

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

FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2021



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

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of THE BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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.

To the Board of Directors
The Book Arts Press, Inc.

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE BOOK ARTS PRESS, INC. d/b/a RARE BOOK SCHOOL as of September 30, 2021 and 2020 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 4, 2022

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

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,070,813	\$ 664,153
Inventory	7,061	7,937
Unconditional promises to give, net	1,686,168	166,667
Other receivables	77,390	5,789
Prepaid expenses	26,223	28,267
Investments	13,136,017	9,553,339
Cash restricted for long-term purposes	1,982	2,006
Interest in charitable gift annuity	235,419	....
Property and equipment (net)	30,500	50,533
Collections (See notes to financial statements) .....	....	....
	<u>\$16,271,573</u>	<u>\$10,478,691</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 27,026	\$ 1,008
Accrued payroll	12,378	10,252
SBA Loan (Paycheck Protection Program).....	195,360	170,100
	<u>234,764</u>	<u>181,360</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	1,509,985	679,158
Board-designated net assets	1,478,806	1,580,463
Property and equipment (net)	30,500	50,533
	<u>3,019,291</u>	<u>2,310,154</u>
With donor restrictions:		
Restricted by purpose or time	6,207,987	4,290,712
Restricted in perpetuity	6,809,531	3,696,465
	<u>13,017,518</u>	<u>7,987,177</u>
Total with donor restrictions	<u>16,036,809</u>	<u>10,297,331</u>
Total net assets	<u>16,036,809</u>	<u>10,297,331</u>
Total liabilities and net assets	<u>\$16,271,573</u>	<u>\$10,478,691</u>

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Revenue, gains, and other support:			
Individual contributions	\$ 447,166	\$ 3,220,340	\$ 3,667,506
Foundation/educational/governmental contributions	10,000	124,600	134,600
SBA PPP loan and accrued interest forgiveness	171,489	....	171,489
Donated services and in-kind contributions	412,990	....	412,990
Tuition and other program revenue (net of \$309,500 tuition reductions)	381,425	....	381,425
Merchandise sales revenue (net of \$1,271) cost of goods sold	(1,205)	....	( 1,205)
Investment income - net	368,772	2,430,827	2,799,599
Other revenue (loss)	(364)	....	( 364)
Change in valuation of charitable gift annuity .....	....	35,419	35,419
Employee retention credit income	75,000	....	75,000
Net assets released from restrictions	780,845	(780,845)	....
	<u>2,646,118</u>	<u>5,030,341</u>	<u>7,676,459</u>
Total revenue, gains, and other support			
Expenses:			
Program	1,377,683	....	1,377,683
Management and general	278,502	....	278,502
Fund-raising	280,796	....	280,796
	<u>1,936,981</u>	<u>....</u>	<u>1,936,981</u>
Total expenses			
Change in net assets	709,137	5,030,341	5,739,478
NET ASSETS AT BEGINNING OF YEAR	<u>2,310,154</u>	<u>7,987,177</u>	<u>10,297,331</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,019,291</u>	<u>\$ 13,017,518</u>	<u>\$ 16,036,809</u>

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Revenue, gains, and other support:			
Individual contributions	\$ 478,030	\$ 1,003,751	\$ 1,481,781
Foundation/educational/governmental contributions	35,000	89,850	124,850
Donated services and in-kind contributions	441,499	....	441,499
Tuition and other program revenue	9,355	....	9,355
Merchandise sales revenue (net of \$1,959) cost of goods sold	(408)	....	( 408)
Investment income - net	96,131	631,917	728,048
Other revenue (loss)	413	(217)	196
Net assets released from restrictions	651,179	(651,179)	....
	<u>1,711,199</u>	<u>1,074,122</u>	<u>2,785,321</u>
 Expenses:			
Program	1,276,881	....	1,276,881
Management and general	235,188	....	235,188
Fund-raising	285,645	....	285,645
	<u>1,797,714</u>	<u>....</u>	<u>1,797,714</u>
 Change in net assets	(86,515)	1,074,122	987,607
 NET ASSETS AT BEGINNING OF YEAR	<u>2,396,669</u>	<u>6,913,055</u>	<u>9,309,724</u>
 NET ASSETS AT END OF YEAR	<u>\$ 2,310,154</u>	<u>\$ 7,987,177</u>	<u>\$ 10,297,331</u>

