

BOOK 'EM
FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 statements of financial position of BOOK'EM (a nonprofit organization) as of December 31, 2010 and 2009, 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.

As described in Note 5, the Organization restated its net assets effective December 31, 2008 to properly record agency endowment funds held at the Community Foundation of Middle Tennessee.

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, 2010 and 2009, 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 1, 2011

BOOK 'EM
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009 (Restated)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 77,679	\$ 38,355
Contribution receivable	-	6,035
Donated book inventories	84,399	49,932
Other	<u>60</u>	<u>60</u>
Total current assets	162,138	94,382
Beneficial interest in assets at Community Foundation of Middle Tennessee	34,400	30,500
Furniture and equipment, net of accumulated depreciation of \$5,831 and \$4,837	<u>2,040</u>	<u>3,034</u>
Total assets	<u><u>\$ 198,578</u></u>	<u><u>\$ 127,916</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	<u>\$ 1,868</u>	<u>\$ -</u>
Total liabilities	<u>1,868</u>	<u>-</u>
Net assets:		
Unrestricted	147,310	91,416
Designated by board as agency endowment	34,400	30,500
Temporarily restricted	<u>15,000</u>	<u>6,000</u>
Total net assets	<u>196,710</u>	<u>127,916</u>
Total liabilities and net assets	<u><u>\$ 198,578</u></u>	<u><u>\$ 127,916</u></u>

See accompanying notes.

BOOK 'EM
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009 (Restated)</u>
Changes in unrestricted net assets:		
Revenues:		
In-kind contributions	\$ 237,374	\$ 203,086
Contributions	122,530	85,611
Change in beneficial interest in assets held by others	3,900	5,000
Interest and other	39	780
Net assets released from restrictions	6,000	9,089
Total revenues	<u>369,843</u>	<u>303,566</u>
Expenses:		
Program services:		
Library Without Walls	177,028	176,388
Reading is Fundamental	39,335	30,929
Read me Week	15,841	8,277
Ready for Reading	8,315	8,917
Biblioteca sin Paredes	7,321	5,795
Total program services	<u>247,840</u>	<u>230,306</u>
Supporting services:		
Management and general	31,515	23,049
Fundraising	30,694	36,668
Total supporting services	<u>62,209</u>	<u>59,717</u>
Total expenses	<u>310,049</u>	<u>290,023</u>
Change in unrestricted net assets	<u>59,794</u>	<u>13,543</u>
Changes in temporarily restricted net assets:		
Contributions	15,000	6,000
Net assets released from restrictions	(6,000)	(9,089)
Change in temporarily restricted net assets	<u>9,000</u>	<u>(3,089)</u>
Total change in net assets	<u>68,794</u>	<u>10,454</u>
Net assets at beginning of year, as previously reported	<u>127,916</u>	<u>91,962</u>
Restatement	<u>-</u>	<u>25,500</u>
Net assets at beginning of year, as restated	<u>127,916</u>	<u>117,462</u>
Net assets at end of year	<u>\$ 196,710</u>	<u>\$ 127,916</u>

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010

	Program Services				Supporting Services					
	Library Without Walls	Reading is Fundamental	Read me Week	Ready for Reading	Biblioteca sin Paredes	Total Program	Management and General	Fund-raising	Total Supporting	Total Expenses
Salaries	\$ 3,578	\$ 7,697	\$ 4,020	\$ 5,973	\$ 2,755	\$ 24,023	\$ 18,989	\$ 16,754	\$ 35,743	\$ 59,766
Payroll taxes and employee benefits	274	589	308	457	211	1,839	1,453	1,282	2,735	4,574
Total compensation	3,852	8,286	4,328	6,430	2,966	25,862	20,442	18,036	38,478	64,340
Book distributions	168,005	17,234	-	-	3,070	188,309	-	-	-	188,309
In-kind	-	-	9,964	-	-	9,964	-	9,964	9,964	19,928
Facility costs	4,515	1,281	1,194	1,281	1,194	9,465	1,281	1,194	2,475	11,940
Grants to others	-	11,290	-	-	-	11,290	-	-	-	11,290
Professional fees	-	-	-	-	-	-	6,180	-	6,180	6,180
Miscellaneous	19	938	264	503	25	1,749	722	558	1,280	3,029
Supplies	215	100	-	-	-	315	348	915	1,263	1,578
Telephone	-	-	-	-	-	-	1,389	-	1,389	1,389
Depreciation	-	-	-	-	-	-	994	-	994	994
Local travel	175	169	91	101	66	602	13	9	22	624
Postage and shipping	247	37	-	-	-	284	-	18	18	302
Printing	-	-	-	-	-	-	146	-	146	146
Total	\$ 177,028	\$ 39,335	\$ 15,841	\$ 8,315	\$ 7,321	\$ 247,840	\$ 31,515	\$ 30,694	\$ 62,209	\$ 310,049

See accompanying notes.

