

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**  
**CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2011**

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Book Arts Press, Inc.  
Charlottesville, Virginia

We have audited the accompanying statement of financial position of BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL (a nonprofit organization) as of September 30, 2011, 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. The financial statements of BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL as of September 30, 2010 were audited by other auditors whose report dated January 6, 2011 expressed an unqualified opinion on those statements.

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 ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL as of September 30, 2011, 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.



Charlottesville, Virginia  
January 9, 2012

*Members*

American Institute of Certified Public Accountants • Virginia Society of Certified Public Accountants • Private Companies Practice Section of AICPA

**BOOK ARTS PRESS, INC.  
d/b/a RARE BOOK SCHOOL**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2011 AND 2010**

**ASSETS**

|  | <b>2011</b>        | <b>2010</b>        |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| Cash and cash equivalents .....                                      | \$ 317,645         | \$ 338,650         |
| Investments .....  | 1,492,989          | 1,278,366          |
| Inventory .....  | 9,536              | 6,042              |
| Other receivables .....  | 19,802             | 16,228             |
| Unconditional promises to give .....                                 | 23,200             | 8,200              |
| Prepaid expenses .....   | 1,851              | 1,839              |
| Equipment and software (net of \$25,855 accumulated depreciation) .. | ....               | ....               |
| Total assets .....   | <b>\$1,865,023</b> | <b>\$1,649,325</b> |

**LIABILITIES AND NET ASSETS**

|  |                    |                    |
|--|--------------------|--------------------|
| <b>LIABILITIES</b>                     |                    |                    |
| Accounts payable .....                 | \$ 9,596           | \$ 12,123          |
| Accrued payroll .....                  | 4,485              | 3,299              |
| Tuition deposits .....                 | 3,285              | 6,370              |
| Total liabilities .....                | 17,366             | 21,792             |
| <b>NET ASSETS</b>                      |                    |                    |
| Unrestricted .....                     | 630,361            | 504,923            |
| Temporarily restricted .....           | 164,921            | 95,245             |
| Permanently restricted .....           | 1,052,375          | 1,027,365          |
| Total net assets .....                 | 1,847,657          | 1,627,533          |
| Total liabilities and net assets ..... | <b>\$1,865,023</b> | <b>\$1,649,325</b> |

(The accompanying notes are an integral part of these financial statements)

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL              |
|--|-------------------|---------------------------|---------------------------|--------------------|
| Revenue, gains, and other support:                                     |                   |                           |                           |                    |
| Individual contributions .....   | \$ 175,077        | \$ 12,055                 | \$ 25,010                 | \$ 212,142         |
| Foundation/educational/governmental<br>grants .....                    | 148,917           | 48,725                    | ....                      | 197,642            |
| In-kind contributions .....  | 343,770           | ....                      | ....                      | 343,770            |
| Tuition .....  | 272,617           | ....                      | ....                      | 272,617            |
| Merchandise sales revenue (net of \$6,014<br>cost of goods sold) ..... | 5,040             | ....                      | ....                      | 5,040              |
| Investment income .....  | 21,701            | 110,946                   | ....                      | 132,647            |
| Other revenue .....  | 2,571             | ....                      | ....                      | 2,571              |
| Net assets released from restrictions .....                            | 102,050           | ( 102,050)                | ....                      | ....               |
|  | <u>1,071,743</u>  | <u>69,676</u>             | <u>25,010</u>             | <u>1,166,429</u>   |
| Total revenue, gains, and other support ...                            |                   |                           |                           |                    |
| Expenses:  |                   |                           |                           |                    |
| Program .....  | 709,327           | ....                      | ....                      | 709,327            |
| Management and general .....   | 113,199           | ....                      | ....                      | 113,199            |
| Fund-raising .....   | 123,779           | ....                      | ....                      | 123,779            |
|  | <u>946,305</u>    | <u>....</u>               | <u>....</u>               | <u>946,305</u>     |
| Total expenses .....   |                   |                           |                           |                    |
| Change in net assets .....   | 125,438           | 69,676                    | 25,010                    | 220,124            |
| <b>NET ASSETS AT BEGINNING OF YEAR</b> .....                           | <u>504,923</u>    | <u>95,245</u>             | <u>1,027,365</u>          | <u>1,627,533</u>   |
| <b>NET ASSETS AT END OF YEAR</b> .....                                 | <u>\$ 630,361</u> | <u>\$ 164,921</u>         | <u>\$1,052,375</u>        | <u>\$1,847,657</u> |