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,739,478	\$ 987,607
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Endowment contributions - donor restricted	(1,346,905)	(978,853)
Net unrealized gain on investments	(2,799,599)	(728,048)
Depreciation expense	23,332	31,584
Contributions of charitable gift annuity.....	(200,000)	....
SBA PPP loan and accrued interest forgiveness	(171,489)	....
(Increase) decrease in assets:		
Inventory	876	(813)
Unconditional promises to give	(1,519,501)	1,056,845
Other receivables	(71,601)	(5,785)
Prepaid expenses	2,044	(16,443)
Interest in charitable gift annuity.....	(35,419)	....
Increase (decrease) in liabilities:		
Accounts payable	27,407	(5,054)
Accrued payroll	2,126	(21,063)
	<u>(349,251)</u>	<u>319,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,299)	....
Purchase of investments	(1,666,408)	(1,970,091)
Sale of investments	883,329	71,942
	<u>(786,378)</u>	<u>(1,898,149)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions - donor restricted	1,346,905	978,853
Proceeds from SBA Loan (Paycheck Protection Program)	195,360	170,100
	<u>1,542,265</u>	<u>1,148,953</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	406,636	(429,219)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	666,159	1,095,378
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,072,795</u>	<u>\$ 666,159</u>
NON-CASH FINANCING ACTIVITIES		
SBA PPP loan and accrued interest forgiveness	<u>\$ 171,489</u>	<u>\$</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Amounts reported within the statements of financial position that sum to the total above:		
Cash and cash equivalents	\$ 1,070,813	\$ 664,153
Cash restricted for long-term purposes	1,982	2,006
	<u>\$ 1,072,795</u>	<u>\$ 666,159</u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	PROGRAM SERVICE				MANAGEMENT AND		TOTAL
	COURSES AND LECTURES	COLLECTIONS	SCHOLARSHIPS AND FELLOWSHIPS	TOTAL PROGRAMS	GENERAL	FUND-RAISING	
Salaries and wages	\$ 309,470	\$ 167,621	\$ 121,216	\$ 598,307	\$ 69,411	\$ 144,630	\$ 812,348
Stipends .....	....	....	31,750	31,750	....	....	31,750
Employee benefits and payroll taxes	75,517	29,944	24,835	130,296	18,931	38,687	187,914
Advertising	2,181	2,174	2,174	6,529	....	....	6,529
Collections and reference materials .....	....	32,522	....	32,522	....	....	32,522
Conferences and meetings	1,038	1,035	3,785	5,858	....	572	6,430
Equipment maintenance .....	....	....	....	....	1,439	....	1,439
Fees and Alumni Hall charges	1,128	1,124	1,124	3,376	37,284	6,523	47,183
Insurance .....	....	....	....	....	4,462	....	4,462
Miscellaneous expenses	(43)	24	14	(5)	(31)	3,691	3,655
Occupancy	16,008	5,720	7,417	29,145	5,239	7,915	42,299
Postage and delivery	2,613	2,605	2,605	7,823	....	3,421	11,244
Printing and publications	8,153	....	....	8,153	2,623	6,258	17,034
Professional development	748	1,041	971	2,760	1,236	168	4,164
Professional services	140,674	9,563	36,031	186,268	20,990	....	207,258
Program development	114	....	....	114	....	....	114
Software subscriptions	3,369	3,324	3,324	10,017	23,677	11,838	45,532
Supplies and expenses	22,135	8,198	7,547	37,880	5,331	8,053	51,264
Telecommunications	811	273	354	1,438	250	377	2,065
Travel	848	1,828	826	3,502	382	516	4,400
Depreciation expense	9,165	3,082	3,997	16,244	2,823	4,265	23,332
