

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

FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

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 statements of financial position of BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities 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 audits 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 ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL as of September 30, 2012 and 2011, 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.



Charlottesville, Virginia
January 9, 2013

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, 2012 AND 2011**

ASSETS	2012	2011
ASSETS		
Cash and cash equivalents	\$ 417,344	\$ 317,645
Investments	1,615,168	1,492,989
Inventory	11,724	9,536
Other receivables	15,059	19,802
Unconditional promises to give	51,700	23,200
Prepaid expenses	2,146	1,851
Cash restricted for long-term purposes	1,135,535	....
Furniture, equipment, and software (net)	278,459	....
	<u>\$3,527,135</u>	<u>\$1,865,023</u>
 Total assets		
	<u>\$3,527,135</u>	<u>\$1,865,023</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 30,110	\$ 9,596
Accrued payroll	6,749	4,485
Tuition deposits	11,050	3,285
Deferred revenue.....	896,000	....
	<u>943,909</u>	<u>17,366</u>
 Total liabilities		
	<u>943,909</u>	<u>17,366</u>
 NET ASSETS		
Unrestricted	962,650	630,361
Temporarily restricted	564,516	164,921
Permanently restricted	1,056,060	1,052,375
	<u>2,583,226</u>	<u>1,847,657</u>
 Total net assets		
	<u>2,583,226</u>	<u>1,847,657</u>
 Total liabilities and net assets		
	<u>\$3,527,135</u>	<u>\$1,865,023</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, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:				
Individual contributions	\$ 175,889	\$ 304,612	\$ 3,685	\$ 484,186
Foundation/educational/governmental grants	163,670	370,450	....	534,120
In-kind contributions	340,777	....	....	340,777
Tuition	308,516	....	....	308,516
Merchandise sales revenue (net of \$4,354 cost of goods sold)	5,136	....	....	5,136
Investment income	42,254	133,668	....	175,922
Other revenue	1,085	....	....	1,085
Net assets released from restrictions	409,135	(409,135)	....	....
	<u>1,446,462</u>	<u>399,595</u>	<u>3,685</u>	<u>1,849,742</u>
Total revenue, gains, and other support ...				
Expenses:				
Program	858,491	....	....	858,491
Management and general	127,664	....	....	127,664
Fund-raising	128,018	....	....	128,018
	<u>1,114,173</u>	<u>....</u>	<u>....</u>	<u>1,114,173</u>
Total expenses				
Change in net assets	332,289	399,595	3,685	735,569
NET ASSETS AT BEGINNING OF YEAR.....	<u>630,361</u>	<u>164,921</u>	<u>1,052,375</u>	<u>1,847,657</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 962,650</u>	<u>\$ 564,516</u>	<u>\$1,056,060</u>	<u>\$2,583,226</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, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:				
Individual contributions	\$ 175,077	\$ 12,055	\$ 25,010	\$ 212,142
Foundation/educational/governmental 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 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
NET ASSETS AT BEGINNING OF YEAR	<u>504,923</u>	<u>95,245</u>	<u>1,027,365</u>	<u>1,627,533</u>
NET ASSETS AT END OF YEAR	<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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 735,569	\$ 220,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment contributions	(3,685)	(25,010)
Unrealized gain on investments	(175,922)	(132,647)
Depreciation expense	4,494	....
(Increase) decrease in assets:		
Inventory	(2,188)	(3,494)
Unconditional promises to give	(28,500)	(15,000)
Other receivables	4,743	(3,574)
Prepaid expenses	(295)	(12)
Increase (decrease) in liabilities:		
Accounts payable	20,514	(2,527)
Accrued payroll	2,264	1,186
Tuition deposits	7,765	(3,085)
Deferred revenue.....	896,000	....
Net cash provided by operating activities	<u>1,460,759</u>	<u>35,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(282,953)	....
Purchase of investments	(5,185)	(125,010)
Sale of investments	58,928	43,034
Increase in cash restricted for long-term purposes	<u>(1,135,535)</u>	<u>....</u>
Net cash used in investing activities	<u>(1,364,745)</u>	<u>(81,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	<u>3,685</u>	<u>25,010</u>
Net cash provided by financing activities	<u>3,685</u>	<u>25,010</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	99,699	(21,005)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	<u>317,645</u>	<u>338,650</u>
CASH AND CASH EQUIVALENTS, END OF YEAR.....	<u>\$ 417,344</u>	<u>\$ 317,645</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 \$100,742 and \$94,660 for the years ended September 30, 2012 and 2011, 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, 2012 and 2011, the balance of other receivables was \$15,059 and \$19,802, 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 the University of Virginia Investment Management Company (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. (See INVESTMENTS note.) 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 2009.

