

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

FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

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

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Lawrence J. Martin
Phillip W. Shiflett
Dean A. Martinelli
Richard M. Busofsky
W. Keith Haney
Kevin L. Keller
Glenn M. Lankford
Alfred L. Layne, Jr.
Jennifer S. Lehman

P.O. Box 1408 • 818 East Jefferson Street • Charlottesville, VA 22902
(434) 296-2156 • FAX (434) 977-4629 • www.hantzmonwiebel.com

P. Frank Berry
Kendra L. Stribling
Jeffrey D. Ulmer
Helene H. Downs
Edward J. Schmitz
Christopher C. Brubaker

• Consultants •
Robert F. German
Robert A. Foster
L. Peyton Humphrey

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members

To the Board of Directors
Book Arts Press, Inc.

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

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, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Hartzman Wiebel CPA". The signature is written in a cursive style with a large, sweeping initial "H".

Charlottesville, Virginia
January 8, 2016

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

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS	2015	2014
ASSETS		
Cash and cash equivalents	\$ 624,083	\$1,268,858
Investments	3,438,227	3,138,490
Inventory	14,103	12,572
Other receivables	934	3,615
Unconditional promises to give	69,494	112,941
Prepaid expenses	7,620	6,013
Cash restricted for long-term purposes	27,620	30,290
Property and equipment (net)	844,452	892,950
Software development in progress .....	....	5,767
Collections (See notes to financial statements) .....	....	....
	<u>\$5,026,533</u>	<u>\$5,471,496</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,091	\$ 24,553
Accrued payroll	16,575	12,427
Tuition deposits	41,040	27,735
	<u>72,706</u>	<u>64,715</u>
NET ASSETS		
Unrestricted	2,081,561	1,993,258
Temporarily restricted	1,776,189	2,321,109
Permanently restricted	1,096,077	1,092,414
	<u>4,953,827</u>	<u>5,406,781</u>
Total net assets	<u>4,953,827</u>	<u>5,406,781</u>
Total liabilities and net assets	<u>\$5,026,533</u>	<u>\$5,471,496</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, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:				
Individual contributions	\$ 306,325	\$ 140,927	\$ 3,663	\$ 450,915
Foundation/educational/governmental contributions .....	....	9,250	....	9,250
In-kind contributions	372,566	114,478	....	487,044
Tuition (net of \$182,366 tuition reductions)	419,424	....	....	419,424
Merchandise sales revenue (net of \$2,991 cost of goods sold)	6,688	....	....	6,688
Investment income	25,935	85,990	....	111,925
Net assets released from restrictions	895,565	(895,565)	....	....
	<u>2,026,503</u>	<u>(544,920)</u>	<u>3,663</u>	<u>1,485,246</u>
Total revenue, gains, and other support				
Expenses:				
Program	1,555,301	....	....	1,555,301
Management and general	215,796	....	....	215,796
Fund-raising	167,103	....	....	167,103
	<u>1,938,200</u>	<u>....</u>	<u>....</u>	<u>1,938,200</u>
Total expenses				
Change in net assets	88,303	(544,920)	3,663	(452,954)
NET ASSETS AT BEGINNING OF YEAR	<u>1,993,258</u>	<u>2,321,109</u>	<u>1,092,414</u>	<u>5,406,781</u>
NET ASSETS AT END OF YEAR	<u><u>\$2,081,561</u></u>	<u><u>\$1,776,189</u></u>	<u><u>\$1,096,077</u></u>	<u><u>\$4,953,827</u></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, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:				
Individual contributions	\$ 265,443	\$ 302,395	\$ 8,825	\$ 576,663
Foundation/educational/governmental contributions .....	....	1,538,279	....	1,538,279
In-kind contributions	399,131	2,887	....	402,018
Tuition (net of \$122,400 tuition reductions)	372,655	....	....	372,655
Merchandise sales revenue (net of \$3,074 cost of goods sold)	7,439	....	....	7,439
Investment income	53,393	185,811	....	239,204
Net assets released from restrictions	730,871	(730,871)	....	....
	<u>1,828,932</u>	<u>1,298,501</u>	<u>8,825</u>	<u>3,136,258</u>
Total revenue, gains, and other support				
Expenses:				
Program	1,306,851	....	....	1,306,851
Management and general	146,764	....	....	146,764
Fund-raising	156,184	....	....	156,184
	<u>1,609,799</u>	<u>....</u>	<u>....</u>	<u>1,609,799</u>
Total expenses				
Change in net assets	219,133	1,298,501	8,825	1,526,459
NET ASSETS AT BEGINNING OF YEAR	<u>1,774,125</u>	<u>1,022,608</u>	<u>1,083,589</u>	<u>3,880,322</u>
NET ASSETS AT END OF YEAR	<u><u>\$1,993,258</u></u>	<u><u>\$2,321,109</u></u>	<u><u>\$1,092,414</u></u>	<u><u>\$5,406,781</u></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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 452,954)	\$1,526,459
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Endowment contributions	(3,663)	(8,825)
Unrealized gain on investments	(106,246)	(236,521)
Depreciation expense	81,369	75,491
(Increase) decrease in assets:		
Inventory	(1,531)	(977)
Unconditional promises to give	43,447	(47,520)
Other receivables	2,681	2,208
Prepaid expenses	(1,607)	(2,860)
Increase (decrease) in liabilities:		
Accounts payable	(9,462)	(3,590)
Accrued payroll	4,148	7,197
Tuition deposits	13,305	12,895
	<u>(430,513)</u>	<u>1,323,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(27,101)	(42,715)
Payments for software development .....	....	( 5,767)
Purchase of investments	(221,149)	(751,858)
Sale of investments	27,655	72,514
Decrease (increase) in cash restricted for long-term purposes	2,670	(23,388)
	<u>(217,925)</u>	<u>(751,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	3,663	8,825
	<u>3,663</u>	<u>8,825</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(644,775)	581,568
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,268,858	687,290
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 624,083</u>	<u>\$1,268,858</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 U. S. generally accepted accounting principles.