Tuition reductions	309,500	....	....	309,500	....	....	309,500
Cost of merchandise sold	1,271	....	....	1,271	....	....	1,271
In-kind expenses:							
Salaries and wages	102,195	5,128	37,402	144,725	52,496	18,091	215,312
Employee benefits and payroll taxes	29,305	1,443	12,683	43,431	18,481	5,429	67,341
Donated goods and services	43,754	14,715	19,081	77,550	13,478	20,362	111,390
Total expenses by function	1,079,954	291,364	317,136	1,688,454	278,502	280,796	2,247,752
Less: expenses included with revenues on the statement of activities:							
Tuition reductions	(309,500)	....	....	( 309,500)	....	....	( 309,500)
Cost of merchandise sold	(1,271)	....	....	( 1,271)	....	....	( 1,271)
Total expenses included in the expense section on the statement of activities	<u>\$ 769,183</u>	<u>\$ 291,364</u>	<u>\$ 317,136</u>	<u>\$ 1,377,683</u>	<u>\$ 278,502</u>	<u>\$ 280,796</u>	<u>\$ 1,936,981</u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	PROGRAM SERVICE			TOTAL PROGRAMS	MANAGEMENT AND GENERAL		FUND-RAISING	TOTAL
	COURSES AND LECTURES	COLLECTIONS	SCHOLARSHIPS AND FELLOWSHIPS		GENERAL	FUND-RAISING		
Salaries and wages	\$ 277,106	\$ 124,246	\$ 181,000	\$ 582,352	\$ 55,489	\$ 143,941	\$ 781,782	
Stipends .....	....	....	39,000	39,000	....	....	39,000
Employee benefits and payroll taxes	62,675	27,077	43,519	133,271	9,979	34,779	178,029	
Advertising	1,827	1,742	1,742	5,311	....	....	5,311
Collections and reference materials .....	....	36,172	....	36,172	....	....	36,172
Conferences and meetings	3,440	3,430	4,562	11,432	....	3,205	14,637
Equipment maintenance .....	....	....	....	....	1,217	....	1,217
Fees and Alumni Hall charges	336	335	335	1,006	22,136	....	23,142
Insurance .....	....	....	....	....	4,582	....	4,582
Miscellaneous expenses	195	81	124	400	49	3,680	4,129	
Occupancy	17,845	7,604	11,097	36,546	3,952	8,158	48,656	
Postage and delivery	1,723	1,718	1,718	5,159	....	2,231	7,390
Printing and publications	8,334	....	....	8,334	2,480	2,533	13,347
Professional development	4,216	595	1,982	6,793	490	70	7,353	
Professional services	18,336	9,456	15,007	42,799	20,431	....	63,230
Program development	3,259	....	....	3,259	....	....	3,259
Software subscriptions	2,420	2,420	2,420	7,260	24,497	11,847	43,604	
Supplies and expenses	12,286	5,775	5,637	23,698	2,210	4,562	30,470	
Telecommunications	744	310	474	1,528	186	383	2,097	
Travel	14,737	4,568	36,024	55,329	3,859	6,896	66,084	
Depreciation expense	11,206	4,665	7,138	23,009	2,798	5,777	31,584	
Cost of merchandise sold	1,959	....	....	1,959	....	....	1,959
In-kind expenses:								
Salaries and wages	84,477	5,135	44,113	133,725	52,265	29,343	215,333	
Employee benefits and payroll taxes	24,332	1,470	15,680	41,482	18,958	8,402	68,842	
Donated goods and services	38,483	16,020	24,513	79,016	9,610	19,838	108,464	
Total expenses by function	589,936	252,819	436,085	1,278,840	235,188	285,645	1,799,673	
Less: expenses included with revenues on the statement of activities:								
Cost of merchandise sold	(1,959)	....	....	( 1,959)	....	....	( 1,959)
Total expenses included in the expense section on the statement of activities	<u>\$ 587,977</u>	<u>\$ 252,819</u>	<u>\$ 436,085</u>	<u>\$ 1,276,881</u>	<u>\$ 235,188</u>	<u>\$ 285,645</u>	<u>\$ 1,797,714</u>	