(The accompanying notes are an integral part of these financial statements)

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

|  | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL              |
|--|-------------------|---------------------------|---------------------------|--------------------|
| Revenue, gains, and other support:                                     |                   |                           |                           |                    |
| Individual contributions .....   | \$ 117,646        | \$ 7,650                  | \$ 28,885                 | \$ 154,181         |
| Foundation/educational/governmental<br>grants .....                    | 40,889            | ....                      | 141,000                   | 181,889            |
| In-kind contributions .....  | 260,181           | ....                      | ....                      | 260,181            |
| Tuition .....  | 240,865           | ....                      | ....                      | 240,865            |
| Merchandise sales revenue (net of \$2,495<br>cost of goods sold) ..... | 4,728             | ....                      | ....                      | 4,728              |
| Investment income .....  | 104,750           | 40,797                    | ....                      | 145,547            |
| Other revenue .....  | 3,751             | ....                      | ....                      | 3,751              |
| Net assets released from restrictions .....                            | 85,987            | ( 85,987)                 | ....                      | ....               |
|  | <u>858,797</u>    | <u>( 37,540)</u>          | <u>169,885</u>            | <u>991,142</u>     |
| Total revenue, gains, and other support ...                            |                   |                           |                           |                    |
| Expenses:  |                   |                           |                           |                    |
| Program .....  | 544,921           | ....                      | ....                      | 544,921            |
| Management and general .....   | 127,853           | ....                      | ....                      | 127,853            |
| Fund-raising .....   | 86,264            | ....                      | ....                      | 86,264             |
|  | <u>759,038</u>    | <u>....</u>               | <u>....</u>               | <u>759,038</u>     |
| Total expenses .....   |                   |                           |                           |                    |
| Change in net assets .....   | 99,759            | ( 37,540)                 | 169,885                   | 232,104            |
| <b>NET ASSETS AT BEGINNING OF YEAR</b> .....                           | <u>405,164</u>    | <u>132,785</u>            | <u>857,480</u>            | <u>1,395,429</u>   |
| <b>NET ASSETS AT END OF YEAR</b> .....                                 | <u>\$ 504,923</u> | <u>\$ 95,245</u>          | <u>\$1,027,365</u>        | <u>\$1,627,533</u> |

(The accompanying notes are an integral part of these financial statements)

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | PROGRAM          | MANAGEMENT<br>AND GENERAL | FUND-<br>RAISING | TOTAL            |
|---|------------------|---------------------------|------------------|------------------|
| Salaries and wages .....                  | \$171,617        | \$ 8,518                  | \$ 65,805        | \$245,940        |
| Stipends .....                            | 1,750            | ....                      | ....             | 1,750            |
| Employee benefits and payroll taxes ..... | 28,322           | 1,065                     | 5,131            | 34,518           |
| Collections and reference material .....  | 37,213           | ....                      | ....             | 37,213           |
| Conference and meetings .....             | 11,287           | 2,811                     | 1,222            | 15,320           |
| Fees and Alumni Hall charges .....        | 573              | 18,606                    | 200              | 19,379           |
| Insurance .....                           | ....             | 2,696                     | ....             | 2,696            |
| Miscellaneous expenses .....              | 6,586            | ....                      | 6,487            | 13,073           |
| Occupancy .....                           | 901              | 14                        | 21               | 936              |
| Postage and delivery .....                | 2,993            | ....                      | 2,712            | 5,705            |
| Printing and publications .....           | 6,099            | 1,181                     | 4,106            | 11,386           |
| Professional development .....            | 1,183            | ....                      | ....             | 1,183            |
| Professional services .....               | 86,039           | 18,015                    | 2,181            | 106,235          |
| Supplies and expenses .....               | 36,676           | 2,930                     | 4,279            | 43,885           |
| Telecommunications .....                  | 3,488            | 642                       | 937              | 5,067            |
| Travel .....                              | 54,511           | 748                       | 2,990            | 58,249           |
| In-kind expenses:                         |                  |                           |                  |                  |
| Salaries and wages .....                  | 100,442          | 37,699                    | 12,963           | 151,104          |
| Employee benefits and payroll taxes ...   | 27,012           | 10,558                    | 3,476            | 41,046           |
| Donated goods .....                       | 132,635          | 7,716                     | 11,269           | 151,620          |
| Total .....                               | <u>\$709,327</u> | <u>\$113,199</u>          | <u>\$123,779</u> | <u>\$946,305</u> |

