

**BOOK 'EM**  
**FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**BOOK 'EM**  
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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592, FAX 615-383-7094

## 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, 2009 and 2008, 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.

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, 2009 and 2008, 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 2, 2010

**BOOK 'EM**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,355	\$ 52,370
Contribution receivable	6,035	25,000
Grant receivable	-	5,517
Donated book inventories	49,932	25,411
Other	<u>60</u>	<u>1,480</u>
Total current assets	94,382	109,778
Furniture and equipment, net of accumulated depreciation of \$4,837 and \$3,887	<u>3,034</u>	<u>1,340</u>
Total assets	<u><u>\$ 97,416</u></u>	<u><u>\$ 111,118</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ -	\$ 906
Grants payable to others	<u>-</u>	<u>18,250</u>
Total liabilities	<u>-</u>	<u>19,156</u>
Net assets:		
Unrestricted	91,416	82,873
Temporarily restricted	<u>6,000</u>	<u>9,089</u>
Total net assets	<u>97,416</u>	<u>91,962</u>
Total liabilities and net assets	<u><u>\$ 97,416</u></u>	<u><u>\$ 111,118</u></u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues:		
Contributions	\$ 85,611	\$ 110,727
In-kind contributions	203,086	96,594
Grant revenue	-	21,054
Interest and other	780	125
Net assets released from restrictions	<u>9,089</u>	<u>40,911</u>
Total revenues	<u>298,566</u>	<u>269,411</u>
Expenses:		
Program services:		
Library Without Walls	176,388	164,956
Reading is Fundamental	30,929	50,056
Ready for Reading	8,917	14,389
Read me Week	8,277	14,555
Biblioteca sin Paredes	<u>5,795</u>	<u>7,197</u>
Total program services	<u>230,306</u>	<u>251,153</u>
Supporting services:		
Fundraising	36,668	43,584
Management and general	<u>23,049</u>	<u>29,786</u>
Total supporting services	<u>59,717</u>	<u>73,370</u>
Total expenses	<u>290,023</u>	<u>324,523</u>
Change in unrestricted net assets	<u>8,543</u>	<u>(55,112)</u>
Changes in temporarily restricted net assets:		
Contributions	6,000	50,000
Released from restriction	<u>(9,089)</u>	<u>(40,911)</u>
Change in temporarily restricted net assets	<u>(3,089)</u>	<u>9,089</u>
Change in net assets	<u>5,454</u>	<u>(46,023)</u>
Net assets at beginning of year	<u>91,962</u>	<u>137,985</u>
Net assets at end of year	<u><u>\$ 97,416</u></u>	<u><u>\$ 91,962</u></u>

See accompanying notes.

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

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

See accompanying notes.

**BOOK 'EM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2008**

	Program Services							Total Expenses
	Library Without Walls	Reading is Fundamental	Ready for Reading	Read me Week	Biblioteca sin Paredes	Total Program	Management and General	
Salaries	\$ 14,973	\$ 10,553	\$ 9,176	\$ 6,604	\$ 3,928	\$ 45,234	\$ 20,180	\$ 85,414
Payroll taxes and employee benefits	1,145	808	702	506	300	3,461	1,543	6,534
Total compensation	16,118	11,361	9,878	7,110	4,228	48,695	21,723	91,948
Book distributions	100,144	32,267	-	2,921	-	135,332	-	135,332
Grants to others	36,500	-	-	-	-	36,500	-	36,500
Fundraising	-	-	-	-	-	-	14,933	14,933
Facility costs	4,684	1,300	1,300	1,226	1,226	9,736	1,226	12,262
Miscellaneous	2,680	2,508	1,719	663	713	8,283	1,013	10,192
Supplies	118	180	34	894	-	1,226	1,290	6,557
Local travel	1,812	1,081	700	887	490	4,970	642	5,895
Professional fees	1,303	892	671	521	521	3,908	782	5,211
Printing	-	-	-	-	-	-	2,015	2,053
Postage and shipping	76	467	87	333	19	982	116	1,654
Telephone	1,521	-	-	-	-	1,521	-	1,521
Depreciation	-	-	-	-	-	-	465	465
Total	\$ 164,956	\$ 50,056	\$ 14,389	\$ 14,555	\$ 7,197	\$ 251,153	\$ 43,584	\$ 324,523

See accompanying notes.