Fixed Assets

Fixed assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Donated property is recorded at fair market value (based on independent appraisals or comparisons to sales of similar assets), and recognized as income when received. Estimated useful lives of the various assets are as follows:

Furniture and fixtures	5 - 7 years
Equipment and software	3 - 7 years
Leasehold improvements	20 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.

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, 2012 and 2011, advertising costs were \$7,748 and \$2,871, respectively.

Subsequent Events

Management has evaluated subsequent events through January 9, 2013, 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, 2012 and 2011 are unconditional promises to give in the amount of \$51,700 and \$23,200, 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.

FIXED ASSETS

The following is a summary of the Organization's fixed assets for the years ended September 30:

	2012	2011
Furniture.....	\$ 24,267	\$
Equipment and software	43,405	25,855
Leasehold improvements	<u>237,634</u>	<u>....</u>
	305,306	25,855
Less: accumulated depreciation	(26,847)	(25,855)
Net fixed assets	<u>\$278,459</u>	<u>\$.....</u>

TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	2012	2011
Investment earnings restricted until appropriated	\$143,283	\$ 63,207
Scholarships	93,056	68,199
Research	35,079	31,750
Office renovations.....	289,535	....
Collections	<u>3,563</u>	<u>1,765</u>
Total temporarily restricted net assets.....	<u>\$564,516</u>	<u>\$164,921</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at September 30, 2012 and 2011:

	2012	2011
General endowment.....	\$1,026,879	\$1,023,329
Scholarship endowment.....	<u>29,181</u>	<u>29,046</u>
Total permanently restricted net assets.....	<u>\$1,056,060</u>	<u>\$1,052,375</u>

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

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

ENDOWMENT--(Cont'd)

Endowment net asset classification by type of fund as of September 30, 2012 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Board-designated endowment funds	\$ 298,124	\$	\$	\$ 298,124
Donor-restricted endowment funds .....	.....	<u>161,942</u>	<u>1,054,360</u>	<u>1,216,302</u>
Total funds	<u>\$ 298,124</u>	<u>\$ 161,942</u>	<u>\$1,054,360</u>	<u>\$1,514,426</u>

Changes in endowment net assets for the year ended September 30, 2012 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	\$ 269,949	\$ 79,205	\$1,049,175	\$1,398,329
Net appreciation	28,175	125,760	....	153,935
Transfers of funds to the endowment .....	....	....	5,185	5,185
Appropriation of endowment assets for expenditure .....	.....	<u>( 43,023)</u>	.....	<u>( 43,023)</u>
Endowment net assets, end of year ..	<u>\$ 298,124</u>	<u>\$ 161,942</u>	<u>\$1,054,360</u>	<u>\$1,514,426</u>

Appreciation is net of \$9,769 in investment fees for the year ended September 30, 2012.

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

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Board-designated endowment funds..	\$ 269,949	\$	\$	\$ 269,949
Donor-restricted endowment funds....	.....	<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 RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning 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 endowment.....	....	....	30,010	30,010
Appropriation of endowment 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.

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, 2012 as follows:

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

FAIR VALUE MEASUREMENTS--(Cont'd)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
University of Virginia Investment Pool..	<u>\$ 100,742</u>	<u>\$</u>	<u>\$1,514,426</u>	<u>\$1,615,168</u>

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..	<u>\$ 94,660</u>	<u>\$</u>	<u>\$1,398,329</u>	<u>\$1,492,989</u>

Changes in the University of Virginia Investment Pool for the years ended September 30, 2012 and 2011 are as follows:

	2012	2011
Balance, beginning of year	\$1,492,989	\$1,278,366
Unrealized gains	175,922	132,482
Investment fees	(10,054)	(10,272)
Deposits	5,185	130,010
Withdrawals.....	<u>(48,874)</u>	<u>(37,597)</u>
Balance, end of year	<u>\$1,615,168</u>	<u>\$1,492,989</u>

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, 2012 and 2011 is as follows:

	2012	2011
University of Virginia Alumni Association Endowment (pooled).....	<u>\$1,615,168</u>	<u>\$1,492,989</u>

The Organization recognized a net unrealized gain in this investment totaling \$175,922 and \$132,647 for the years ended September 30, 2012 and 2011, 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.

