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

FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

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

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HANTZMON
WIEBEL LLP
CPA and Advisory Services

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, 2018 and 2017, and the related statements of activities, functional expenses, 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.

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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, 2018 and 2017 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.

Hantzmon Wiebel LLP

Charlottesville, Virginia
February 26, 2019

Book Arts Press, Inc.
d/b/a Rare Book School

Statements of Financial Position
September 30, 2018 and 2017

Assets

	2018	2017
Assets		
Cash and cash equivalents	$ 833,034	$ 391,694
Inventory	6,964	7,752
Unconditional promises to give, net	232,258	733,301
Other receivables	5,230	4
Prepaid expenses	20,250	95,030
Investments	6,515,998	4,775,921
Cash restricted for long-term purposes	8,407	13,103
Property and equipment (net)	694,969	788,297
Collections (See notes to financial statements)	....	....
Total assets	$ 8,317,110	$ 6,805,102

Liabilities and Net Assets

	2018	2017
Liabilities		
Accounts payable	$ 43,107	$ 34,270
Accrued payroll	27,851	30,170
Tuition deposits	10,265	78,440
Total liabilities	81,223	142,880
Net Assets		
Without donor restrictions:		
Undesignated	1,260,883	717,238
Board-designated net assets	868,025	787,096
Property and equipment (net)	694,969	788,297
Total without donor restriction	2,823,877	2,292,631
With donor restrictions:		
Restricted by purpose or time	2,666,062	2,904,029
Restricted in perpetuity	2,745,948	1,465,562
Total with donor restrictions	5,412,010	4,369,591
Total net assets	8,235,887	6,662,222
Total liabilities and net assets	$ 8,317,110	$ 6,805,102

(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, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Revenue, gains, and other support:			
Individual contributions	$ 791,208	$ 1,523,127	$ 2,314,335
Foundation/educational/governmental contributions	....	164,440	164,440
Donated services and in-kind contributions	510,304	....	510,304
Tuition and other program revenue (net of $177,335 tuition reductions)	568,215	....	568,215
Merchandise sales revenue (net of $4,300 cost of goods sold)	3,587	468	4,055
Investment income - net	70,925	298,197	369,122
Other revenue	44	102	146
Net assets released from restrictions	943,915	(943,915)	....
Total revenue, gains, and other support	2,888,198	1,042,419	3,930,617
Expenses:			
Program	1,832,477	....	1,832,477
Management and general	254,367	....	254,367
Fund-raising	270,108	....	270,108
Total expenses	2,356,952	....	2,356,952
Change in net assets	531,246	1,042,419	1,573,665
NET ASSETS AT BEGINNING OF YEAR	2,292,631	4,369,591	6,662,222
NET ASSETS AT END OF YEAR	$ 2,823,877	$ 5,412,010	$ 8,235,887

(The accompanying notes are an integral part of this financial statement)

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Revenue, gains, and other support:			
Individual contributions	$ 310,417	$ 571,095	$ 881,512
Foundation/educational/governmental contributions	....	1,096,823	1,096,823
Donated services and in-kind contributions	379,508	31,334	410,842
Tuition and other program revenue (net of $199,565 tuition reductions)	552,957	....	552,957
Merchandise sales revenue (net of $7,563 cost of goods sold)	1,634	421	2,055
Investment income - net	62,210	176,189	238,399
Other revenue	1,830	8	1,838
Net assets released from restrictions	1,101,892	(1,101,892)	....
Total revenue, gains, and other support	2,410,448	773,978	3,184,426
Expenses:			
Program	1,749,166	....	1,749,166
Management and general	205,084	....	205,084
Fund-raising	343,833	....	343,833
Total expenses	2,298,083	....	2,298,083
Change in net assets	112,365	773,978	886,343
NET ASSETS AT BEGINNING OF YEAR	2,180,266	3,595,613	5,775,879
NET ASSETS AT END OF YEAR	$ 2,292,631	$ 4,369,591	$ 6,662,222

