

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

**FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2016**

**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 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, 2016 and 2015, 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*

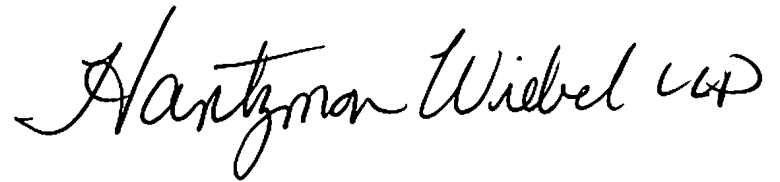
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To the Board of Directors  
Book Arts Press, Inc.

**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, 2016 and 2015 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 initial 'H' and a distinct 'CPA' at the end.

Charlottesville, Virginia  
January 13, 2017

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

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents .....	\$ 521,718	\$ 624,083
Investments .....	4,388,022	3,438,227
Inventory .....	11,815	14,103
Other receivables .....	....	934
Unconditional promises to give .....	115,518	69,494
Prepaid expenses .....	31,791	7,620
Cash restricted for long-term purposes .....	12,529	27,620
Property and equipment (net) .....	798,905	844,452
Software development in progress .....	34,161	....
Collections (See notes to financial statements) .....	....	....
	<u>\$5,914,459</u>	<u>\$5,026,533</u>
Total assets .....	<u>\$5,914,459</u>	<u>\$5,026,533</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable .....	\$ 26,827	\$ 15,091
Accrued payroll .....	29,368	16,575
Tuition deposits .....	82,385	41,040
	<u>138,580</u>	<u>72,706</u>
Total liabilities .....	<u>138,580</u>	<u>72,706</u>
<b>NET ASSETS</b>		
Unrestricted .....	2,180,266	2,081,561
Temporarily restricted .....	2,498,636	1,776,189
Permanently restricted .....	1,096,977	1,096,077
	<u>5,775,879</u>	<u>4,953,827</u>
Total net assets .....	<u>5,775,879</u>	<u>4,953,827</u>
Total liabilities and net assets .....	<u>\$5,914,459</u>	<u>\$5,026,533</u>

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

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:				
Individual contributions .....	\$ 353,518	\$1,224,686	\$ 900	\$1,579,104
Foundation/educational/governmental contributions .....	....	349,500	....	349,500
In-kind contributions .....	410,698	88,516	....	499,214
Tuition (net of \$159,405 tuition reductions) .....	455,705	....	....	455,705
Merchandise sales revenue (net of \$4,497 cost of goods sold) .....	5,526	....	....	5,526
Investment income .....	25,478	77,679	....	103,157
Other revenue .....	3,196	....	....	3,196
Net assets released from restrictions .....	1,017,934	( 1,017,934)	....	....
	<u>2,272,055</u>	<u>722,447</u>	<u>900</u>	<u>2,995,402</u>
Total revenue, gains, and other support .....				
Expenses:				
Program .....	1,698,496	....	....	1,698,496
Management and general .....	201,404	....	....	201,404
Fund-raising .....	273,450	....	....	273,450
	<u>2,173,350</u>	<u>....</u>	<u>....</u>	<u>2,173,350</u>
Total expenses .....				
Change in net assets .....	98,705	722,447	900	822,052
<b>NET ASSETS AT BEGINNING OF YEAR</b> .....	<u>2,081,561</u>	<u>1,776,189</u>	<u>1,096,077</u>	<u>4,953,827</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$2,180,266</u>	<u>\$2,498,636</u>	<u>\$1,096,977</u>	<u>\$5,775,879</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 \$122,400 tuition reductions) .....	419,424	....	....	419,424
Merchandise sales revenue (net of \$3,074 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)
<b>NET ASSETS AT BEGINNING OF YEAR</b> .....	<u>1,993,258</u>	<u>2,321,109</u>	<u>1,092,414</u>	<u>5,406,781</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$2,081,561</u>	<u>\$1,776,189</u>	<u>\$1,096,077</u>	<u>\$4,953,827</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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets .....	\$ 822,052	(\$ 452,954)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Endowment contributions .....	( 900)	( 3,663)
Unrealized gain on investments .....	( 94,663)	( 106,246)
Depreciation expense .....	89,106	81,369
(Increase) decrease in assets:		
Inventory .....	2,288	( 1,531)
Unconditional promises to give .....	( 46,024)	43,447
Other receivables .....	934	2,681
Prepaid expenses .....	( 24,171)	( 1,607)
Increase (decrease) in liabilities:		
Accounts payable .....	11,736	( 9,462)
Accrued payroll .....	12,793	4,148
Tuition deposits .....	41,345	13,305
	<u>814,496</u>	<u>( 430,513)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets .....	( 43,559)	( 27,101)
Payments for software development .....	( 34,161)	....
Purchase of investments .....	( 883,478)	( 221,149)
Sale of investments .....	28,346	27,655
Decrease (increase) in cash restricted for long-term purposes .....	15,091	2,670
	<u>( 917,761)</u>	<u>( 217,925)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions .....	900	3,663
	<u>900</u>	<u>3,663</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> .....	( 102,365)	( 644,775)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> .....	<u>624,083</u>	<u>1,268,858</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> .....	<u>\$ 521,718</u>	<u>\$ 624,083</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 \$271,848 and \$209,986 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015, the balance of other receivables was \$0 and \$934, 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, 2016 and 2015, advertising costs were \$7,986 and \$16,039, respectively.