(The accompanying notes are an integral part of these financial statements)

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

|   | PROGRAM          | MANAGEMENT<br>AND GENERAL | FUND-<br>RAISING | TOTAL            |
|---|------------------|---------------------------|------------------|------------------|
| Salaries and wages .....                  | \$122,674        | \$ 9,122                  | \$ 19,730        | \$151,526        |
| Employee benefits and payroll taxes ..... | 25,110           | 1,935                     | 3,577            | 30,622           |
| Collections and reference material .....  | 27,439           | ....                      | ....             | 27,439           |
| Conference and meetings .....             | 5,162            | 3,733                     | 3,846            | 12,741           |
| Fees and Alumni Hall charges .....        | 908              | 13,987                    | 250              | 15,145           |
| Insurance .....                           | ....             | 2,714                     | ....             | 2,714            |
| Miscellaneous expenses .....              | 8,709            | ....                      | ....             | 8,709            |
| Occupancy .....                           | 10,792           | 2,445                     | 1,774            | 15,011           |
| Postage and delivery .....                | 4,190            | 683                       | 1,704            | 6,577            |
| Printing and publications .....           | 7,838            | 911                       | 1,330            | 10,079           |
| Professional development .....            | 11,488           | ....                      | ....             | 11,488           |
| Professional services .....               | 83,265           | 17,933                    | 1,388            | 102,586          |
| Supplies and expenses .....               | 33,798           | 4,590                     | 3,330            | 41,718           |
| Telecommunications .....                  | 2,627            | 847                       | 614              | 4,088            |
| Travel .....                              | 45,639           | 6,378                     | 6,397            | 58,414           |
| In-kind expenses:                         |                  |                           |                  |                  |
| Salaries and wages .....                  | 75,576           | 38,967                    | 26,390           | 140,933          |
| Employee benefits and payroll taxes ...   | 22,878           | 12,773                    | 8,073            | 43,724           |
| Donated goods .....                       | 56,828           | 10,835                    | 7,861            | 75,524           |
| Total .....                               | <u>\$544,921</u> | <u>\$127,853</u>          | <u>\$ 86,264</u> | <u>\$759,038</u> |

(The accompanying notes are an integral part of these financial statements)



**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

|  | 2011             | 2010              |
|--|------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                   |
| Change in net assets .....   | \$220,124        | \$232,104         |
| Adjustments to reconcile change in net assets to net cash provided by<br>(used in) operating activities: |                  |                   |
| Endowment contributions .....  | ( 25,010)        | ( 169,885)        |
| Unrealized gain on investments .....   | ( 132,647)       | ( 145,547)        |
| (Increase) decrease in assets:   |                  |                   |
| Inventory .....  | ( 3,494)         | 1,347             |
| Unconditional promises to give .....   | ( 15,000)        | 40,665            |
| Other receivables .....  | ( 3,574)         | ( 15,909)         |
| Prepaid expenses .....   | ( 12)            | 385               |
| Increase (decrease) in liabilities:  |                  |                   |
| Accounts payable .....   | ( 2,527)         | 1,515             |
| Accrued payroll .....  | 1,186            | 1,330             |
| Tuition deposits .....   | ( 3,085)         | ( 5,015)          |
| Net cash provided by (used in) operating activities .....  | <u>35,961</u>    | <u>( 59,010)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                   |
| Purchase of investments .....  | ( 125,010)       | ( 169,885)        |
| Sale of investments .....  | 43,034           | 53,373            |
| Net cash used in investing activities .....  | <u>( 81,976)</u> | <u>( 116,512)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                  |                   |
| Endowment contributions .....  | 25,010           | 169,885           |
| Net cash provided by financing activities .....  | <u>25,010</u>    | <u>169,885</u>    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b> .....   | ( 21,005)        | ( 5,637)          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> .....  | <u>338,650</u>   | <u>344,287</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> .....  | <u>\$317,645</u> | <u>\$338,650</u>  |