(The accompanying notes are an integral part of this financial statement)

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,573,665	$ 886,343
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Endowment contributions	(1,370,459)	(368,585)
Net unrealized gain on investments	(369,122)	(238,399)
Depreciation expense	93,327	96,437
Write-off software development in progress	....	6,471
(Increase) decrease in assets:		
Inventory	788	4,063
Unconditional promises to give	501,043	(617,783)
Other receivables	(5,226)	(4)
Prepaid expenses	74,780	(63,239)
Increase (decrease) in liabilities:		
Accounts payable	8,837	7,443
Accrued payroll	(2,319)	802
Tuition deposits	(68,175)	(3,945)
Net cash provided by (used in) operating activities	437,139	(290,396)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	....	(15,813)
Payments for software development	....	(42,326)
Purchase of investments	(3,466,974)	(1,300,326)
Sale of investments	2,096,020	1,150,826
Decrease (increase) in cash restricted for long-term purposes	4,696	(574)
Net cash used in investing activities	(1,366,258)	(208,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	1,370,459	368,585
Net cash provided by financing activities	1,370,459	368,585
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	441,340	(130,024)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	391,694	521,718
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 833,034	$ 391,694

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	PROGRAM SERVICE						
	COURSES AND LECTURES	COLLECTIONS	SCHOLARSHIPS AND FELLOWSHIPS	TOTAL PROGRAMS	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL
Salaries and wages	$ 287,098	$ 124,748	$ 135,898	$ 547,744	$ 52,115	$ 121,968	$ 721,827
Stipends	....	....	29,891	29,891	....	....	29,891
Employee benefits and payroll taxes	64,582	26,946	31,723	123,251	5,122	24,478	152,851
Advertising	3,041	2,885	2,886	8,812	....	....	8,812
Collections and reference materials	....	41,926	....	41,926	....	....	41,926
Conferences and meetings	54,925	17,948	13,389	86,262	5,548	10,692	102,502
Equipment maintenance	....	....	....	....	930	....	930
Fees and Alumni Hall charges	1,023	1,020	1,020	3,063	55,245	1,925	60,233
Insurance	....	....	....	....	4,470	....	4,470
Miscellaneous expenses	128	51	50	229	27	5,679	5,935
Occupancy	35,343	5,683	5,609	46,635	3,049	5,134	54,818
Postage and delivery	1,850	1,845	1,845	5,540	....	3,967	9,507
Printing and publications	19,908	....	....	19,908	3,575	4,948	28,431
Professional development	2,195	1,679	2,183	6,057	2,191	159	8,407
Professional services	137,635	16,809	58,419	212,863	17,988	....	230,851
Program development	10,205	....	5,000	15,205	....	....	15,205
Software subscriptions	6,747	6,706	6,747	20,200	10,100	10,100	40,400
Supplies and expenses	60,704	10,305	5,898	76,907	3,206	5,398	85,511
Telecommunications	168	67	66	301	36	61	398
Travel	91,080	15,217	125,101	231,398	6,300	11,320	249,018
Depreciation expense	39,440	15,726	15,520	70,686	8,437	14,204	93,327
Tuition reductions	....	....	177,335	177,335	....	....	177,335
Cost of merchandise sold	4,300	....	....	4,300	....	....	4,300
In-kind expenses:							
Salaries and wages	78,953	4,812	41,650	125,415	49,387	27,495	202,297
Employee benefits and payroll taxes	22,511	1,359	14,739	38,609	17,844	7,768	64,221
Donated goods and services	41,127	64,264	16,184	121,575	8,797	14,812	145,184
Total expenses by function	962,963	359,996	691,153	2,014,112	254,367	270,108	2,538,587
Less: expenses included with revenues on the statement of activities:							
Tuition reductions	....	....	(177,335)	(177,335)	....	....	(177,335)
Cost of merchandise sold	(4,300)	....	....	(4,300)	....	....	(4,300)
Total expenses included in the expense section on the statement of activities	$ 958,663	$ 359,996	$ 513,818	$ 1,832,477	$ 254,367	$ 270,108	$ 2,356,952

