	-	23,609
 In-kind contributions	 341,915	 -	 341,915
Contributions	258,184	-	258,184
Grants	4,263	-	4,263
Other income	4,384	-	4,384
Investment income, net	<u>-</u>	<u>9,669</u>	<u>9,669</u>
 Total operating revenue, gains, and other support	 <u>632,355</u>	 <u>9,669</u>	 <u>642,024</u>
Operating Expenses:			
Program Services:			
Books for Nashville Kids	421,937	-	421,937
Ready for Reading	11,727	-	11,727
Reading is Fundamental	99,525	-	99,525
Read Me Day	<u>12,605</u>	<u>-</u>	<u>12,605</u>
Total Program Services	545,794	-	545,794
 Supporting Services:			
Management and general	25,877	-	25,877
Fundraising	<u>30,205</u>	<u>-</u>	<u>30,205</u>
Total supporting services	<u>56,082</u>	<u>-</u>	<u>56,082</u>
 Total program and supporting expenses	 <u>601,876</u>	 <u>-</u>	 <u>601,876</u>
 Increase in net assets	 30,479	 9,669	 40,148
Net assets - beginning of year	<u>139,854</u>	<u>50,786</u>	<u>190,640</u>
Net assets - end of year	<u>\$ 170,333</u>	<u>\$ 60,455</u>	<u>\$ 230,788</u>

See accompanying notes to financial statements.

**BOOK'EM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services					Supporting Services			
	Books for Nashville Kids	Ready for Reading	Reading is Fundamental	Read Me Day	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 58,319	\$ 8,652	\$ 34,608	\$ 7,614	\$ 109,193	\$ 8,832	\$ 20,405	\$ 29,237	\$ 138,430
Payroll taxes and employee benefits	6,575	975	3,902	858	12,310	997	2,300	3,297	15,607
Professional fees	7,518	940	5,639	940	15,037	1,878	1,880	3,758	18,795
Special events	-	-	-	-	-	-	2,500	2,500	2,500
Background checks	-	-	752	-	752	-	-	-	752
Travel and mileage	517	-	95	293	905	749	69	818	1,723
Depreciation	-	-	-	-	-	131	-	131	131
Marketing	-	-	-	-	-	4,785	-	4,785	4,785
Printing	-	-	78	196	274	309	2,220	2,529	2,803
Insurance	1,571	157	628	157	2,513	314	314	628	3,141
Rent	10,193	927	2,780	927	14,827	1,853	1,853	3,706	18,533
Book distributions	324,007	-	48,415	-	372,422	-	-	-	372,422
Book disposals	8,828	-	-	-	8,828	-	-	-	8,828
Supplies	2,280	-	1,190	248	3,718	645	595	1,240	4,958
Postage and mailing	1,519	-	945	760	3,224	111	371	482	3,706
Telephone and internet	610	76	457	76	1,219	152	152	304	1,523
Meals	-	-	-	-	-	865	46	911	911
Licenses and subscriptions	-	-	-	-	-	1,254	-	1,254	1,254
Miscellaneous	-	-	36	536	572	3,002	-	3,002	3,574
Total expenses by function	421,937	11,727	99,525	12,605	545,794	25,877	32,705	58,582	604,376
Less expense included with revenues on the statement of activities:									
Direct cost of special events	-	-	-	-	-	-	(2,500)	(2,500)	(2,500)
Total expenses included in the expense section on the statement of activities	\$ 421,937	\$ 11,727	\$ 99,525	\$ 12,605	\$ 545,794	\$ 25,877	\$ 30,205	\$ 56,082	\$ 601,876

See accompanying notes to financial statements.



**BOOK'EM**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows From Operating Activities:		
Increase in net assets		\$ 40,148
Adjustment to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation	\$ 131	
Investment income, net	(9,669)	
Changes in:		
Contribution receivable	13,152	
Inventory	(24,506)	
Accounts payable	4,128	
Total adjustments		(16,764)
Net cash provided by operating activities:		23,384
Net increase in cash		23,384
Cash - beginning of year		34,088
Cash - end of year		\$ 57,472

See accompanying notes to financial statements.



**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities and Program Description

In these notes, the terms "Organization", "we", "us" or "our" mean Book'em. 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.

Program Services

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.

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:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2019, we had no net assets with donor restrictions.

**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash

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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounts and Contributions Receivable

We provide services to our clients using credit terms customary in our industry. Interest is not normally charged on receivables. We use the allowance method to determine uncollectible accounts and contributions receivable. The allowance is based on prior years' experience and our analysis of specific accounts. Losses are charged off to the allowance when we deem further collection efforts will not produce additional recoveries. For the year ended December 31, 2019, we did not believe that an allowance for bad debts was necessary.

At December 31, 2019, 100% of our contribution receivable is due from one donor.

Furniture and Equipment

Furniture and equipment are 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, 2019.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2019, no assets were considered to be impaired.

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. Many expenditures are classified on an invoice by invoice basis. We allocate other expenses based on our best estimates of time and effort spent as well as office space utilization.

Book Inventories

Book inventories are valued at weighted average cost at December 31, 2019. Donated books are recorded at \$5.00 per item contributed. Purchased books are initially recorded at cost. All of our investments are based on level 1 inputs at the active market price as of December 31, 2019.



**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

NOTE 1 – Summary of Significant Accounting Policies (continued)

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.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

The endowment fund investment (NOTE 6) is considered a Level 3 investment as of December 31, 2019.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

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.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

NOTE 1 – Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement (continued)

The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2019. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended December 31, 2019.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at December 31, 2019, and the adoption of this standard had no effect on beginning net assets on our statement of activities.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

Cash	\$ 57,472
Contribution receivable	2,327
Inventory	114,806
Investments	<u>60,455</u>
	<u>\$ 235,060</u>

In the next fiscal year, we plan to receive the same level of dues and contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. All of our cash accounts are readily available.

We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately liquidate our investments or reduce spending of program and management and general expenditures.

NOTE 3 – Furniture and Equipment

Furniture and equipment include the following as of December 31, 2019:

Financial assets for the year ended

Office Equipment	\$ 8,527
Less accumulated depreciation	<u>(8,221)</u>
	<u>\$ 306</u>



**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 – Lease Commitments**

The Organization has a lease agreement for office space with monthly payments of \$1,549 required through June 30, 2020. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$18,533 for the year ended December 31, 2019.

**NOTE 5 – In-kind Contributions**

In-kind contributions received include the following during the years ended December 31, 2019:

Book donations – Books for Nashville Kids	\$ 341,294
Book donations – Reading is Fundamental	<u>621</u>
	<u>\$ 341,915</u>

**NOTE 6 - Endowment Fund at Community Foundation of Middle Tennessee**

At December 31, 2019, The Community Foundation of Middle Tennessee (the "Community Foundation") maintains agency investments on behalf of the Organization. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived there from. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

The following is the balance and activity reported in our financial statements for the year ended December 31, 2019:

Beginning balance		\$ 50,786
Contributions	\$ 200	
Interest/Dividend Income	1,061	
Realized Gain (Loss) on Investment	1,315	
Unrealized Gain (Loss) on Investment	7,442	
Investment Fee	(131)	
Administrative Fee	<u>(218)</u>	
		<u>9,669</u>
Ending balance		<u>\$ 60,455</u>

**BOOK'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 7 - New Pronouncements**

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

**Note 8 - Subsequent Events**

We have evaluated events subsequent to the year ending December 31, 2019. As of November 10, 2020, the date the financial statements were available to be issued, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.