(The accompanying notes are an integral part of these financial statements)

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**NATURE OF ACTIVITIES**

Book Arts Press, Inc. (the Organization), which was incorporated in Virginia, provides continuing professional education for research librarians and archivists, academics, antiquarian booksellers, conservators and bookbinders, and book collectors. The Organization is supported primarily from direct public support, interest on investments, and sales of inventory.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Statement Presentation***

The Organization is required to report information regarding its financial position according to three classes of net assets as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

***Basis of Accounting***

The accompanying statement of financial position has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

***Accounting Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 and the reported amounts of public support, revenue, other sources, and expenses during the reported period. Actual results could differ from those estimates.

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)**

***Contributions--(Cont'd)***

The Organization reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Organization considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly-liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents held by investment managers in connection with long-term investment objectives are reported as investments in the statement of financial position. Cash held by investment managers was \$94,659 and \$0 for the years ended September 30, 2011 and 2010, respectively. Cash in bank accounts exceeding federally-insured limits is subject to credit risk.

***Investments***

The Organization has invested funds in investment pools with a University of Virginia-related organization. The University-related organization invests the funds with third parties. The value of the Organization's investments is subject to market investment risks and the investment policies of the University of Virginia and the University-related organization. The Organization's investments are carried at their fair market value based upon the values reported by the investment pools used by the Organization. Increases or decreases in fair market values are recorded as increases or decreases in unrestricted or temporarily restricted net assets in the year incurred based on the existence of any donor-imposed restriction.

***Inventory***

The inventory of goods available for sale is stated at the lower of cost (determined on a first-in, first-out basis) or market. Donated inventory is stated at fair market value at the time of receipt. Fair market value is the cost the Organization would incur to purchase the inventory.

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)**

***Other Receivables***

Other receivables consist of reimbursements due to the Organization from the University of Virginia for research. At September 30, 2011 and 2010, the balance of other receivables was \$19,802 and \$16,228, respectively.

***Fair Values of Financial Instruments***

Generally accepted accounting principles establish guidelines for measuring fair value, establish a framework for measuring fair value, and require certain disclosures regarding fair value measurement. Under current accounting standards, the fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most objective measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

***Risks and Uncertainties***

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Alternative investments, such as the investments held by UVIMCO, are not readily marketable and are carried at net asset value as provided by the investment manager. These investments are not FDIC insured, and are subject to credit or investment risk. The Organization believes the carrying amount of these investments is a reasonable estimate of fair value. The amounts the Organization will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)**

*Income Taxes*

The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from Federal and Virginia income taxes under Section 501(c)(3) of the Internal Revenue Code and related sections of the Virginia code.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board (FASB) and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

The Organization generally is no longer subject to income tax examinations by U. S. federal, state, or local tax authorities for years before 2008.

*Fixed Assets*

Fixed assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives of the various assets are as follows:

|                        |             |
|------------------------|-------------|
| Furniture and fixtures | 5 - 7 years |
| Equipment and software | 3 - 7 years |

Fixed assets are defined by the Organization as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. The cost and accumulated depreciation on fixed assets are eliminated from the accounts when disposed of or sold and any resulting gain or loss is included in revenue and expenses. All fixed assets were fully-depreciated as of September 30, 2011 and 2010.

*Collections*

In accordance with accounting standards, expenditures for and contributions of works of art, historical treasures, and similar assets that are held as part of collections are not recorded as assets. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted net assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets.

The Organization recognizes an item as a collection item if the item meets the following criteria:

1. The item is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
2. The item is protected, kept unencumbered, and preserved.
3. The proceeds from the sale of the collection item are to be used to acquire other collection items.