Accounting Estimates

The preparation of financial statements in conformity with U. S. 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.

Significant estimates that affect the Organization's financial statements include collectability and discounting of promises to give, valuation of investments, functional expense allocations, and value of donated materials and facilities space.

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 \$209,986 and \$152,204 for the years ended September 30, 2015 and 2014, 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 and amounts due from vendors. At September 30, 2015 and 2014, the balance of other receivables was \$934 and \$3,615, 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.

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, 2015 and 2014 advertising costs were \$16,039 and \$14,231, respectively.

Subsequent Events

Management has evaluated subsequent events through January 8, 2016, 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, 2015 and 2014 are unconditional promises to give.

The Organization has received promises to give as of September 30, 2015 and 2014 as follows:

	2015	2014
Temporarily restricted purpose	\$ <u>71,594</u>	\$ <u>115,941</u>
Expected to be collected in less than one year	44,863	70,982
Expected to be collected within one to five years	21,731	37,459
Expected to be collected after five years	<u>5,000</u>	<u>7,500</u>
Total before discounts	71,594	115,941
Less: Discounts on pledges receivable	(<u>2,100</u>)	(<u>3,000</u>)
Net promises to give recorded	\$ <u>69,494</u>	\$ <u>112,941</u>

PROPERTY AND EQUIPMENT

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

	2015	2014
Furniture and fixtures	\$ 62,333	\$ 62,333
Equipment and software	186,366	157,735
Leasehold improvements	<u>802,203</u>	<u>797,964</u>
	1,050,902	1,018,032
Less: accumulated depreciation	(<u>206,450</u>)	(<u>125,082</u>)
Net fixed assets	\$ <u>844,452</u>	\$ <u>892,950</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

SOFTWARE DEVELOPMENT IN PROGRESS

During the year ended September 30, 2014, the Organization entered into a contract for the development of a new website. The website development was completed and transferred to fixed assets in March 2015 with a total cost of \$17,500. Expenditures related to the website were \$11,733 and \$5,767 during the years ended September 30, 2015 and 2014, respectively.