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

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

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

The 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, investment income, donated services, and donated in-kind contributions.

DESCRIPTION OF PROGRAM SERVICES AND SUPPORTING ACTIVITIES

The Organization's mission is to strengthen global communities of the book and advance 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 collections 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.

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

NOTES TO FINANCIAL STATEMENTS

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

Recent Accounting Pronouncements Adopted

The Organization adopted the following Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASUs) in the fiscal year ended September 30, 2021:

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the Organization for the year ended September 30, 2021. The Organization's adoption of the ASU did not materially change the timing or amount of revenue recognized by the Organization nor its presentation on the Statement of Activities.

ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements related to fair value measurements. Adoption of this pronouncement had no effect on the Organization's current or previously issued financial statements.

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 (GAAP).

Financial Statement Presentation

The Organization is required to report information regarding its financial position according to two classes of net assets 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 endowments, and other designated funds (including reserves).

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

NOTES TO FINANCIAL STATEMENTS

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.

Accounting Estimates

The preparation of financial statements in conformity with 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.

Revenue Recognition

The Organization follows the guidance of FASB ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, ASC 606), which (1) creates a single framework for recognizing revenue from contracts with students that fall within its scope and (2) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. A significant portion of the Organization's revenue comes from pledges and contributions received from donors, and other sources such as investment income, that are outside the scope of ASC 606. The Organization's revenues that fall within the scope of ASC 606 include tuition revenue. The income from this source is recognized as the Organization satisfies its performance obligations to its customers.

Student tuition for courses is recorded as revenue during the period in which the related academic services are rendered. Tuition received in advance of services rendered are categorized as deferred revenue and reported within accounts payable in the statement of financial position. Payments for tuition are typically due 30 days before the course is scheduled to begin.

Institutional scholarships and fellowships are awarded to students to defray the costs of courses, which reduce the amount of revenue recognized. Scholarships awarded to students amounted to \$309,500 and \$0 for the years ending September 30, 2021 and 2020, respectively.

See the **REVENUE FROM CONTRACTS WITH CUSTOMERS** note for further discussion on the Organization's accounting policies for revenue sources within the scope of ASC 606.

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

NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Contributions of other assets are recorded at the estimated fair value at the date of gift. Unconditional pledges are recorded at the estimated present value on the date of the commitment, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met.

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.

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

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020 was 1% and 1.5%, respectively. 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.

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-associated organization. The University-associated 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-associated 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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS

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.

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 and provide for the direct care of existing collections.

Fair Values of Financial Instruments

U. S. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

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The statement of functional expenses reports certain categories of expenses that are attributed to more than one program or supporting functions. 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.

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 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 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 4, 2022, which is the date the financial statements were available to be issued.

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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:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,070,813	\$ 664,153
Unconditional promises to give, net	1,686,168	166,667
Other receivables	77,390	5,789
Investments	<u>13,136,017</u>	<u>9,553,339</u>
Total financial assets	15,970,388	10,389,948
Less: Amounts not available to be used within one year:		
Receivables scheduled to be collected in more than one year...	(2,500)	(5,025)
Donor-imposed restrictions:		
Endowment fund investments	(8,049,638)	(4,778,316)
Unconditional promises to give restricted for endowment...	(1,300,995)	....
Add back: Amounts available for appropriation expenditure in one year	168,948	133,358
Other donor restrictions	(3,666,885)	(3,203,713)
Add back: Amounts available for expenditure in following year	1,072,211	1,105,345
Board designations:		
Board-designated endowment	(774,275)	(570,174)
Add back: Amounts available for appropriation expenditure in one year	19,617	17,078
Board-designated reserves	(253,149)	(255,023)
Other Board-designated funds	(451,381)	(755,266)
Add back: Amounts available for appropriation expenditure in one year	<u>120,681</u>	<u>190,352</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,853,022</u>	<u>\$ 2,268,564</u>

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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, and Board-designated endowments, 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, 2021, this fund held the equivalent of 4 months of senior staff salary costs. Total available liquid funds as of September 30, 2021 represented approximately 13 months of total operating expenses.

IMPACT OF CORONAVIRUS PANDEMIC ON RARE BOOK SCHOOL OPERATIONS

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 has adversely impacted many sectors of the economy, including the sectors in which the Organization operates. The extent to which the COVID-19 pandemic further impacts the Organization's financial condition will depend on future developments, including, but not limited to, the duration, spread, severity, and impact of the COVID-19 pandemic and to what extent normal economic and operating conditions can resume. The Organization cannot reasonably estimate the continued impact of the pandemic at this time.