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

INVESTMENTS--(Cont'd)

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. Accounting standards permit, as a practical expedient, UVIMCO 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, 2012 and 2011, UVIMCO's Long-Term Pool was comprised of the following investments:

	<u>% OF NAV</u>	
	<u>2012</u>	<u>2011</u>
Public equity funds	20.5%	20.3%
Long/short equity funds.....	22.7	22.2
Private equity funds.....	19.6	19.6
Real estate and resources.....	15.6	13.2
Marketable alternatives and credit.....	9.3	....
Absolute return .....	....	8.2
Credit .....	....	4.8
Government bonds.....	10.0	8.1
Cash	<u>2.3</u>	<u>3.6</u>
	<u>100.0%</u>	<u>100.0%</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

INVESTMENTS--(Cont'd)

The Organization has no unfunded commitments related to UVIMCO as of September 30, 2012 or 2011.

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.

CASH RESTRICTED FOR LONG-TERM PURPOSES

At September 30, 2012, cash restricted for long-term purposes included the following:

Renovation of office and classroom space	\$ 239,535
Grant received restricted for future periods.....	<u>896,000</u>
	<u>\$1,135,535</u>

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, 2012 and 2011, the Organization purchased library collections totaling \$20,762 and \$36,646, respectively. In addition, the Organization received \$78,641 and \$35,320 in donated library collections for the years ended September 30, 2012 and 2011, respectively.

DEFERRED REVENUE

During the year ended September 30, 2012, the Organization received a grant of \$896,000 to develop a summer fellowship program in critical bibliography. The grant is to be expended from October 1, 2012 through September 30, 2015.

BOOK ARTS PRESS, INC.
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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, 2012 and 2011 consisted of the following:

	2012	2011
Salaries and benefits	\$175,593	\$192,150
Office and classroom space	69,926	60,912
Research funding	16,617	55,388
Collection items	<u>78,641</u>	<u>35,320</u>
	<u>\$340,777</u>	<u>\$343,770</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.

Donated salaries and benefits represent those paid by an affiliated organization. Of the donated salaries and benefits, \$95,459 and \$100,442 were allocated to program service expenses for the years ended September 30, 2012 and 2011, respectively.

RETIREMENT PLAN

The Organization has a 403(b) retirement plan. All full-time employees who have completed one year of service may participate in the plan. Participants may defer amounts from their salary not to exceed \$16,500 per year. All full-time employees participating in the plan receive an employer contribution of 5% of gross compensation. Employer contributions were \$10,290 and \$2,783 for the years ended September 30, 2012 and 2011, respectively.

CONCENTRATIONS

During the year ended September 30, 2012, the Organization received approximately 30% of its support from three donors.

RECLASSIFICATIONS

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

SUPPLEMENTARY INFORMATION

HANTZMON WIEBEL LLP

C e r t i f i e d P u b l i c A c c o u n t a n t s

L. Peyton Humphrey
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Phillip W. Shiflett
Dean A. Martinelli
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Jeffrey D. Ulmer

• Consultants •
Robert F. German
Robert A. Foster

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL as of and for the years ended September 30, 2012 and 2011, and our report thereon dated January 9, 2013, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charlottesville, Virginia
January 9, 2013

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	PROGRAM	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries and wages	\$ 234,426	\$ 24,850	\$ 64,804	\$ 324,080
Stipends	2,655	....	....	2,655
Employee benefits and payroll taxes	45,060	5,558	5,462	56,080
Collections and reference materials	21,417	....	....	21,417
Conferences and meetings	15,981	2,533	4,130	22,644
Fees and Alumni Hall charges	1,872	18,463	211	20,546
Insurance .....	....	2,829	....	2,829
Miscellaneous expenses	11,423	....	8,397	19,820
Occupancy	7,551	660	825	9,036
Postage and delivery	2,391	....	4,258	6,649
Printing and publications	18,614	2,327	2,823	23,764
Professional development	3,045	....	....	3,045
Professional services	120,080	17,381	5,822	143,283
Supplies and expenses	38,595	2,956	3,696	45,247
Telecommunications	3,125	514	642	4,281
Travel	59,856	734	2,936	63,526
Depreciation expense.....	4,494	....	....	4,494
In-kind expenses:				
Salaries and wages	95,459	31,409	10,675	137,543
Employee benefits and payroll taxes ..	26,143	9,059	2,848	38,050
Donated goods and services	146,304	8,391	10,489	165,184
 Total	 <u>\$ 858,491</u>	 <u>\$ 127,664</u>	 <u>\$ 128,018</u>	 <u>\$1,114,173</u>

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

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

	PROGRAM	MANAGEMENT AND GENERAL	FUND- 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 materials	37,213	....	....	37,213
Conferences 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 and services	132,635	7,716	11,269	151,620
	<u>\$709,327</u>	<u>\$113,199</u>	<u>\$123,779</u>	<u>\$946,305</u>