*Subsequent Events*

Management has evaluated subsequent events through January 13, 2017, 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, 2016 and 2015, are unconditional promises to give.

The Organization has received promises to give as of September 30, 2016 and 2015 as follows:

	<b>2016</b>	<b>2015</b>
Temporarily restricted purpose .....	<u>\$ 117,618</u>	<u>\$ 71,594</u>
Expected to be collected in less than one year .....	80,618	44,863
Expected to be collected within one to five years .....	34,500	21,731
Expected to be collected after five years .....	<u>2,500</u>	<u>5,000</u>
Total before discounts .....	117,618	71,594
Less: Discounts on pledges receivable .....	<u>( 2,100)</u>	<u>( 2,100)</u>
Net promises to give recorded .....	<u>\$ 115,518</u>	<u>\$ 69,494</u>

**PROPERTY AND EQUIPMENT**

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

	<b>2016</b>	<b>2015</b>
Furniture and fixtures .....	\$ 69,714	\$ 62,333
Equipment and software .....	217,546	186,366
Leasehold improvements .....	<u>807,202</u>	<u>802,203</u>
	1,094,462	1,050,902
Less: accumulated depreciation .....	<u>( 295,557)</u>	<u>( 206,450)</u>
Net fixed assets .....	<u>\$ 798,905</u>	<u>\$ 844,452</u>

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

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

**SOFTWARE DEVELOPMENT IN PROGRESS--(Cont'd)**

During the year ended September 30, 2016, the Organization entered into two contracts for the development of a donor and collection management database. The donor database is expected to be placed in service during January 2017 with a total expected cost of \$8,799. The collection management database was placed in service during October 2016 with a total cost of \$38,900. Expenditures related to the donor and collection management databases were \$6,471 and \$27,690, respectively, during the year ended September 30, 2016. The total software development in progress at September 30, 2016 amounted to the following:

Donor database .....	\$ 6,471
Collection management database .....	<u>27,690</u>
Total .....	<u>\$ 34,161</u>

**RESTRICTED CONTRIBUTIONS**

During the year ended September 30, 2016, the Organization received two contributions in the amounts of \$300,000 and \$49,500, respectively, which are restricted for conference development and planning the development and creation of an academic society. The contributions must be spent by May 31, 2019 and March 31, 2017. Any unexpended proceeds must be returned to the contributing organization. Given that it is more likely than not that the entire contributions will be spent in their given time frame, the entire amounts were recognized as contributions. In addition, the cash received from these contributions must be held in an account separate from other funds.

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, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

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

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

**TEMPORARILY RESTRICTED NET ASSETS--(Cont'd)**

	<b>2016</b>	<b>2015</b>
Investment earnings restricted until appropriated .....	\$ 339,012	\$ 350,992
Programming relating to critical bibliography .....	843,845	1,096,709
Scholarships .....	251,404	261,033
Research .....	....	2,079
Future leaders .....	....	2,104
Office renovations .....	16,529	46,431
Accelerating excellence funds .....	914,094	....
Cataloging Initiative .....	124,236	....
Collections .....	<u>9,516</u>	<u>16,841</u>
Total temporarily restricted net assets .....	<u>\$2,498,636</u>	<u>\$1,776,189</u>

**PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at September 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
General endowment .....	\$1,066,598	\$1,065,948
Scholarship endowment .....	<u>30,379</u>	<u>30,129</u>
Total permanently restricted net assets .....	<u>\$1,096,977</u>	<u>\$1,096,077</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:

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

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

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

- 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, 2016 is as follows:

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>
Board-designated endowment funds .....	\$ 390,125	\$ ....	\$ ....	\$ 390,125
Donor-restricted endowment funds .....	.....	<u>366,105</u>	<u>1,096,977</u>	<u>1,463,082</u>
Total funds .....	<u>\$ 390,125</u>	<u>\$ 366,105</u>	<u>\$1,096,977</u>	<u>\$1,853,207</u>

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>
Endowment net assets, beginning of year.....	\$ 379,953	\$ 376,782	\$1,096,077	\$1,852,812
Net appreciation .....	10,172	54,278	....	64,450
Transfers of funds to the endowment .....	....	....	900	900
Appropriation of endowment assets for expenditure .....	.....	<u>( 64,955)</u>	.....	<u>( 64,955)</u>
Endowment net assets, end of year ...	<u>\$ 390,125</u>	<u>\$ 366,105</u>	<u>\$1,096,977</u>	<u>\$1,853,207</u>

Appreciation is net of \$14,053 in investment fees for the year ended September 30, 2016.

Endowment net asset classification by type of fund as of September 30, 2015, is as follows:



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

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

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

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>
Board-designated endowment funds .....	\$ 379,953	\$ ....	\$ ....	\$ 379,953
Donor-restricted endowment funds .....	<u>.....</u>	<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>

Changes in endowment net assets for the year ended September 30, 2015, are as follows:

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>
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 .....	<u>.....</u>	<u>( 61,093)</u>	<u>.....</u>	<u>( 61,093)</u>
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.

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.

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

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

**FAIR VALUE MEASUREMENTS**

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2016 as follows:

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
University of Virginia Long-term Investment Pool .....	\$ ....	\$ ....	\$2,125,055	\$2,125,055
University of Virginia Mid-term Investment Pool .....	....	....	1,006,335	1,006,335
University of Virginia Short-term Investment Pool .....	<u>1,256,632</u>	.....	.....	<u>1,256,632</u>
	<u>\$1,256,632</u>	<u>\$.....</u>	<u>\$3,131,390</u>	<u>\$4,388,022</u>

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2015 as follows:

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
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>

**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. The pooled investment accounts consists of long and mid-term funds and at September 30, 2016, those balances amounted to \$2,125,055 and \$1,006,335, respectively. The mid-term pool is invested with J.P. Morgan through the University of Virginia. The portfolio consists of a mix of marketable equity securities, alternative assets, fixed income, and cash, with no withdrawal restrictions. Invested cash was deposited with Wells Fargo for the years ended September 30, 2016 and 2015, with no withdrawal restrictions. A summary of the fair market value of the Organization's investments at September 30, 2016 and 2015, is as follows:

	<b>2016</b>	<b>2015</b>
University of Virginia Investment Management Company (pooled) .....	\$3,131,390	\$2,062,798
Cash invested for operating purposes .....	<u>1,256,632</u>	<u>1,375,429</u>
Total.....	<u>\$4,388,022</u>	<u>\$3,438,227</u>

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

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

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

Changes in the University of Investment Pool for the years ended September 30, 2016 and 2015, are as follows:

	<b>2016</b>	<b>2015</b>
Balance, beginning of year .....	\$2,062,798	\$1,977,350
Unrealized gains .....	94,663	106,315
Investment fees .....	( 16,797)	( 14,465)
Deposits .....	1,014,893	5,225
Withdrawals .....	( 24,167)	( 11,627)
Balance, end of year .....	<u>\$3,131,390</u>	<u>\$2,062,798</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.

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 the 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.

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

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

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

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, 2016 and 2015, UVIMCO's Long-Term Pool was comprised of the following investments:

	<u>% OF NAV</u>	
	<u>2016</u>	<u>2015</u>
Public equity funds .....	24.6%	22.5%
Long/short equity funds .....	21.7	23.8
Private equity funds .....	17.1	18.8
Real estate .....	6.6	6.6
Resources .....	4.5	3.7
Marketable alternatives and credit .....	14.0	9.9
Cash and currency, net .....	<u>11.5</u>	<u>14.7</u>
	<u>100.0%</u>	<u>100.0%</u>

As of September 30, 2016, UVIMCO's mid-term pool was comprised of the following investments:

Public equity .....	12.0%
Foreign equity .....	13.0
Hedge funds .....	3.0
Cash and short-term .....	6.0
U. S. fixed income .....	<u>66.0</u>
Total .....	<u>100.0%</u>

The Organization has no unfunded commitments related to UVIMCO as of September 30, 2016 or 2015.