(The accompanying notes are an integral part of this financial statement)

Book Arts Press, Inc.
d/b/a Rare Book School

Statement of Functional Expenses
For the Year Ended September 30, 2017

	Program Service						
	Courses and Lectures	Collections	Scholarships and Fellowships	Total Programs	Management	Fund-Raising	Total
Salaries and wages	$ 296,279	$ 84,348	$ 171,737	$ 552,364	$ 45,028	$ 192,105	$ 789,497
Stipends	....	....	71,946	71,946	....	....	71,946
Employee benefits and payroll taxes	59,136	18,171	46,316	123,623	3,684	39,868	167,175
Advertising	4,694	2,426	2,426	9,546	....	....	9,546
Collections and reference materials	....	32,592	....	32,592	....	....	32,592
Conferences and meetings	28,467	10,516	86,827	125,810	4,501	5,846	136,157
Development research	....	....	....	....	....	545	545
Equipment maintenance	....	....	....	....	1,419	....	1,419
Fees and Alumni Hall charges	284	283	283	850	50,097	325	51,272
Insurance	....	....	....	....	4,352	....	4,352
Miscellaneous expenses	(686)	(243)	(265)	(1,194)	(113)	4,123	2,816
Occupancy	18,512	4,156	4,510	27,178	1,960	5,476	34,614
Postage and delivery	2,354	2,347	2,347	7,048	....	3,055	10,103
Printing and publications	19,546	....	....	19,546	2,786	3,951	26,283
Professional development	3,439	1,310	3,864	8,613	1,682	672	10,967
Professional services	148,322	6,096	40,647	195,065	17,947	10,565	223,577
Program development	7,543	....	....	7,543	....	....	7,543
Software subscriptions	2,118	2,105	2,118	6,341	3,170	3,170	12,681
Supplies and expenses	59,735	9,362	6,201	75,298	2,695	7,529	85,522
Telecommunications	295	104	113	512	49	137	698
Travel	71,043	6,514	75,482	153,039	5,102	11,639	169,780
Depreciation expense	40,851	14,346	15,570	70,767	6,766	18,904	96,437
Tuition reductions	....	....	199,565	199,565	....	....	199,565
Cost of mechandise sold	7,563	....	....	7,563	....	....	7,563
In-kind expenses:							
Salaries and wages	87,377	5,294	53,707	146,378	35,042	13,235	194,655
Employee benefits and payroll taxes	24,667	1,477	19,048	45,192	12,119	3,693	61,004
Donated goods and services	41,048	14,416	15,645	71,109	6,798	18,995	96,902
Total	922,587	215,620	818,087	1,956,294	205,084	343,833	2,505,211
Less: expenses included with revenues on the statement of activities:							
Tuition reductions	....	....	(199,565)	(199,565)	....	....	(199,565)
Cost of merchandise sold	(7,563)	....	....	(7,563)	....	....	(7,563)
Total expenses included in the expense section on the statement of activities	$ 915,024	$ 215,620	$ 618,522	$ 1,749,166	$ 205,084	$ 343,833	$ 2,298,083

(The accompanying notes are an integral part of this financial statement)

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.

DESCRIPTION OF PROGRAM SERVICES AND SUPPORTING ACTIVITIES

The Organization's mission is to strengthen global communities of the book and advancing the study of cultural heritage. It aims to achieve its mission through the following goals:

Courses and Lectures:

Curriculum - Maintain core strengths of current educational program while broadening the scope of offerings to include new modes of librarianship, bibliography, and book history.

Faculty - Retain and recruit internationally-recognized faculty, diverse in gender, age, profession, nationality, and ethnicity, and engage those pioneering new expertise in textual heritage.

Sustainability - Ensure long-term sustainability of Rare Book School's staffing and programs through endowment and annual giving.

Strategic Collaborations - Strengthen communities of textual heritage by partnering with scholarly societies, professional associations, bibliographical organizations, and the collecting institutions that support their work.