RESTRICTED CONTRIBUTIONS

During the year ended September 30, 2015, the Organization sent a request to a contributing organization seeking approval to carryforward any unexpended balances from two restricted contributions received during September 2012 and October 2013. The contributing organization approved the request in March 2015. Remaining unexpended funds are restricted for the development of summer fellowship programs and must be spent by October 31, 2017. Any unexpended proceeds must be returned to the contributing organization. In addition, the funds from these contributions must be held in an account separate from other funds.

TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	2015	2014
Investment earnings restricted until appropriated.....	\$ 350,992	\$ 342,583
Fellowship in critical bibliography	1,096,709	1,648,479
Scholarships	261,033	269,351
Research	2,079	....
Future Leaders	2,104	....
Office renovations	46,431	51,151
Collections	<u>16,841</u>	<u>9,545</u>
Total temporarily restricted net assets	<u>\$1,776,189</u>	<u>\$2,321,109</u>

PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at September 30, 2015 and 2014:

	2015	2014
General endowment	\$1,065,948	\$1,060,723
Scholarship endowment	<u>30,129</u>	<u>31,691</u>
Total permanently restricted net assets	<u>\$1,096,077</u>	<u>\$1,092,414</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, 2015 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Board-designated endowment funds.....	\$ 379,953	\$	\$	\$ 379,953
Donor-restricted endowment funds.....	.....	<u>376,782</u>	<u>1,096,077</u>	<u>1,472,859</u>
Total funds.....	<u>\$ 379,953</u>	<u>\$ 376,782</u>	<u>\$1,096,077</u>	<u>\$1,852,812</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, 2015 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year.....	\$ 366,043	\$ 368,252	\$1,092,414	\$1,826,709
Net appreciation	13,910	69,623	....	83,533
Transfers of funds to the endowment.....	....	....	3,663	3,663
Appropriation of endowment assets for expenditure .....	.....	( 61,093)	.....	( 61,093)
Endowment net assets, end of year ...	<u>\$ 379,953</u>	<u>\$ 376,782</u>	<u>\$1,096,077</u>	<u>\$1,852,812</u>

Appreciation is net of \$14,014 in investment fees for the year ended September 30, 2015.

Endowment net asset classification by type of fund as of September 30, 2014 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Board-designated endowment funds.....	\$ 366,043	\$	\$	\$ 366,043
Donor-restricted endowment funds.....	.....	<u>368,252</u>	<u>1,092,414</u>	<u>1,460,666</u>
Total funds.....	<u>\$ 366,043</u>	<u>\$ 368,252</u>	<u>\$1,092,414</u>	<u>\$1,826,709</u>

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year.....	\$ 273,362	\$ 249,302	\$1,081,889	\$1,604,553
Net appreciation	37,681	175,264	....	212,945
Transfers of funds to the endowment.....	55,000	....	10,525	65,525
Appropriation of endowment assets for expenditure .....	.....	( 56,314)	.....	( 56,314)
Endowment net assets, end of year ...	<u>\$ 366,043</u>	<u>\$ 368,252</u>	<u>\$1,092,414</u>	<u>\$1,826,709</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

ENDOWMENT--(Cont'd)

Appreciation is net of \$11,376 in investment fees for the year ended September 30, 2014.

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, 2015 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
University of Virginia Long-term Investment Pool.....	\$	\$	\$2,062,798	\$2,062,798
University of Virginia Short-term Investment Pool.....	<u>1,375,429</u>	.....	.....	<u>1,375,429</u>
	<u>\$1,375,429</u>	<u>\$</u>	<u>\$2,062,798</u>	<u>\$3,438,227</u>

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2014 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
University of Virginia Long-term Investment Pool.....	\$	\$	\$1,977,350	\$1,977,350
University of Virginia Short-term Investment Pool.....	<u>1,161,140</u>	.....	.....	<u>1,161,140</u>
	<u>\$1,161,140</u>	<u>\$</u>	<u>\$1,977,350</u>	<u>\$3,138,490</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