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)**

*Advertising*

The Organization expenses advertising costs as incurred. For the years ended September 30, 2011 and 2010, advertising costs were \$2,871 and \$3,211, respectively.

*Subsequent Events*

Management has evaluated subsequent events through January 9, 2012, which is the date the financial statements were available to be issued.

**UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are recorded at net realizable value. Included in the accompanying statement of financial position at September 30, 2011 and 2010 are unconditional promises to give in the amount of \$23,200 and \$8,200, respectively. The entire amount is expected to be received within one year. As a result, no discount or allowance has been assigned to the promises to give.

**TEMPORARILY RESTRICTED NET ASSETS**

As of September 30, 2011 and 2010, temporarily restricted net assets were available for the following purposes:

|  | 2011              | 2010             |
|--|-------------------|------------------|
| Operations .....                             | \$ 63,207         | \$ 300           |
| Scholarships .....                           | 68,199            | 83,226           |
| Research .....                               | 31,750            | ....             |
| Collections.....                             | <u>1,765</u>      | <u>11,719</u>    |
| Total temporarily restricted net assets..... | <u>\$ 164,921</u> | <u>\$ 95,245</u> |

**PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at September 30, 2011 and 2010:

|   | 2011               | 2010               |
|---|--------------------|--------------------|
| General endowment.....                      | \$1,023,329        | \$ 998,329         |
| Scholarship endowment .....                 | <u>29,046</u>      | <u>29,036</u>      |
| Total permanently restricted net assets ... | <u>\$1,052,375</u> | <u>\$1,027,365</u> |

**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**ENDOWMENT**

The Organization’s endowment consists of three funds established for a variety of purposes. This endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the retention (preservation) of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset classification by type of fund as of September 30, 2011 is as follows:

|  | <b>UNRESTRICTED</b> | <b>TEMPORARILY RESTRICTED</b> | <b>PERMANENTLY RESTRICTED</b> | <b>TOTAL</b>       |
|--|---------------------|-------------------------------|-------------------------------|--------------------|
| Board-designated endowment funds ..... | \$ 269,949          | \$ ....                       | \$ ....                       | \$ 269,949         |
| Donor-restricted endowment funds ..... | <u>.....</u>        | <u>79,205</u>                 | <u>1,049,175</u>              | <u>1,128,380</u>   |
| Total funds .....                      | <u>\$ 269,949</u>   | <u>\$ 79,205</u>              | <u>\$1,049,175</u>            | <u>\$1,398,329</u> |



**BOOK ARTS PRESS, INC.**  
**d/b/a RARE BOOK SCHOOL**

**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**ENDOWMENT--(Cont'd)**

Changes in endowment net assets for the year ended September 30, 2011 are as follows:

|   | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL              |
|---|-------------------|---------------------------|---------------------------|--------------------|
| Endowment net assets, beginning<br>of year .....          | \$ 246,078        | \$ 13,123                 | \$1,019,165               | \$1,278,366        |
| Net appreciation.....                                     | 23,871            | 102,682                   | ....                      | 126,553            |
| Transfers of funds to the<br>endowment.....               | ....              | ....                      | 30,010                    | 30,010             |
| Appropriation of endowment<br>assets for expenditure..... | ....              | ( 36,600)                 | ....                      | ( 36,600)          |
| Endowment net assets, end of year.....                    | <u>\$ 269,949</u> | <u>\$ 79,205</u>          | <u>\$1,049,175</u>        | <u>\$1,398,329</u> |

Appreciation is net of \$10,222 in investment fees for the year ended September 30, 2011.