Collections:

Stewardship - Ensure the responsible stewardship of the current teaching collection while building the collections in concert with the Organization's emerging programs.

Access - Increase access to the Rare Book School collections.

Scholarships and Fellowships:

Students - Grow communities of textual heritage through scholarship and fellowship programs to support practitioners who are early-stage librarians, economically disadvantaged, and/or from underrepresented communities and professions.

Management and General Services - These services provide the functions necessary to maintain an equitable employment program and ensure an adequate working environment; provide coordination and articulation of the Organization's program services; provide for administrative functioning of the Board of Directors; maintain competent professional services; and manage the financial and budgetary responsibilities of the Organization.

Fund-Raising Services - These services provide the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958, Not-for-Profit Entities.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. Major components of this standard include disclosures regarding liquidity and availability of resources, presentation of expenses by their functional and natural classifications, and changes to net asset classifications. The pronouncement requires qualitative and quantitative information to be presented about management of liquidity resources and the availability of financial assets to meet cash needs within one year. In addition, net asset classifications are reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to two: net assets without donor restrictions, and net assets with donor restrictions, as follows:

Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for Board-designated endowment, and other designated funds (including reserves).

With Donor Restrictions - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

This standard is effective for years beginning after December 15, 2017, and early adoption is permitted. The Organization has elected to early adopt ASU 2016-14 for the year ended September 30, 2018. There was no impact on total net assets as a result of the adoption of ASU 2016-14; however, comparative totals as of and for the year ended September 30, 2017 have been restated.

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 reporting period. Actual results could differ from those estimates.

Significant estimates that affect the Organization's financial statements include collectability and discounting of unconditional promises to give, valuation of investments, functional expense allocations, and the valuation of donated services and in-kind contributions.

Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restrictions, 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 net assets with donor restrictions. 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 in bank accounts exceeding federally-insured limits is subject to credit risk.

Inventory

The inventory of goods available for sale is stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. 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.

Unconditional Promises to Give

The Organization values its multi-year unconditional promises to give at fair value. Management believes that the use of fair value measuring reduces the cost of measuring its multi-year unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those unconditional promises to give were measured using present value techniques and historical discount rates. Under this method, the Organization applies one discount rate to all multi-year receivables. The Organization estimates its discount rate at the end of each reporting year. The Organization's discount rate at September 30, 2018 and 2017 was 2%. Management feels that the rate is representative of the market rate for each year.

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, 2018 and 2017, the balance of other receivables was $5,230 and $4, respectively.

Investments

The Organization's investments are carried at their fair market value based upon the values reported by the investment pools used by the Organization. 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. Increases or decreases in fair market values are recorded as increases or decreases in net assets without donor restrictions or net assets with donor restrictions in the year incurred, based on the existence of any donor-imposed restriction. Net investment return (loss) consists of interest and dividend income, realized and unrealized capital gains (losses), and investment expenses.

Alternative investments, such as the investments managed by the University of Virginia Investment Management Company (UVIMCO), are reported at net asset value (NAV) per share of the investment as a practical expedient for a fair value measurement if (a) the underlying investment manager's calculation of NAV is fair value based and (b) the NAV has been calculated by the fund manager as of the Organization's fiscal year-end date of September 30th.

Property and Equipment

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 net assets without donor restrictions in the year in which the items are acquired, or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Contributed collections are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

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.

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.

In accordance with FASB ASC Subtopic 820-10, investments that are measured at fair value using the net asset value per share (NAV) practical expedient are not classified in the fair value hierarchy.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The statement of functional expenses includes certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, occupancy, and office expenses. The expenses are allocated on the basis of time and effort spent on program services, management and general, and fund-raising.

Advertising

The Organization expenses advertising costs as incurred. For the years ended September 30, 2018 and 2017, advertising costs were $8,812 and $9,546, respectively.

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.

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 Federal Deposit Insurance Corporation (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.

