

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

**FINANCIAL STATEMENTS**  
**(Modified Cash Basis)**

**Years Ended June 30, 2014 and 2013**

**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

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June 30, 2014 and 2013

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of The Reading Team, Inc. (a not-for-profit organization), which comprise the statements of financial position – modified cash basis as of June 30, 2014 and 2013, and the related statements of activities and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.



### Opinion

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, 2014 and 2013, and the related statements of activities and cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Rosen Seymour Shapss Martin & Company LLP*

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
November 6, 2014

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

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**STATEMENT OF FINANCIAL POSITION - Modified Cash Basis**

June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 143,606	\$ 142,681
Total current assets	143,606	142,681
<b>Property and equipment – net</b>	69,897	106,545
<b>Security deposits and other assets</b>	<u>13,086</u>	<u>13,000</u>
Total assets	<u>\$ 226,589</u>	<u>\$ 262,226</u>
 <b><u>Liabilities and Unrestricted Net Assets</u></b>		
<b>Liabilities</b>	\$ -	\$ -
<b>Commitment</b>		
<b>Unrestricted net assets</b>	<u>226,589</u>	<u>262,226</u>
Total liabilities and unrestricted net assets	<u>\$ 226,589</u>	<u>\$ 262,226</u>

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

THE READING TEAM, INC.  
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**STATEMENTS OF ACTIVITIES – Modified Cash Basis**

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Changes in unrestricted net assets:</b>		
<b>Revenues:</b>		
Contributions	\$ 924,483	\$ 825,181
Total unrestricted revenues	<u>924,483</u>	<u>825,181</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>45,000</u>	<u>99,000</u>
Total net assets released from restrictions	<u>45,000</u>	<u>99,000</u>
Total unrestricted revenues	<u>969,483</u>	<u>924,181</u>
<b>Expenses:</b>		
Program services	872,048	886,076
Management and general	96,979	80,962
Fundraising	<u>36,093</u>	<u>35,915</u>
Total expenses	<u>1,005,120</u>	<u>1,002,953</u>
Decrease in unrestricted net assets	<u>(35,637)</u>	<u>(78,772)</u>
<b>Changes in temporarily restricted net assets:</b>		
Contributions	45,000	99,000
Net assets released from restrictions	<u>(45,000)</u>	<u>(99,000)</u>
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>
Decrease in net assets	<u>(35,637)</u>	<u>(78,772)</u>
<b>Unrestricted net assets – beginning of year</b>	<u>262,226</u>	<u>340,998</u>
<b>Unrestricted net assets – end of year</b>	<u>\$ 226,589</u>	<u>\$ 262,226</u>

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

Years Ended June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Decrease in net assets:	\$ (35,637)	\$ (78,772)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	38,696	20,369
Increase in security deposit and other assets	<u>(86)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>2,973</u>	<u>(58,403)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(2,048)</u>	<u>(99,894)</u>
Net cash used in investing activities	<u>(2,048)</u>	<u>(99,894)</u>
Net change in cash and cash equivalents	925	(158,297)
<b>Cash and cash equivalents – beginning</b>	<u>142,681</u>	<u>300,978</u>
<b>Cash and cash equivalents – ending</b>	<u>\$ 143,606</u>	<u>\$ 142,681</u>
<b>Schedule of non-cash investing and financing:</b>		
Received donations for services and materials	<u>\$ 238,900</u>	<u>\$ 210,777</u>
Used donations for services and materials	<u>\$ 238,900</u>	<u>\$ 210,777</u>

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

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

June 30, 2014 and 2013

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**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 to assist low income students achieve literacy.

Basis of Accounting and Financial Presentation

The financial statements of the Organization have been prepared using the modified cash basis of accounting. Under this method, revenues are recognized when received instead of when earned and expenditures are recognized when paid instead of when obligations are incurred. Rent expense is recognized in accordance with the lease agreement instead of on a straight line basis. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no temporarily or permanently restricted net assets at June 30, 2014 and 2013.

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 less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions and betterments of \$2,000 or more are capitalized, while maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

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 statements of activities as net assets released from restrictions. At June 30, 2014 and 2013, the Organization had no contributions with donor-imposed restrictions that resulted in temporarily or permanently restricted net assets.



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

June 30, 2014 and 2013

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all 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.

Generally accepted accounting principles in the United States of America ("GAAP") clarify the accounting for uncertainty in income taxes recognized in a company's financial statements by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements. The Organization's tax returns for the years 2010 through 2013 remain open to examination by the Internal Revenue Service.

Credit Risk

The Organization maintains cash balances at a financial institution which may, at times, exceed federally insured limits. At June 30, 2014, amounts did not 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, 2014 and 2013, consists of the following:

	Estimated Useful Lives	2014	2013
Computers	3 Years	\$ 173,028	\$ 173,028
Furniture and fixtures	7 Years	46,758	44,710
Leasehold improvement	39 Years	26,670	26,670
		246,456	244,408
Less accumulated depreciation		(176,559)	(137,863)
		<u>\$ 69,897</u>	<u>\$ 106,545</u>

Depreciation expense amounted to \$38,696 and \$20,369 for the years ended June 30, 2014 and 2013, respectively.

**3. Commitment**

Operating Lease

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

At June 30, 2014, minimum future aggregate annual rentals under the operating lease are as follows:

Years Ending June 30,	Amount
2015	\$ 147,493
2016	149,705
2017	151,951
2018	154,230
2019	156,544
Thereafter	<u>238,929</u>
	<u>\$ 998,852</u>

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

June 30, 2014 and 2013

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The rent expense amounted to \$151,730 and \$147,086 for the years ended June 30, 2014 and 2013, respectively.

**4. Donated Material and Services**

Donated materials and services are recorded as contributions at their fair values at the date of donation. The fair value of donated services in the financial statements for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
General and administrative services	\$ 60,540	\$ 36,065
Programming services	156,835	87,293
Fundraising services	21,525	17,419
Property and equipment (computer software)	<u>-</u>	<u>70,000</u>
	<u>\$ 238,900</u>	<u>\$ 210,777</u>

**5. Subsequent Events**

The Organization has evaluated its subsequent events through November 6, 2014, the date that the financial statements were available to be issued.