Endowment net asset classification by type of fund as of September 30, 2010 is as follows:

|                                      | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL              |
|--------------------------------------|-------------------|---------------------------|---------------------------|--------------------|
| Board-designated endowment funds..   | \$ 246,078        | \$ ....                   | \$ ....                   | \$ 246,078         |
| Donor-restricted endowment funds.... | ....              | <u>13,123</u>             | <u>1,019,165</u>          | <u>1,032,288</u>   |
| Total funds.....                     | <u>\$ 246,078</u> | <u>\$ 13,123</u>          | <u>\$1,019,165</u>        | <u>\$1,278,366</u> |

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

|   | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL               |
|---|-------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets, beginning<br>of year .....          | \$ 145,524        | \$ 9,074                  | \$ 849,280                | \$1,003,878         |
| Net appreciation.....                                     | 100,554           | 39,049                    | ....                      | 139,603             |
| Transfers of funds to the<br>endowment.....               | ....              | ....                      | 169,885                   | 169,885             |
| Appropriation of endowment<br>assets for expenditure..... | ....              | ( 35,000)                 | ....                      | ( 35,000)           |
| Endowment net assets, end of year.....                    | <u>\$ 246,078</u> | <u>\$ 13,123</u>          | <u>\$1,019,165</u>        | <u>\$ 1,278,366</u> |

Appreciation is net of \$5,749 in investment fees for the year ended September 30, 2010.



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**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**ENDOWMENT--(Cont'd)**

While safety of principal is a key objective of the endowment, the endowment investments should be positioned to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated Organization activities. The endowment's portfolio is expected to achieve a total return of 5% plus inflation and investment related expenses. Performance against this objective would be measured over rolling periods of at least five years.

The Organization's spending amount is approved by the Board of Directors based on annual budgets prepared by management. The true endowment spending amount is determined by the Board of Directors. If, in any given year, the total investment return is less than the planned distribution, accumulated gains may be utilized to cover the deficit. It is the Organization's policy, with respect to true endowments, to limit the payout to accumulated earnings; however, in the absence of explicit donor restrictions, the Board may elect to spend principal from such funds in a year in which returns fall short of the targeted payout.

**FAIR VALUE MEASUREMENTS**

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2011 as follows:

|  | LEVEL 1   | LEVEL 2  | LEVEL 3     | TOTAL       |
|--|-----------|----------|-------------|-------------|
| University of Virginia Investment Pool.. | \$ 94,660 | \$ ..... | \$1,398,329 | \$1,492,989 |

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2010 as follows:

|  | LEVEL 1  | LEVEL 2  | LEVEL 3     | TOTAL       |
|--|----------|----------|-------------|-------------|
| University of Virginia Investment Pool.. | \$ ..... | \$ ..... | \$1,278,366 | \$1,278,366 |

**INVESTMENTS**

The Organization has pooled investment funds held and managed by a University of Virginia-related organization. A summary of the fair market value of the Organization's investments at September 30, 2011 and 2010 is as follows:

|   | 2011        | 2010        |
|---|-------------|-------------|
| University of Virginia Alumni Association Endowment (pooled)..... | \$1,492,989 | \$1,278,366 |

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**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**INVESTMENTS**

The Organization recognized a net unrealized gain in this investment totaling \$132,647 and \$145,547 for the years ended September 30, 2011 and 2010, respectively.

Investment fair market values and investment returns are generally dependent on the overall performance of financial markets and are subject to substantial fluctuations based on current market conditions.

The Organization's investments are deposited with the University of Virginia fund with the University of Virginia Alumni Association. These funds are then invested with the University of Virginia Investment Management Company (UVIMCO) in its Long-Term Pool. UVIMCO is a not-for-profit corporation organized to invest funds on behalf of the Rector and Visitors of the University of Virginia and University-related foundations. The Organization's assets deposited with UVIMCO are held in the custody and control of UVIMCO on behalf of the Organization within investment pools and, as such, the Organization does not hold individual investments in this fund. The Organization holds shares of the Long-Term Pool and, as such, only investment returns and investment fees are reported by UVIMCO to the Organization based on its respective share of the pool.

The Long-Term Pool invests primarily in investment funds, limited partnerships, limited liability companies, or non-U. S. corporations, referred to collectively as investment funds. FASB Accounting Standard Codification (ASC) 820 permits UVIMCO, as a practical expedient, to measure the fair value of Long-Term Pool fund investments as its pro-rata interest in the net asset value (NAV) of such investment funds as reported by the external fund management, if the NAV is prepared on a fair value basis as of September 30th. If UVIMCO determines that a manager-provided NAV does not properly represent fair value, UVIMCO independently estimates the fair value of the investment considering, without limitation, the nature of underlying securities, valuation procedures utilized by the external manager, marketability, liquidity, restrictions on disposition, recent purchases or sales of the same or similar securities by UVIMCO or other investors, pending transactions, and potential risks of the individual investment.