BOOK 'EM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Program Services				Supporting Services				
	Library Without Walls	Reading is Fundamental	Read me Week	Ready for Reading	Biblioteca sin Paredes	Total Program	Management and General	Fund-raising	Total Supporting Expenses
Salaries	\$ 7,635	\$ 6,348	\$ 5,238	\$ 5,790	\$ 2,519	\$ 27,530	\$ 17,000	\$ 17,000	\$ 34,000
Payroll taxes and employee benefits	584	486	401	443	193	2,107	1,300	1,300	2,600
Total compensation	8,219	6,834	5,639	6,233	2,712	29,637	18,300	18,300	36,600
Book distributions	149,906	17,100	-	-	740	167,746	-	-	-
Facility costs	5,977	1,597	1,539	1,597	1,539	12,249	1,597	1,539	3,136
Fundraising	-	-	-	-	-	-	-	14,637	14,637
Grants to others	8,466	-	-	-	-	8,466	-	-	-
Professional fees	1,561	1,137	625	737	625	4,685	937	625	1,562
Miscellaneous	16	3,845	5	160	30	4,056	108	245	353
Supplies	20	-	123	-	-	143	699	1,322	2,021
Telephone	1,934	-	-	-	-	1,934	-	-	-
Local travel	289	416	325	190	149	1,369	18	-	18
Depreciation	-	-	-	-	-	-	950	-	950
Printing	-	-	-	-	-	-	308	-	308
Postage and shipping	-	-	21	-	-	21	132	-	132
Total	\$ 176,388	\$ 30,929	\$ 8,277	\$ 8,917	\$ 5,795	\$ 230,306	\$ 23,049	\$ 36,668	\$ 59,717
									\$ 290,023

See accompanying notes.

BOOK 'EM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009 (Restated)</u>
Cash flows from operating activities:		
Change in net assets	\$ 68,794	\$ 10,454
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	994	950
Changes in operating assets and liabilities:		
Donated book inventories	(34,467)	(24,521)
Contribution receivable	6,035	18,965
Grant receivable	-	5,517
Other current assets	-	1,420
Beneficial interest in assets held by others	(3,900)	(5,000)
Accounts payable	1,868	(906)
Grants payable to others	-	(18,250)
Net cash provided by (used in) operating activities	<u>39,324</u>	<u>(11,371)</u>
Cash flows from financing activities:		
Purchase of fixed assets	<u>-</u>	<u>(2,644)</u>
Net cash used in financing activities	<u>-</u>	<u>(2,644)</u>
Net increase (decrease) in cash and cash equivalents	39,324	(14,015)
Cash and cash equivalents at beginning of year	<u>38,355</u>	<u>52,370</u>
Cash and cash equivalents at end of year	<u><u>\$ 77,679</u></u>	<u><u>\$ 38,355</u></u>

See accompanying notes.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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 – 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.

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, BOOK 'EM 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, 2010 and 2009.

Donated Book Inventories

Donated books have been valued at \$5.00 per item contributed for the years ended December 31, 2010 and 2009.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

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

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.

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:

The Dorothy Goldstein Memorial Library Without Walls – provides donated books to children in lower income families from birth through high school who 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.

Biblioteca Sin Paredes – bilingual program through which volunteers read books aloud to children in Spanish and English. Bilingual books are also provided through this program.

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.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

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 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 Foundation has adopted 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. Adoption of this pronouncement had no impact on the Organization's financial position or activities. The Organization had no uncertain tax positions at December 31, 2010 or 2009. Tax years prior to the year ended December 31, 2007 are closed to examination.

Subsequent Events

The Organization has evaluated subsequent events through July 1, 2011, 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, 2010 and 2009

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment include the following as of December 31:

	<u>2010</u>	<u>2009</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>6,170</u>	<u>6,170</u>
	7,871	7,871
Less accumulated depreciation	<u>(5,831)</u>	<u>(4,837)</u>
	<u>\$ 2,040</u>	<u>\$ 3,034</u>

NOTE 3 – LEASE COMMITMENTS

In September 2009, the Organization entered into a lease agreement for office space. Monthly payments of \$845 were required through December 31, 2010. Rent expense totaled \$10,198 and \$14,220 for the years ended December 31, 2010 and 2009, respectively.

In June 2010, the Organization entered into a new lease agreement for office space effective January 1, 2011. Monthly payments of \$871 are required through December 31, 2012. Either party may terminate this agreement with 90 days written notice.

NOTE 4 – IN-KIND CONTRIBUTIONS

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

	<u>2010</u>	<u>2009</u>
Books	\$ 217,206	\$ 188,449
Public relations/website	16,304	14,237
Other	<u>3,864</u>	<u>400</u>
	<u>\$ 237,374</u>	<u>\$ 203,086</u>

NOTE 5 – BOOK 'EM ENDOWMENT FUND AT COMMUNITY FOUNDATION OF MIDDLE TENNESSEE AND RESTATEMENT

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 result from unrestricted amounts transferred by the Organization to the Community Foundation in prior years.

BOOK 'EM
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 5 – BOOK 'EM ENDOWMENT FUND AT COMMUNITY FOUNDATION OF MIDDLE TENNESSEE AND RESTATEMENT (Continued)

During 2010, the Organization determined that such assets should be recorded in the accompanying financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification guidance. Accordingly, the Organization has restated its net assets effective December 31, 2008 as follows:

Total net assets as previously recorded at December 31, 2008	\$ 91,962
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>25,500</u>
Total net assets, as restated at December 31, 2008	<u><u>\$ 117,462</u></u>

The Organization has recorded the related asset “beneficial interest in assets at Community Foundation of Middle Tennessee” in the accompanying statements of financial position. In addition, the Organization has recorded revenue of \$3,900 and \$5,000 for the years ended December 31, 2010 and 2009, respectively, in the statements of activities.