

**THE READING TEAM, INC.  
(A Not-for-Profit Organization)**

**FINANCIAL STATEMENTS  
(Modified Cash Basis)**

**Years Ended June 30, 2012 and 2011**

**AND  
INDEPENDENT AUDITORS' REPORT**

**CONTENTS**

June 30, 2012 and 2011

---

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS – Modified Cash Basis</b>	
Statements of Assets, Liabilities and Net Assets	2
Statements of Revenues, Expenses and Other Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7



**ROSEN SEYMOUR SHAPSS MARTIN & COMPANY LLP**

Certified Public Accountants & Profitability Consultants



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Reading Team, Inc.:

We have audited the accompanying statements of assets, liabilities, and net assets – modified cash basis of The Reading Team, Inc. as of June 30, 2012 and 2011, and the related statements of revenues, expenses and other changes in net assets, and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reading Team, Inc. as of June 30, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in conformity with the modified cash basis of accounting described in Note 1.

*Rosen Seymour Shapss Martin & Company LLP*

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
November 5, 2012

THE READING TEAM, INC.  
(A Not-for-Profit Organization)

---

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – Modified Cash Basis**

June 30, 2012 and 2011

---

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 300,978	\$ 388,633
Total current assets	300,978	388,633
<b>Property and equipment – net</b>	27,020	23,764
<b>Security deposits</b>	<u>13,000</u>	<u>13,000</u>
Total assets	<u>\$ 340,998</u>	<u>\$ 425,397</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities</b>	\$ -	\$ -
<b>Commitment</b>		
<b>Net assets – unrestricted</b>	330,998	425,397
<b>Net assets – temporarily restricted</b>	<u>10,000</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 340,998</u>	<u>\$ 425,397</u>

---

*The accompanying notes are an integral part of these financial statements.*

THE READING TEAM, INC.  
(A Not-for-Profit Organization)

---

**STATEMENTS OF REVENUES, EXPENSES, AND OTHER  
CHANGES IN NET ASSETS – Modified Cash Basis**

Years Ended June 30, 2012 and 2011

---

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>Revenue:</b>				
Contributions	\$ 639,959	\$ 10,000	\$ 649,959	\$ 622,002
Interest and dividend income	<u>17</u>	<u>-</u>	<u>17</u>	<u>85</u>
Total revenue	<u>639,976</u>	<u>10,000</u>	<u>649,976</u>	<u>622,087</u>
<b>Expenses:</b>				
Program services	632,541	-	632,541	476,359
Management and general	68,431	-	68,431	55,213
Fundraising	<u>33,403</u>	<u>-</u>	<u>33,403</u>	<u>27,642</u>
Total expenses	<u>734,375</u>	<u>-</u>	<u>734,375</u>	<u>559,214</u>
Change in net assets	(94,399)	10,000	(84,399)	62,873
<b>Net assets – beginning of year</b>	<u>425,397</u>	<u>-</u>	<u>425,397</u>	<u>362,524</u>
<b>Net assets – end of year</b>	<u>\$ 330,998</u>	<u>\$ 10,000</u>	<u>\$ 340,998</u>	<u>\$ 425,397</u>

---

*The accompanying notes are an integral part of these financial statements.*

THE READING TEAM, INC.  
(A Not-for-Profit Organization)

---

**STATEMENTS OF CASH FLOWS – Modified Cash Basis**

Years Ended June 30, 2012 and 2011

---

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets:	\$ (84,399)	\$ 62,873
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	<u>5,031</u>	<u>3,130</u>
Net cash (used in) provided by operating activities	<u>(79,368)</u>	<u>66,003</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(8,287)</u>	<u>(16,049)</u>
Net cash used in investing activities	<u>(8,287)</u>	<u>(16,049)</u>
Net change in cash and cash equivalents	<u>(87,655)</u>	<u>49,954</u>
<b>Cash and cash equivalents – beginning</b>	<u>388,633</u>	<u>338,679</u>
<b>Cash and cash equivalents – ending</b>	<u>\$ 300,978</u>	<u>\$ 388,633</u>

---

*The accompanying notes are an integral part of these financial statements.*

**NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis**

June 30, 2012 and 2011

---

**1. Purpose of Organization and Summary of Significant Accounting Policies**

Nature of Activities

The Reading Team, Inc. (the “Organization”) is a not-for-profit entity, organized in the state of New York in June 2000, to assist low income students achieve literacy.

Basis of Accounting and Financial Presentation

The financial statements of the Organization have been prepared on the modified cash basis of accounting. Generally revenues are recognized when received and expenditures are recognized when paid. Modifications to the cash basis include the recording of depreciation of property and equipment and accruing for certain expenses. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. As of June 30, 2012, there were no permanently restricted assets. As of June 30, 2011, all assets were unrestricted.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Contributions

The Reading Team, Inc. reports contributions of cash and other assets as unrestricted, temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2012, the Organization has \$10,000 of contributions with donor-imposed restrictions that resulted in temporarily restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid

**NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis (Continued)**

June 30, 2012 and 2011

investments with an initial maturity of three months or less to be cash equivalents.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, did not conduct any unrelated business activities, and is classified by the Internal Revenue Service as other than a private foundation.

**Credit Risk**

The Organization maintains cash balances at a financial institution located in New York. The bank balances, at times, may exceed federally insured limits. However, the Organization has not experienced any losses to date on such accounts and management believes that the risk of loss is negligible.

**2. Property and Equipment**

Property and equipment at June 30, 2012 and 2011, consists of the following:

	Estimated Useful Lives	2012	2011
Computers	3 Years	\$ 88,255	\$ 82,413
Furniture and fixtures	7 Years	29,589	27,144
Leasehold improvement	39 Years	26,670	26,670
		144,514	136,227
Less accumulated depreciation		(117,494)	(112,463)
		<u>\$ 27,020</u>	<u>\$ 23,764</u>

Depreciation expense amounted to \$5,031 and \$3,130 for the years ended June 30, 2012 and 2011, respectively.

**3. Commitment**

**Operating Lease**

The Organization is subject to a noncancelable lease agreement, which expires December 31, 2020.

At June 30, 2012, minimum future aggregate annual rentals under operating lease are as follows:

Years Ending June 30,	Amount
2013	\$ 143,166
2014	145,313
2015	147,493
2016	149,705
2017	151,951
Thereafter	549,703
	<u>\$ 1,287,331</u>

The rent expense amounted to \$144,497 for the year ended June 30, 2012 and \$99,500 for the year ended June 30, 2011.

**4. Donated Services**

The fair value of donated services included as contributions in the financial statements for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
General and administrative services	\$ 19,539	\$ 16,770
Programming services	71,999	59,502
Fundraising services	14,654	12,578
	<u>\$ 106,192</u>	<u>\$ 88,850</u>



**NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis (Continued)**

June 30, 2012 and 2011

---

**5. Restrictions on Net Assets**

Temporarily restricted net assets as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Purpose-restricted:		
Furniture & Equipment for 2nd Site	\$ 10,000	\$ -
	<u>\$ 10,000</u>	<u>\$ -</u>

**6. Subsequent Events**

The Organization has evaluated its subsequent events through November 5, 2012 the date that the accompanying financial statements were available to be issued. The Organization had no material subsequent events requiring adjustment or disclosure other than the following:

In October 2012, the Organization opened a second location to replicate its programs at a public school in Harlem.