Subsequent Events

Management has evaluated subsequent events through February 26, 2019, which is the date the financial statements were available to be issued.

LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Organization manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

The table below presents financial assets available for general expenditures within one year at September 30:

	2018	2017
Financial assets at year-end:		
Cash and cash equivalents	$ 833,034	$ 391,694
Unconditional promises to give, net	232,258	733,301
Other accounts receivable	5,230	4
Investments	6,515,998	4,775,921
Total financial assets	7,586,520	5,900,920
Less: Amounts not available to be used within one year:		
Receivables scheduled to be collected in more than one year	(79,316)	(153,146)
Donor-imposed restrictions:		
Endowment fund	(3,288,097)	(1,741,559)
Add back: Amounts available for appropriation in one year	70,490	58,935
Other donor restrictions	(2,123,921)	(2,628,032)
Add back: Amounts available for appropriation in following year	854,921	746,894
Board designations:		
Board-designated endowment	(428,606)	(416,609)
Add back: Amounts available for appropriation in one year	15,850	15,235
Board-designated reserves	(251,161)	(243,721)
Other Board-designated funds	(188,258)	(126,766)
Add back: Amounts available for appropriation in one year	44,800	38,400
Financial assets available to meet cash needs for general expenditures within one year	$2,213,222	$1,450,551

Amounts available for general expenditures within one year include the Board-approved appropriation from endowment funds for the following year, as well as donor-restricted amounts that are available for general expenditure in the following year. Although not intended for use in the upcoming year, amounts set aside for operating and other reserves could also be drawn upon if the governing board were to approve that action.

Endowment funds are subject to appropriation for annual spending approved by the Board during the budget process, currently based on 4% of the average of 12 trailing quarters.

Occasionally, the Board may designate a portion of operating surplus to its contingency fund, which has a target minimum equal to six months of full-time senior staff salary costs (including benefits). As of September 30, 2018 and 2017, this fund held the equivalent of 7.75 and 7.5 months of senior staff salary costs, respectively. Total available liquid funds as of September 30, 2018 and 2017 represented approximately 12 months and 8 months of total operating expenses, respectively.

UNCONDITIONAL PROMISES TO GIVE

The Organization has unconditional promises to give receivable as of September 30, 2018 and 2017 as follows:

	2018	2017
Without donor restrictions	$ 51,677	$ 6,682
With donor restrictions:		
Restricted by time or purpose	102,120	556,575
Restricted in perpetuity	78,461	170,044
Total promises to give	$ 232,258	$ 733,301
Expected to be collected in less than one year	$ 156,941	$ 589,155
Expected to be collected within one to five years	79,317	153,146
Expected to be collected after five years	....	....
Total before discounts	236,258	742,301
Less: Discounts on pledges receivable	(4,000)	(9,000)
Net promises to give recorded	$ 232,258	$ 733,301

Changes in unconditional promises to give for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Balance, beginning of year	$ 733,301	$ 115,518
New pledges	121,565	1,316,337
Payments received	(627,588)	(685,404)
Change in discount	5,000	(6,900)
Write-off of uncollectible promises to give	(20)	(6,250)
Balance, end of year	$ 232,258	$ 733,301

Management reviews its collection experience in determining the need for an allowance for uncollectible unconditional promises to give. There were $20 and $6,250 in unconditional promises to give deemed uncollectible and written off during the years ended September 30, 2018 and 2017, respectively. An allowance for uncollectible promises to give was not deemed necessary at September 30, 2018 and 2017.

PROPERTY AND EQUIPMENT

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

	2018	2017
Furniture and fixtures	$ 69,714	$ 69,714
Equipment and software	303,375	303,375
Leasehold improvements	807,202	807,202
	1,180,291	1,180,291
Less: accumulated depreciation	(485,322)	(391,994)
Net property and equipment	$ 694,969	$ 788,297

INVESTMENTS

The Organization's investments are deposited with the University of Virginia Fund through the University of Virginia Alumni Association. 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. 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 has no unfunded investment commitments as of September 30, 2018 or 2017. A summary of the fair market value of the Organization's investments at September 30, 2018 and 2017 is as follows:

	2018	2017
Cash invested for operating purposes - Short-term pool	$ 882,005	$ 958,706
Wells Fargo - Mid-term pool	565,470	794,304
University of Virginia Investment Management Company - Long-term pool	5,068,523	3,022,911
Total	$6,515,998	$4,775,921

Cash invested for operating purposes was deposited with Wells Fargo for the years ended September 30, 2018 and 2017, with no withdrawal restrictions.