UVIMCO classifies fund investments according to the investment strategy of the underlying manager. In the normal course of business, the external fund managers and UVIMCO personnel trade various financial instruments and enter into various investment activities with off-balance-sheet risk. These include, but are not limited to, short selling activities, written options contracts, and equity swaps. The risk to the Organization for each of these various investment activities is limited to the value of the Organization's investment in UVIMCO. As of June 30, 2011 and 2010, UVIMCO's Long-Term Pool was comprised of the following investments:

**BOOK ARTS PRESS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**INVESTMENTS--(Cont'd)**

|                                 | <u>% OF NAV</u> |               |
|---------------------------------|-----------------|---------------|
|                                 | <u>2011</u>     | <u>2010</u>   |
| Public equity funds.....        | 20.3%           | 20.0%         |
| Long/short equity funds .....   | 22.2            | 23.5          |
| Private equity funds.....       | 19.6            | 18.7          |
| Real estate and resources ..... | 13.2            | 11.1          |
| Absolute return.....            | 8.2             | 9.9           |
| Credit.....                     | 4.8             | 5.9           |
| Government bonds .....          | 8.1             | 4.6           |
| Cash.....                       | <u>3.6</u>      | <u>6.3</u>    |
|                                 | <u>100.0%</u>   | <u>100.0%</u> |

The Organization has no unfunded commitments related to UVIMCO as of September 30, 2011 or 2010.

Certain cash withdrawal restrictions exist with respect to the Organization's investment in the Long Term Pool. Investments representing the greater of 1% of the Organization's investment in the Long Term Pool or \$3 million may be redeemed with written notification on or before the last day of each month. Investments representing the greater of 3% of the Organization's investment in the Long Term Pool or \$15 million may be redeemed with at least 30 days' written notice prior to the last day of each month. Total annual redemptions may not exceed 10% of the Organization's investment in the Long Term Pool as of the previous June 30 plus 10% of the current fiscal year account additions, if any.

**COLLECTIONS**

As noted in the **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, the Organization expenses the cost of collection items. The acquisition and preservation of collections is essential in fulfilling the Organization's mission of providing continuing professional education for research librarians and archivists, academics, antiquarian booksellers, conservators and bookbinders, and book collectors. The Organization assumes the responsibility of preserving and maintaining, at the highest level, their historic collections. During the years ended September 30, 2011 and 2010, the Organization purchased library collections totaling \$36,646 and \$26,644, respectively. In addition, the Organization received \$35,320 and \$10,230 in donated library collections for the years ended September 30, 2011 and 2010, respectively.

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**NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

**DONATED GOODS AND SERVICES**

The value of donated goods and services received by the Organization for the years ended September 30, 2011 and 2010 consisted of the following:

|                                  | <b>2011</b>      | <b>2010</b>      |
|----------------------------------|------------------|------------------|
| Salaries and benefits .....      | \$192,150        | \$184,656        |
| Office and classroom space ..... | 60,912           | 52,309           |
| Research funding .....           | 55,388           | 12,986           |
| Collection items .....           | <u>35,320</u>    | <u>10,230</u>    |
|                                  | <u>\$343,770</u> | <u>\$260,181</u> |

This amount does not include donated books and other materials for which appraisals were not obtained. Determining the value of these gifts would be too costly and time-consuming for the Organization.

**RETIREMENT PLAN**

The Organization has a 403(b) retirement plan. All full-time employees may participate in the plan. Participants may defer amounts from their salary not to exceed \$16,500 per year. All full-time employees receive an employer contribution of 5% of gross compensation. Employer contributions were \$2,783 and \$3,436 for the years ended September 30, 2011 and 2010, respectively.

**RECLASSIFICATIONS**

Certain prior-year amounts have been reclassified in order to conform to the current year's presentation.