**BOOK 'EM**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,454	\$ (46,023)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	950	465
Changes in operating assets and liabilities:		
Donated book inventories	(24,521)	37,312
Contribution receivable	18,965	(25,000)
Grant receivable	5,517	(5,517)
Other current assets	1,420	(664)
Accounts payable	(906)	602
Grants payable to others	(18,250)	18,250
Net cash used in operating activities	<u>(11,371)</u>	<u>(20,575)</u>
Cash flows from financing activities:		
Purchase of fixed assets	<u>(2,644)</u>	<u>(1,026)</u>
Net cash used in financing activities	<u>(2,644)</u>	<u>(1,026)</u>
Net decrease in cash and cash equivalents	(14,015)	(21,601)
Cash and cash equivalents at beginning of year	<u>52,370</u>	<u>73,971</u>
Cash and cash equivalents at end of year	<u><u>\$ 38,355</u></u>	<u><u>\$ 52,370</u></u>

See accompanying notes.



**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**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.

**Accounting Standards Codification**

The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") became the sole authoritative source of accounting principles generally accepted in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization's statements of financial position, activities, or cash flows.

**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.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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

**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, 2009 and 2008.

**Donated Book Inventories**

Donated books have been valued at \$5.00 per item contributed for the years ended December 31, 2009 and 2008.

**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 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.

Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using an interest rate that corresponds with the term of each promise to give. The Organization uses the allowance method to determine uncollectible contributions receivable. At December 31, 2009, management considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

**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.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**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.

**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.

**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.

**Recently Adopted Accounting Standards**

On January 1, 2009 the Foundation adopted FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation 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

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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

**Recently Adopted Accounting Standards (Continued)**

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. The guidance must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Organization's financial position or activities. Tax years that remain open for examination include years ended December 31, 2006 through December 31, 2009. There are no tax penalties or interest reported in the accompanying financial statements.

**NOTE 2 – FURNITURE AND EQUIPMENT**

Furniture and equipment include the following as of December 31:

	<u>2009</u>	<u>2008</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>6,170</u>	<u>3,526</u>
	7,871	5,227
Less accumulated depreciation	<u>(4,837)</u>	<u>(3,887)</u>
	<u>\$ 3,034</u>	<u>\$ 1,340</u>

**NOTE 3 – LEASE COMMITMENTS**

In 2008, the Organization entered into a lease agreement for office space. Monthly payments of \$1,355 were required through August 31, 2009. In September 2009, the Organization entered into a new lease agreement for office space. Monthly payments of \$845 are required through December 31, 2010. Either party may terminate this agreement with 90 days written notice. Rent expense totaled \$14,220 and \$7,433 for the years ended December 31, 2009 and 2008, respectively.

**NOTE 4 – IN-KIND CONTRIBUTIONS**

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

	<u>2009</u>	<u>2008</u>
Books	\$ 188,449	\$ 78,306
Public relations/website	14,237	14,533
Other	400	400
Rent	<u>-</u>	<u>3,355</u>
	<u>\$ 203,086</u>	<u>\$ 96,594</u>

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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

The Community Foundation of Middle Tennessee (the “Foundation”) maintains investments on behalf of the Organization. The Foundation has ultimate authority and control over the investments and the timing of receipt of the funds by the Organization is uncertain. Accordingly, the net assets of the Organization do not include these investments.

The Organization does anticipate receiving periodic investment earnings on its pro-rata share of the Foundation’s assets. The balance of the endowment fund held for the benefit of the Organization approximated \$30,500 and \$25,500 at December 31, 2009 and 2008, respectively.

**NOTE 6 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 2, 2010, 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.