NOTE PAYABLE

Under a loan agreement dated April 27, 2020, the Organization received loan proceeds in the amount of \$170,100 pursuant to the Paycheck Protection Program (PPP), a program implemented by the U. S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The program provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the entity. The loan principal and accrued interest are forgivable within 24 months as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. In March 2021, the Organization's loan met the conditions for loan forgiveness in full and the Organization recorded the forgiveness of debt at that time.

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Under a loan agreement dated March 31, 2021, the Organization received loan proceeds in the amount of \$195,360 as part of a second loan from the SBA Paycheck Protection Program. As with its original loan, the loan principal and accrued interest are forgivable within 24 months as long as the borrow uses the loan proceeds for eligible purposes, including payroll, benefits, and certain operating expenses, and maintains its payroll levels. Although the Organization currently believes that its use of the loan proceeds will meet the conditions for loan forgiveness, the Organization cannot provide assurance that the loan will be forgiven in whole or in part. Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1% per annum, with a deferral of principal and interest payments for 10 months or until the date on which the SBA notifies the lender of the approved loan forgiveness amount. Due to the uncertainty of timing of forgiveness of the loan and the start date of loan payments on the unforgiven portion, the Organization is unable to determine the future maturities of the PPP loan. The loan is unsecured and there are no prepayment penalties.

OTHER RECEIVABLE

Included in other receivables is \$75,000 in estimated funds due from the application of the Employee Retention Credit through September 30, 2021. The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The maximum credit is based on a qualified-wages ceiling for each employee. Salary and wage amounts that were used as allowable expense under the Paycheck Protection Program forgiveness application are not eligible for the ERC. An entity may qualify for the ERC if it experienced a significant decline in gross receipts compared to the applicable reference quarter in 2019 or experienced a full or partial suspension of services due to a governmental order related to COVID-19.

As of September 30, 2021, the Organization has estimated a receivable related to the ERC program in the amount of \$75,000. The Organization's estimate is based on the significant gross receipts decline test, which is calculated on a quarterly basis. The Organization intends to execute the administrative filings required to claim the credits during fiscal year 2022. In conjunction with accounting standards, the filing of the administrative forms is not a barrier that would prevent revenue recognition of the ERC during the year ended September 30, 2021. Accordingly, income related to the ERC is reported separately in the statement of activities under the caption Employee Retention Credit income.

Laws and regulations concerning government programs, including the Employee Retention Credit, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

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UNCONDITIONAL PROMISES TO GIVE

The Organization has unconditional promises to give as of September 30, 2021 and 2020 as follows:

	2021	2020
Without donor restrictions.....	\$ 64,551	\$ 2,467
With donor restrictions:		
Restricted by time or purpose	72,397	145,922
Restricted in perpetuity	<u>1,550,995</u>	<u>18,478</u>
Total promises to give.....	<u>\$1,687,943</u>	<u>\$ 166,867</u>
Expected to be collected in less than one year	\$1,510,443	\$ 161,842
Expected to be collected within one to five years	177,500	5,025
Expected to be collected after five years .....	.....	.....
Total before discounts	1,687,943	166,867
Less: Discounts on pledges receivable	<u>(1,775)</u>	<u>(200)</u>
Net promises to give recorded	<u>\$1,686,168</u>	<u>\$ 166,667</u>

Changes in unconditional promises to give for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Balance, beginning of year.....	\$ 166,667	\$1,223,512
New pledges	1,713,696	105,350
Payments received	(192,370)	(1,156,395)
Change in discount	(1,575)	(5,800)
Write-off of uncollectible promises to give	<u>(250)</u>	<u>.....</u>
Balance, end of year	<u>\$1,686,168</u>	<u>\$ 166,667</u>

Management reviews its collection experience in determining the need for an allowance for uncollectible unconditional promises to give. There were \$250 and \$0 in unconditional promises to give deemed uncollectible and written off during the years ended September 30, 2021 and 2020, respectively. An allowance for uncollectible promises to give was not deemed necessary at September 30, 2021 and 2020.