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, 2016 and 2015, cash restricted for long-term purposes included the following:

	<b>2016</b>	<b>2015</b>
Renovation of office and classroom space.....	<u>\$ 12,529</u>	<u>\$ 27,620</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, 2016 and 2015, the Organization purchased library collections totaling \$34,302 and \$41,609, respectively. In addition, the Organization received \$1,250 in donated library collections for the year September 30, 2015.

**OPERATING LEASE**

During the year ended September 30, 2016, the Organization entered into a formal three-year lease agreement with the University of Virginia Foundation for development office space. The lease requires monthly payments of \$2,069 in year one with an annual escalation amount of 3% in the second and third year of the lease term. The lease commences on May 1, 2016, and expires on April 30, 2019. Payments related to this lease during September 30, 2016, amounted to \$12,415.

Future minimum payments relating to this lease agreement are as follows:

2017 .....	\$ 25,138
2018 .....	25,893
2019 .....	<u>8,780</u>
Total future minimum payments	<u>\$ 59,811</u>

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).

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

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

**DONATED GOODS, SERVICES, AND FACILITIES**

The value of donated goods and services received by the Organization for the years ended September 30, 2016 and 2015, consisted of the following:

	<b>2016</b>	<b>2015</b>
Salaries and benefits .....	\$244,505	\$232,561
Office and classroom space .....	90,366	99,138
Expenses paid by affiliate .....	164,343	154,095
Collection items .....	<u>.....</u>	<u>1,250</u>
	<u>\$499,214</u>	<u>\$487,044</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.

Of the total in-kind expenses listed above for the years ended September 30, 2016 and 2015, \$161,977 and \$145,730, 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, \$138,963 and \$124,845 were allocated to program service expenses for the years ended September 30, 2016 and 2015, 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 up to 5% of gross compensation. Employer contributions were \$15,301 and \$15,547 for the years ended September 30, 2016 and 2015, respectively.

**CONCENTRATIONS**

During the year ended September 30, 2016, the Organization received approximately 67% of its support from two donors.

During the year ended September 30, 2015, the Organization received approximately 11% 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

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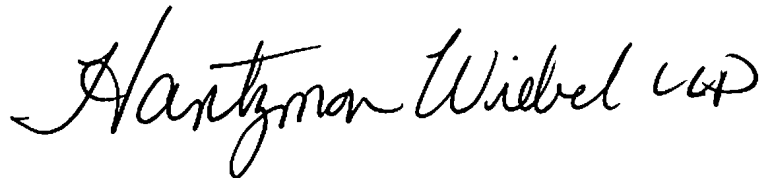
Jeffrey D. Ulmer  
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Christopher C. Brubaker  
Robin C. Swink  
James F. Hutcherson

• 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, 2016 and 2015, and have issued our report thereon dated January 13, 2017 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 13, 2017



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

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	PROGRAM	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries and wages .....	\$ 457,503	\$ 43,295	\$ 122,746	\$ 623,544
Stipends .....	151,624	....	....	151,624
Employee benefits and payroll taxes .....	98,919	3,387	18,533	120,839
Advertising .....	7,986	....	....	7,986
Collections and reference materials .....	35,009	....	....	35,009
Conferences and meetings .....	146,087	3,005	4,114	153,206
Development research .....	....	....	3,076	3,076
Fees and Alumni Hall charges .....	3,003	54,668	200	57,871
Insurance .....	....	3,774	....	3,774
Miscellaneous expenses .....	3,468	17	5,764	9,249
Occupancy .....	16,437	1,652	3,127	21,216
Postage and delivery .....	6,141	....	3,627	9,768
Printing and publications .....	17,391	2,586	3,975	23,952
Professional development .....	3,640	537	30	4,207
Professional services .....	171,829	20,960	49,609	242,398
Program development .....	6,455	....	....	6,455
Scholarships .....	25,900	....	....	25,900
Supplies and expenses .....	57,888	2,183	4,132	64,203
Telecommunications .....	2,394	258	489	3,141
Travel .....	165,286	4,970	9,333	179,589
Depreciation expense .....	67,720	7,392	13,994	89,106
In-kind expenses:				....
Salaries and wages .....	138,963	33,385	12,529	184,877
Employee benefits and payroll taxes ....	42,991	11,576	3,483	58,050
Donated goods and services .....	71,862	7,759	14,689	94,310
	<u>\$1,698,496</u>	<u>\$ 201,404</u>	<u>\$ 273,450</u>	<u>\$2,173,350</u>

**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>