

**BOOK 'EM**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**December 31, 2006**

**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 statement of financial position of BOOK 'EM (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit provides 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, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

June 25, 2007

**BOOK 'EM**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2006**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 117,595
Donated book inventories	62,900
Other	<u>206</u>
Total current assets	180,701
Furniture and equipment, net of accumulated depreciation of \$3,163	<u>1,038</u>
Total assets	<u><u>\$ 181,739</u></u>

**Liabilities and Net Assets**

Current liabilities:	
Accounts payable	\$ 710
Net assets:	
Unrestricted	<u>181,029</u>
Total liabilities and net assets	<u><u>\$ 181,739</u></u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2006**

Revenues:	
In-kind contributions	\$ 292,038
Contributions	75,231
Interest	<u>1,555</u>
Total revenues	<u>368,824</u>
Expenses:	
Program services:	
Book distributions	245,009
Ready for Reading	17,302
Biblioteca sin Paredes	18,405
Reading is Fundamental	27,257
Other programs	<u>12,333</u>
Total program services	<u>320,306</u>
Supporting services:	
Management and general	34,398
Fundraising	<u>11,571</u>
Total supporting services	<u>45,969</u>
Total expenses	<u>366,275</u>
Change in net assets	2,549
Transfer of net assets	42,428
Unrestricted net assets at beginning of year	<u>136,052</u>
Unrestricted net assets at end of year	<u><u>\$ 181,029</u></u>

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	Total Expenses
Salaries	\$ 15,358	\$ 10,338	\$ 6,682	\$ 1,600	\$ 6,736	\$ 40,714	\$ 67,460
Payroll taxes and employee benefits	-	-	-	-	-	-	5,161
Total compensation	15,358	10,338	6,682	1,600	6,736	40,714	72,621
Book distributions	219,833	281	6,926	24,234	2,598	253,872	253,872
Miscellaneous	413	4,010	2,344	862	795	8,424	11,880
Facility costs	6,049	49	49	13	49	6,209	6,325
Professional fees	829	829	829	220	829	3,536	5,526
Printing	181	181	416	69	68	915	4,710
Local travel	966	658	619	131	766	3,140	4,137
Postage and shipping	331	330	224	42	198	1,125	3,301
Supplies	375	614	304	86	282	1,661	2,909
Telephone	674	12	12	-	12	710	734
Depreciation	-	-	-	-	-	-	260
Total	\$ 245,009	\$ 17,302	\$ 18,405	\$ 27,257	\$ 12,333	\$ 320,306	\$ 366,275

See accompanying notes.

**BOOK 'EM**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2006**

Cash flows from operating activities:	
Change in net assets	\$ 2,549
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	260
Changes in operating assets and liabilities:	
Donated book inventories	(48,107)
Other current assets	404
Accounts payable	<u>710</u>
Net cash used in operating activities	<u>(44,184)</u>
Cash flows from investing activities:	
Cash received in merger	42,428
Purchase of fixed assets	<u>(1,298)</u>
Net cash provided by investing activities	<u>41,130</u>
Net decrease in cash and cash equivalents	(3,054)
Cash and cash equivalents at beginning of year	<u>120,649</u>
Cash and cash equivalents at end of year	<u><u>\$ 117,595</u></u>

See accompanying notes.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 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** – 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 statement of activities as net assets released from restrictions. At December 31, 2006, there are no temporarily restricted net assets.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, BOOK 'EM considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization may maintain cash and cash equivalents that, at times, exceed federally insured limits. In management's opinion, risk relating to such concentrations is minimal based on the credit rating of its depositories.

**Donated Materials and Services**

The value of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions with the corresponding expenses or assets recorded at their estimated fair value at date of receipt. Donated books have been valued at \$5.00 per item contributed for the year ended December 31, 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, 2006.



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

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

**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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

**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 at December 31, 2006.

**NOTE 2 – FURNITURE AND EQUIPMENT**

Furniture and equipment include the following as of December 31, 2006:

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

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

**NOTE 3 – IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2006, the Organization received books as in-kind contributions valued at \$292,038.

**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 approximately \$6,000 for the year ended December 31, 2006.

**NOTE 5 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE INVESTMENTS**

The Community Foundation of Middle Tennessee, a separate nonprofit organization, maintains investments on behalf of the Organization. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Organization do not include these investments.

The Organization anticipates receiving periodic investment earnings on its pro-rata share of the Community Foundation's assets. The balance of the endowment fund held for the benefit of the Organization totaled \$32,221 at December 31, 2006.

**NOTE 6 – MERGER**

Effective August 31, 2006, the Organization completed a merger with Reading is Fundamental of Nashville, Inc. ("RIF"). RIF was a Nashville based community development nonprofit organization serving to promote reading. The Organization assumed all assets and liabilities of RIF with the Organization being the surviving corporation. The merger was accounted for in a manner similar to the pooling of interest method and, accordingly, beginning net assets of the Organization have been restated to include the assets and liabilities of RIF. At January 1, 2006, RIF had assets and liabilities of approximately \$42,428 and \$0, respectively (unaudited). For the fiscal year ended June 30, 2006, RIF had revenue and expenses of approximately \$10,898 and \$13,916, respectively (unaudited).