INVESTMENTS

The Organization has pooled investment funds held and managed by the University of Virginia Investment Management Company as well as cash invested for operating purposes administered by the University of Virginia Alumni Association. Invested cash was deposited with Wells Fargo for the years ended September 30, 2015 and 2014, with no withdrawal restrictions. A summary of the fair market value of the Organization's investments at September 30, 2015 and 2014 is as follows:

	2015	2014
University of Virginia Investment Management Company (pooled)	\$2,062,798	\$1,977,350
Cash invested for operating purposes.....	<u>1,375,429</u>	<u>1,161,140</u>
Total.....	<u>\$3,438,227</u>	<u>\$3,138,490</u>

Changes in the University of Virginia Long-term Investment Pool for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Balance, beginning of year	\$1,977,350	\$1,612,230
Unrealized gains.....	106,315	236,521
Investment fees.....	(14,465)	(11,433)
Deposits.....	5,225	202,409
Withdrawals	<u>(11,627)</u>	<u>(62,377)</u>
Balance, end of year.....	<u>\$2,062,798</u>	<u>\$1,977,350</u>

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.

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

INVESTMENTS--(Cont'd)

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, 2015 and 2014, UVIMCO's Long-Term Pool was comprised of the following investments:

	% OF NAV	
	2015	2014
Public equity funds.....	22.5%	22.0%
Long/short equity funds	23.8	23.2
Private equity funds.....	18.8	19.8
Real estate and resources	6.6	7.6
Resources	3.7	4.9
Marketable alternatives and credit	9.9	11.0
Fixed Income and Cash	<u>14.7</u>	<u>11.5</u>
	<u>100.0%</u>	<u>100.0%</u>

The Organization has no unfunded commitments related to UVIMCO as of September 30, 2015 or 2014.

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.

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

CASH RESTRICTED FOR LONG-TERM PURPOSES

At September 30, 2015 and 2014, cash restricted for long-term purposes included the following:

	2015	2014
Renovation of office and classroom space.....	<u>\$ 27,620</u>	<u>\$ 30,290</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, 2015 and 2014, the Organization purchased library collections totaling \$41,609 and \$41,479, respectively. In addition, the Organization received \$1,250 and \$33,000 in donated library collections for the years ended September 30, 2015 and 2014, respectively.

OPERATING LEASE

During the year ended September 30, 2015, the Organization entered into a formal lease agreement with the University of Virginia for classroom and office space. This space was previously occupied by the organization but no formal agreement was in place. No monthly, annual, or term rent or security deposit is required and the lease term ends on June 30, 2033 with two additional one-year renewals available. The value of the rent free space is recorded as an in-kind contribution and expense by the Organization (See **DONATED GOODS, SERVICES, AND FACILITIES** footnote).

DONATED GOODS, SERVICES, AND FACILITIES

The value of donated goods and services received by the Organization for the years ended September 30, 2015 and 2014 consisted of the following:

	2015	2014
Salaries and benefits	\$232,561	\$217,273
Office and classroom space	99,138	97,970
Expenses paid by affiliate	154,095	53,775
Collection items	<u>1,250</u>	<u>33,000</u>
	<u>\$487,044</u>	<u>\$402,018</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.

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

DONATED GOODS, SERVICES, AND FACILITIES--(Cont'd)

Of the total in-kind expenses listed above for the years ended September 30, 2015 and 2014, \$145,730 and \$52,521, respectively, were categorized in the appropriate expense line item on the statement of functional expenses.

Donated salaries and benefits represent those paid by an affiliated organization. Of the donated salaries and wages, \$124,845 and \$120,523 were allocated to program service expenses for the years ended September 30, 2015 and 2014, 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 \$15,547 and \$13,363 for the years ended September 30, 2015 and 2014, respectively.

CONCENTRATIONS

During the year ended September 30, 2015, the Organization received approximately 11% its support from one donor.

During the year ended September 30, 2014, the Organization received approximately 73% of its support from one donor.