The mid-term pool is invested with Wells Fargo through the University of Virginia Alumni Association. The mid-term pool was comprised of the following investments at September 30, 2018 and 2017:

	% OF NAV	
	2018	**2017**
Cash and currency, net	0.03%	0.01%
Agency Discounts	0.18	1.53
Money Market Funds	1.99	12.57
U. S. Government Bonds	17.81	....
Agency Bonds	22.83	19.82
Certificates of Deposit	20.70	24.57
Corporate Bonds	36.46	41.50
Total	100.00%	100.00%

The majority of the Organization's investments are held by 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.

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 September 30, 2018 and 2017, UVIMCO's Long-Term Pool was comprised of the following investments:

	% OF NAV	
	2018	**2017**
Public equity funds	27.9%	26.7%
Long/short equity funds	19.8	19.6
Private equity funds	17.7	15.7
Real estate	4.5	5.5
Resources	6.5	6.6
Marketable alternatives and credit	13.1	14.5
Fixed income	8.3	….
Cash and currency, net	2.2	11.4
Total	100.0%	100.0%

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.

ENDOWMENT

The Organization's endowment consists of four funds established for a variety of purposes. This endowment includes donor-restricted endowment funds as well as funds without donor restrictions that have been 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulation to the 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 retained in perpetuity is subject to appropriation 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, 2018 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Board-designated endowment funds	$ 428,606	$	$ 428,606
Donor-restricted endowment funds	....	3,288,089	3,288,089
Total funds	$ 428,606	$3,288,089	$3,716,695

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	$ 416,609	$1,741,559	$2,158,168
Investment return, net	25,526	232,836	258,362
Transfers of funds to endowment	....	1,370,503	1,370,503
Appropriation of endowment assets for expenditure	(13,529)	(56,809)	(70,338)
Endowment net assets, end of year	$ 428,606	$3,288,089	$3,716,695

Endowment net asset classification by type of fund as of September 30, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 416,609	$	$ 416,609
Donor-restricted endowment funds	....	1,741,559	1,741,559
Total funds	$ 416,609	$1,741,559	$2,158,168

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 390,125	$1,463,082	$1,853,207
Investment return, net	26,484	150,504	176,988
Transfers of funds to endowment	....	198,541	198,541
Appropriation of endowment assets for expenditure	....	(70,568)	(70,568)
Endowment net assets, end of year	$ 416,609	$1,741,559	$2,158,168

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.

NET ASSETS WITHOUT DONOR RESTRICTIONS

As of September 30, 2018 and 2017, net assets without donor restrictions were available for the following designated purposes:

	2018	2017
Undesignated	$1,260,883	$ 717,238
Designated by the governing board for specific purposes:		
Board endowment	428,606	416,609
Reserves	251,161	243,720
Scholarships	128,907	68,273
Cataloging Initiative	29,997	29,997
Special projects	29,354	28,497
	868,025	787,096
Fixed assets	694,969	788,297
Total net assets without donor restrictions	$2,823,877	$2,292,631

NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2018 and 2017, net assets with donor restrictions were available for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Programming relating to critical bibliography	$1,221,568	$1,395,566
Public press program	51,255	....
Scholarships	133,290	147,123
Global Book Histories and Diversity Initiatives	157,084	145,440
Office renovations	8,609	15,304
Accelerating Excellence funds	272,244	590,105
Cataloging Initiative	150,920	181,181
Collections	8,982	12,526
	2,003,952	2,487,245

