

2020
Financial Statements
With
Auditor's Letters

BOOK'EM

FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Independent Auditor's Report Thereon)

BOOK'EM
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DECEMBER 31, 2020

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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, 2020, 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, 2020, 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

September 20, 2021

BOOK'EM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:

Cash	\$	88,667	
Contributions receivable		75,065	
Inventory		<u>143,252</u>	
Total current assets			\$ 306,984

Fixed assets, net 1,050

Other Assets 18,000

Assets Whose Use is Limited:

Investment - endowment		<u>67,575</u>	
Total assets whose use is limited			<u>67,575</u>
Total Assets			<u><u>\$ 393,609</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	<u>313</u>	
Total current liabilities			<u>\$ 313</u>

Net Assets:

Without donor restrictions		325,721	
With donor restrictions		<u>67,575</u>	
Total net assets			<u>393,296</u>
Total Liabilities and Net Assets			<u><u>\$ 393,609</u></u>

See accompanying notes to financial statements.

BOOK'EM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<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	\$ 8,520	\$ -	\$ 8,520
Less direct cost of special events	(4,966)	-	(4,966)
Net special events revenue	3,554	-	3,554
 In-kind contributions	 547,070	 -	 547,070
Contributions	478,216	-	478,216
Grants	9,000	-	9,000
Other income	93	-	93
Investment income, net	-	7,120	7,120
Net assets released from restriction	-	-	-
 Total operating revenue, gains, and other support	 1,037,933	 7,120	 1,045,053
Operating Expenses:			
Program Services:			
Books for Nashville Kids	679,037	-	679,037
Ready for Reading	7,797	-	7,797
Reading is Fundamental	119,024	-	119,024
Read Me Day	11,572	-	11,572
Total Program Services	817,430	-	817,430
 Supporting Services:			
Management and general	32,309	-	32,309
Fundraising	32,806	-	32,806
Total supporting services	65,115	-	65,115
 Total program and supporting expenses	 882,545	 -	 882,545
 Increase in net assets	 155,388	 7,120	 162,508
Net assets - beginning of year	170,333	60,455	230,788
Net assets - end of year	\$ 325,721	\$ 67,575	\$ 393,296

See accompanying notes to financial statements.

BOOK'EM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ 89,807	\$ 6,182	\$ 26,788	\$ 7,899	\$ 130,676	\$ 16,313	\$ 24,727	\$ 41,040	\$ 171,716
Payroll taxes and employee benefits	7,871	542	2,348	692	11,453	1,430	2,167	3,597	15,050
Professional fees	3,094	387	2,321	387	6,189	773	774	1,547	7,736
Special events	-	-	-	-	-	-	4,966	4,966	4,966
Background checks	-	-	48	-	48	-	-	-	48
Travel and mileage	430	-	86	243	759	616	57	673	1,432
Depreciation	-	-	-	-	-	367	-	367	367
Marketing	-	-	-	-	-	147	-	147	147
Printing	-	-	60	211	271	333	2,414	2,747	3,018
Insurance	1,331	133	533	133	2,130	266	266	532	2,662
Rent	17,040	467	1,167	467	19,141	3,035	1,167	4,202	23,343
Book distributions	415,333	-	82,920	-	498,253	-	-	-	498,253
Book disposals	139,597	-	-	-	139,597	-	-	-	139,597
Supplies	3,042	-	1,690	338	5,070	879	812	1,691	6,761
Postage and mailing	804	-	500	402	1,706	58	196	254	1,960
Telephone and internet	688	86	516	86	1,376	172	172	344	1,720
Meals	-	-	-	-	-	1,033	54	1,087	1,087
Licenses and subscriptions	-	-	-	-	-	2,889	-	2,889	2,889
Miscellaneous	-	-	47	714	761	3,998	-	3,998	4,759
Total expenses by function	679,037	7,797	119,024	11,572	817,430	32,309	37,772	70,081	887,511
Less expense included with revenues on the statement of activities:									
Direct cost of special events	-	-	-	-	-	-	(4,966)	(4,966)	(4,966)
Total expenses included in the expense section on the statement of activities	<u>\$ 679,037</u>	<u>\$ 7,797</u>	<u>\$ 119,024</u>	<u>\$ 11,572</u>	<u>\$ 817,430</u>	<u>\$ 32,309</u>	<u>\$ 32,806</u>	<u>\$ 65,115</u>	<u>\$ 882,545</u>

See accompanying notes to financial statements.

BOOK'EM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities:		
Increase in net assets		\$ 162,508
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 367	
Investment income, net	(7,120)	
Changes in:		
Contributions receivable	(72,738)	
Inventory	(28,446)	
Other assets	(18,000)	
Accounts payable	(4,265)	
Total adjustments		(130,202)
Net cash provided by operating activities:		32,306
Cash Flows From Investing Activities:		
Purchase of equipment	(1,111)	
Net cash used in investing activities		(1,111)
Net increase in cash		31,195
Cash - beginning of year		57,472
Cash - end of year		\$ 88,667

See accompanying notes to financial statements.

BOOK'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, we had no net assets with donor restrictions.

BOOK'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

At December 31, 2020, 100% of our contributions receivable is due from two donors.

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, 2020.

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, 2020, 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, 2020. 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, 2020.

BOOK'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – Summary of Significant Accounting Policies (continued)

Other Assets

Other assets is related to a local matching grant agreement, whereby the grantor will match the Organization dollar for dollar up to \$9,000. As of December 31, 2020, the Organization has a balance of \$18,000 that will be used to obtain books from the grantor.

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, and 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, 2020.

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.

BOOK'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 88,667
Contribution receivable	75,065
Inventory	<u>143,252</u>
	<u>\$ 306,984</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 – Fixed Assets

Furniture and equipment include the following as of December 31, 2020:

Financial assets for the year ended

Office Equipment	\$ 9,638
Less accumulated depreciation	<u>(8,588)</u>
	<u>\$ 1,050</u>

NOTE 4 – Lease Commitments

The Organization has a lease agreement for office space with monthly payments of \$1,549 required through June 30, 2021. Following this date, the lease will renew as a month to month lease until the Organization's lessor provides the renewal lease. Either party may terminate this agreement with 90 days written notice. The Organization also has a lease agreement for a SmartCube storage unit with monthly payments of \$128, this lease is on a month to month basis. Rent expense totaled \$23,343 for the year ended December 31, 2020.

NOTE 5 – In-kind Contributions

In-kind contributions received include the following during the years ended December 31, 2020:

Book donations – Books for Nashville Kids	\$ 523,225
Book donations – Reading is Fundamental	<u>23,845</u>
	<u>\$ 547,070</u>

BOOK'EM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - Endowment Fund at Community Foundation of Middle Tennessee

At December 31, 2020, 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, 2020:

Beginning balance		\$	60,455
Contributions	\$	175	
Interest/Dividend Income		1,608	
Realized Gain (Loss) on Investment		2,925	
Unrealized Gain (Loss) on Investment		2,784	
Investment Fee		(137)	
Administrative Fee		(235)	
			7,120
Ending balance		\$	67,575

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, 2020. As of September 20, 2021, the date the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2020.