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

Lawrence J. Martin
Phillip W. Shiflett
Dean A. Martinelli
Richard M. Busofsky
W. Keith Haney
Kevin L. Keller
Glenn M. Lankford
Alfred L. Layne, Jr.
Jennifer S. Lehman

P.O. Box 1408 • 818 East Jefferson Street • Charlottesville, VA 22902
(434) 296-2156 • FAX (434) 977-4629 • www.hantzmonwiebel.com

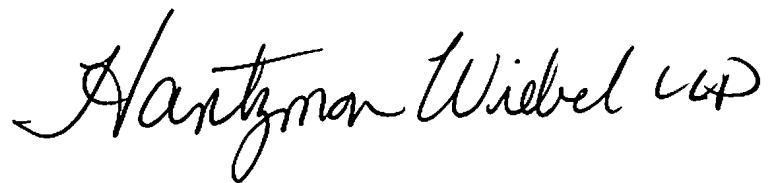
P. Frank Berry
Kendra L. Stribling
Jeffrey D. Ulmer
Helene H. Downs
Edward J. Schmitz
Christopher C. Brubaker

• Consultants •
Robert F. German
Robert A. Foster
L. Peyton Humphrey

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, 2015 and 2014, and have issued our report thereon dated January 8, 2016 which contained an unmodified opinion on those financial statements. Our audits were performed 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 8, 2016

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	PROGRAM	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries and wages	\$ 407,078	\$ 40,963	\$ 79,707	\$ 527,748
Stipends	185,392	....	....	185,392
Employee benefits and payroll taxes	86,464	5,483	16,945	108,892
Advertising	16,039	....	....	16,039
Collections and reference materials	42,267	....	....	42,267
Conferences and meetings	74,423	2,523	4,540	81,486
Development research .....	....	....	2,886	2,886
Fees and Alumni Hall charges	5,320	45,334	325	50,979
Insurance .....	....	3,054	....	3,054
Miscellaneous expenses	2,936	9	5,567	8,512
Occupancy	5,776	495	419	6,690
Postage and delivery	12,289	....	4,639	16,928
Printing and publications	20,543	3,349	4,890	28,782
Professional development	5,667	....	....	5,667
Professional services	176,481	18,975	2,726	198,182
Program development.....	5,870	....	....	5,870
Scholarships.....	23,900	....	....	23,900
Supplies and expenses	59,799	4,069	3,446	67,314
Telecommunications	768	134	113	1,015
Travel	124,011	4,427	5,476	133,914
Depreciation expense	61,448	10,786	9,135	81,369
In-kind expenses:				....
Salaries and wages	124,845	41,164	11,911	177,920
Employee benefits and payroll taxes	37,752	13,587	3,302	54,641
Donated goods and services	76,233	21,444	11,076	108,753
	<u>\$1,555,301</u>	<u>\$ 215,796</u>	<u>\$ 167,103</u>	<u>\$1,938,200</u>

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	PROGRAM	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries and wages	\$ 325,656	\$ 9,699	\$ 71,610	\$ 406,965
Stipends	88,337	....	....	88,337
Employee benefits and payroll taxes	57,911	1,794	15,592	75,297
Advertising	14,231	....	....	14,231
Collections and reference materials	42,911	....	....	42,911
Conferences and meetings	56,727	2,316	3,247	62,290
Development research .....	....	....	2,804	2,804
Fees and Alumni Hall charges	3,418	33,384	250	37,052
Insurance .....	....	2,911	....	2,911
Miscellaneous expenses	3,146	80	9,472	12,698
Occupancy	7,406	588	1,004	8,998
Postage and delivery	11,540	....	2,171	13,711
Printing and publications	23,170	5,309	1,714	30,193
Professional development	2,725	....	....	2,725
Professional services	137,262	20,937	141	158,340
Supplies and expenses	62,863	2,457	4,194	69,514
Telecommunications	2,251	215	368	2,834
Travel	139,902	2,829	6,979	149,710
Bad debt expense	3,290	....	....	3,290
Depreciation expense	59,953	5,740	9,798	75,491
In-kind expenses:				
Salaries and wages	120,523	38,611	11,250	170,384
Employee benefits and payroll taxes	32,815	11,684	2,880	47,379
Donated goods and services	110,814	8,210	12,710	131,734
	<u>\$1,306,851</u>	<u>\$ 146,764</u>	<u>\$ 156,184</u>	<u>\$1,609,799</u>