	2018	2017
Subject to the passage of time:		
Contributions restricted by time	$ 40,000	$ ….
Subject to the Organization's spending policy and appropriation:		
Endowment funds restricted in perpetuity:		
For general use	2,665,294	1,435,107
For scholarships	30,655	30,455
For collections stewardship	50,000	….
Investment earnings restricted until appropriated	622,109	416,784
	3,368,058	1,882,346
Total net assets with donor restrictions	$5,412,010	$4,369,591

FAIR VALUE MEASUREMENTS

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2018 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS AT NAV	TOTAL
Unconditional promises to give - net	$ ….	$ ….	$ 232,258	$ ….	$ 232,258
University of Virginia Long-term Investment Pool	….	….	….	5,068,523	5,068,523
Wells Fargo Mid-term Investment Pool	….	….	….	565,470	565,470
Cash invested for operating purposes - Short-term Investment Pool	….	….	….	882,005	882,005
	$ ….	$ ….	$ 232,258	$6,515,998	$6,748,256

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2017 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS AT NAV	TOTAL
Unconditional promises to give - net	$	$	$ 733,301	$	$ 733,301
University of Virginia Long-term Investment Pool	....	....	....	3,022,911	3,022,911
Wells Fargo Mid-term Investment Pool	....	....	....	794,304	794,304
Cash invested for operating purposes - Short-term Investment Pool	....	....	....	958,706	958,706
	$	$	$ 733,301	$4,775,921	$5,509,222

Unconditional promises to give - net - Fair value was estimated by discounting the estimated future cash flows using the applicable discount rate.

CASH RESTRICTED FOR LONG-TERM PURPOSES

At September 30, 2018 and 2017, cash restricted for long-term purposes included the following:

	2018	2017
Renovation of office and classroom space	$ 8,407	$ 13,103

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, its historic collections. During the years ended September 30, 2018 and 2017, the Organization purchased library collections totaling $41,926 and $32,592, respectively.

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 required monthly payments of $2,069 in year one, with an annual escalation amount of 3% in the second and third years of the lease term. The lease commenced on May 1, 2016 and expires on April 30, 2019. Payments related to this lease during the years ended September 30, 2018 and 2017 amounted to $25,895 and $25,140, respectively.

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

2019	$ 8.780
Total future minimum payments	$ 8,780

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 SERVICES AND IN-KIND CONTRIBUTIONS** note).

DONATED SERVICES AND IN-KIND CONTRIBUTIONS

The value of donated services and in-kind contributions received by the Organization for the years ended September 30, 2018 and 2017 consisted of the following:

	2018	**2017**
Salaries and benefits	$266,518	$255,659
Office and classroom space	97,319	96,901
Collection items	47,865	....
Expenses paid by affiliate	98,602	58,282
	$510,304	$410,842

Donated salaries and benefits represent those paid by an affiliated organization. Of the donated salaries and wages, $125,415 and $146,378 were allocated to program service expenses for the years ended September 30, 2018 and 2017, respectively.

The amount of in-kind contributions 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.

The expenses paid by affiliate are reported within the appropriate expense line item within the statement of functional expenses.

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 $15,447 and $19,977 for the years ended September 30, 2018 and 2017, respectively.

CONCENTRATIONS

During the year ended September 30, 2018, the Organization received approximately 40% of its support from one donor.

During the year ended September 30, 2017, the Organization received approximately 50% of its support from one donor.

SIGNIFICANT CONTRIBUTION WITH DONOR RESTRICTION

During the year ended September 30, 2017, the Organization received one contribution in the amount of $1,000,000, which is restricted for the creation and activities of an academic society. As of September 30, 2018, the full $1,000,000 was received. The contribution has been invested in a long-term pool, and it must be spent out over a ten-year period, by June 30, 2027. Any unexpended proceeds must be returned to the contributing organization. Given that it is more likely than not that the entire contribution will be spent in the given time frame, the entire amount was recognized as a contribution.

RECLASSIFICATIONS

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