PROPERTY AND EQUIPMENT

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

	2021	2020
Furniture and fixtures	\$ 69,714	\$ 69,714
Equipment and software	<u>306,674</u>	<u>303,375</u>
	376,388	373,089
Less: Accumulated depreciation	<u>(345,888)</u>	<u>(322,556)</u>
Net property and equipment	<u>\$ 30,500</u>	<u>\$ 50,533</u>

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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 UVIMCO 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. A summary of the fair market value of the Organization's investments at September 30, 2021 and 2020 is as follows:

	2021	2020
Cash invested for operating purposes	\$ 2,339,490	\$ 2,605,980
Wells Fargo - Mid-term pool	249,987	278,517
University of Virginia Investment Management Company - Long-Term Pool	10,529,868	6,416,353
Cash invested in long-term endowment	<u>16,672</u>	<u>252,489</u>
Total	<u>\$13,136,017</u>	<u>\$ 9,553,339</u>

Cash invested for operating purposes was deposited with Wells Fargo for the years ended September 30, 2021 and 2020, 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, 2021 and 2020:

	<u>% OF NAV</u>	
	2021	2020
Sovereign Government Bonds.....	1.81%	1.57%
Money Market Funds.....	37.46	38.52
U. S. Government Bonds.....	5.43	12.78
Agency Bonds.....	23.44	3.15
Certificates of Deposit.....	21.28	14.25
Corporate Bonds	10.58	20.29
T-Bill	<u>....</u>	<u>9.44</u>
Total.....	<u>100.00%</u>	<u>100.00%</u>

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The majority of the Organization’s investments are held by 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 associated organizations. 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 June 30, 2021 and 2020, UVIMCO’s Long-Term Pool was comprised of the following investments:

	<u>% OF NAV</u>	
	2021	2020
Public equity funds	29.9%	32.0%
Long/short equity funds	17.0	20.4
Private equity funds	26.4	18.9
Real assets	3.2	4.6
Resources	6.8	4.8
Marketable alternatives and credit.....	10.0	12.3
Fixed income	3.9	5.0
Cash and accruals, net	<u>2.8</u>	<u>2.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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Certain cash withdrawal restrictions exist with respect to the Organization's investment in the Long-Term Pool. Redemptions are permitted on a quarterly basis with 120 days' advance written notice. The maximum quarterly redemption amount cannot exceed 4% of the value of the Foundation's total interest in the pool. The policy allows for the Foundation to submit Special Redemptions with advance written notice of at least 365 days. These Special Redemptions cannot exceed 20% of the Organization's total number of shares held as of the redemption notice date. Full redemption may be made over no less than a five-year period. UVMCO reserves the right to suspend all withdrawals in the event of extraordinary circumstances as described in its policies.

ENDOWMENT

The Organization's endowment consists of several 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) accumulations 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

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Endowment net asset classification by type of fund as of September 30, 2021 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Board-designated endowment funds	\$ 774,275	\$	\$ 774,275
Donor-restricted endowment funds	<u>....</u>	<u>8,049,638</u>	<u>8,049,638</u>
Total funds.....	<u>\$ 774,275</u>	<u>\$8,049,638</u>	<u>\$8,823,913</u>

Changes in endowment net assets for the year ended September 30, 2021 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year.....	\$ 570,174	\$4,778,316	\$5,348,490
Net appreciation	224,929	2,067,353	2,292,282
Transfers of funds to endowment .....	....	1,346,905	1,346,905
Appropriation of endowment assets for expenditure.....	<u>(20,828)</u>	<u>(142,936)</u>	<u>(163,764)</u>
Endowment net assets, end of year	<u>\$ 774,275</u>	<u>\$8,049,638</u>	<u>\$8,823,913</u>

Endowment net asset classification by type of fund as of September 30, 2020 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Board-designated endowment funds	\$ 570,174	\$	\$ 570,174
Donor-restricted endowment funds	<u>....</u>	<u>4,778,316</u>	<u>4,778,316</u>
Total funds.....	<u>\$ 570,174</u>	<u>\$4,778,316</u>	<u>\$5,348,490</u>

Changes in endowment net assets for the year ended September 30, 2020 are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year.....	\$ 422,540	\$3,370,201	\$3,792,741
Net appreciation	58,881	489,724	548,605
Transfers of funds to endowment	100,000	1,010,896	1,110,896
Appropriation of endowment assets for expenditure.....	<u>(11,247)</u>	<u>(92,505)</u>	<u>(103,752)</u>
Endowment net assets, end of year	<u>\$ 570,174</u>	<u>\$4,778,316</u>	<u>\$5,348,490</u>

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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. (See **LIQUIDITY AND AVAILABILITY OF FUNDS** note.) 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.

INTEREST IN CHARITABLE GIFT ANNUITIES

The Organization is named as a charitable beneficiary of a charitable gift annuity. This gift agreement is administered and held by an outside trustee and the Organization has no control over these assets. Receivables from gift annuity agreements are valued at the present value of the future cash flows expected to be received by the Organization upon a defined termination event. The term of each agreement is based on the life expectancy of the donor, and these receivables are revalued each year based on amortization of the original discount and changes in the value of the trust assets. The value of the underlying trust assets is provided by the outside trustees each year.

A reconciliation of the change in the interest in charitable gift annuities for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
Balance, beginning of year.....	\$	\$
Contributions	200,000	....
Change in valuation	<u>35,419</u>	<u>....</u>
Balance, end of year	<u>\$235,419</u>	<u>\$.....</u>

NET ASSETS WITHOUT DONOR RESTRICTIONS

As of September 30, 2021 and 2020, net assets without donor restrictions were available for the following purposes:

	2021	2020
Undesignated	<u>\$1,509,985</u>	<u>\$ 679,158</u>
Designated by the governing board for specific purposes:		
Board endowment.....	774,275	570,174
Reserves.....	253,149	255,023
Scholarships	17	283,425
Cataloging Initiative.....	29,997	29,997
Comprehensive campaign and special projects	<u>421,368</u>	<u>441,844</u>
	<u>1,478,806</u>	<u>1,580,463</u>
Fixed assets.....	<u>30,500</u>	<u>50,533</u>
Total net assets without donor restrictions	<u>\$3,019,291</u>	<u>\$2,310,154</u>

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NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2021 and 2020, net assets with donor restrictions were available for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose:		
Programming relating to critical bibliography	\$ 1,457,131	\$ 1,150,634
Public press program	19,922	19,922
Scholarships	253,625	408,999
Global Book Histories and Diversity Initiatives	1,198,796	1,488,207
Office renovations	2,184	2,208
Campaign seed fund .....	....	10
Cataloging Initiative	235,584	111,775
Collections acquisitions	<u>4,207</u>	<u>7,757</u>
Total subject to expenditure for specified purpose.....	<u>3,171,449</u>	<u>3,189,512</u>
Subject to the passage of time:		
Contributions restricted by time.....	<u>10,000</u>	<u>20,000</u>
Total subject to the passage of time	<u>10,000</u>	<u>20,000</u>
Endowment funds restricted in perpetuity:		
For general use	6,043,232	3,415,595
For fellowships and scholarships.....	180,880	130,870
For collections stewardship	50,000	50,000
For lecture series	<u>300,000</u>	<u>100,000</u>
Total endowment funds restricted in perpetuity.....	6,574,112	3,696,465
Subject to the Organization's spending policy and appropriation:		
Investment earnings restricted until appropriated.....	<u>3,026,538</u>	<u>1,081,200</u>
Total subject to the Organization's spending policy and appropriation.....	<u>3,026,538</u>	<u>1,081,200</u>
Other assets to be invested in perpetuity:		
Interest in charitable gift annuity	<u>235,419</u>	<u>....</u>
Total other assets to be invested in perpetuity	<u>235,419</u>	<u>....</u>
Total net assets with donor restrictions	<u>\$13,017,518</u>	<u>\$ 7,987,177</u>

FAIR VALUE MEASUREMENTS

The fair values of the Organization's assets are categorized in accordance with GAAP at September 30, 2021 as follows:

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	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Unconditional promises to give - net	\$	\$	\$1,686,168	\$1,686,168
Interest in charitable gift annuities.....	<u>235,419</u>	<u>235,419</u>
Total financial assets at fair value	<u>\$.....</u>	<u>\$.....</u>	<u>\$1,921,587</u>	<u>\$1,921,587</u>

The fair values of the Organization’s assets are categorized in accordance with GAAP at September 30, 2020 as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Unconditional promises to give - net	<u>\$.....</u>	<u>\$.....</u>	<u>\$166,667</u>	<u>\$166,667</u>

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, 2021 and 2020, cash restricted for long-term purposes included the following:

	2021	2020
Renovation of office and classroom space	<u>\$ 1,982</u>	<u>\$ 2,006</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, its historic collections. During the years ended September 30, 2021 and 2020, the Organization purchased library collections totaling \$32,522 and \$36,172, respectively.

OPERATING LEASE

During the year ended September 30, 2019, the Organization entered into a formal three-year lease agreement with the University of Virginia Foundation for office space. The current lease agreement expires on April 30, 2022, requires monthly payments of \$3,500 per month in the first year, and includes an annual escalation provision of 3%. Payments related to this leased office space amounted to \$43,260 and \$42,315 for the years ended September 30, 2021 and 2020, respectively.

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

2022	<u>\$ 32,445</u>
Total future minimum payments	<u>\$ 32,445</u>

REVENUE FROM CONTRACTS WITH CUSTOMERS

For each of the classes of contracts that fall under the scope of revenue from contracts with customers, the Organization has determined that either a single performance obligation exists or the multiple performance obligations that exist are satisfied at the same point in time. Therefore, for each contract, the Organization recognizes the entire transaction price as revenue once the performance obligation(s) have been completed. In determining the transaction price for each class of contract, the Organization considered the need to adjust for items of variable consideration, such as discounts. Based on the absence of such items or infrequency of occurrence, the Organization has determined that the effect of variable consideration on transaction prices would be immaterial and have not adjusted any transaction prices accordingly. The Organization had no contract assets at September 30, 2021 or 2020. Contract liabilities consist of pre-payments on tuition. There were no contract liabilities as of September 30, 2021 or 2020.

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, 2021 and 2020 consisted of the following:

	2021	2020
Salaries and benefits	\$282,653	\$284,175
Office and classroom space	111,390	108,942
Expenses paid by affiliate	<u>18,947</u>	<u>48,382</u>
	<u>\$412,990</u>	<u>\$441,499</u>

Donated salaries and benefits represent those paid by an affiliated organization. Of the donated salaries and wages, \$144,725 and \$133,725 were allocated to program service expenses for the years ended September 30, 2021 and 2020, respectively.

Although the value of donated books and related materials is not included in the financial statements, the Organization does track the amount of these in-kind contributions for which appraisals were obtained. In the years ended September 30, 2021 and 2020, the value of these appraised collections amounted to \$61,450 and \$3,600, respectively. Many donated books and other materials are received by the Organization 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 the affiliate are reported within the appropriate expense line item within the statement of functional expenses.

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

NOTES TO FINANCIAL STATEMENTS

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 \$18,637 and \$12,858 for the years ended September 30, 2021 and 2020, respectively.

CONCENTRATIONS

During the year ended September 30, 2021, the Organization received approximately 61% of its support from two donors. As of September 30, 2021, approximately 77% of the balance of promises to give was from one donor.

During the year ended September 30, 2020, the Organization received approximately 44% of its support from one donor.

SIGNIFICANT CONTRIBUTION WITH DONOR RESTRICTION

During the year ended September 30, 2019, the Organization received one contribution in the amount of \$1,500,000, which is restricted for the creation and activities of a fellowship for diversity and cultural heritage. As of September 30, 2020, the full balance of the award had been received. The contribution has been invested in a mid-term pool, and it must be spent out over a five and one-half-year period, by December 31, 2024. Any unexpended proceeds must be returned to the contributing organization.

CONTINGENCY

The Paycheck Protection Program loan and forgiveness of the loan are subject to audit by the SBA for six years after the date the loan is forgiven or repaid in full. The possible disallowance by the SBA of any item charged to the program cannot be determined until such time when an audit occurs. Therefore, no provision for any potential disallowances that may result from such audit has been made in the accompanying financial statements. Management is of the opinion that disallowances, if any, will not be material to the accompanying financial statements.