

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

FINANCIAL STATEMENTS
(Modified Cash Basis)

Years Ended June 30, 2011 and 2010

AND
INDEPENDENT AUDITORS' REPORT

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

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June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, and the results of its activities and its cash flows for the years then ended in conformity with the cash basis of accounting described in Note 1.

Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
September 13, 2011

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

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

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 388,633	\$ 338,679
Total current assets	388,633	338,679
Property and equipment – net	23,764	10,845
Security deposits	<u>13,000</u>	<u>13,000</u>
Total assets	<u>\$ 425,397</u>	<u>\$ 362,524</u>
<u>Liabilities and Net Assets</u>		
Liabilities	\$ -	\$ -
Commitment		
Net assets – unrestricted	<u>425,397</u>	<u>362,524</u>
Total liabilities and net assets	<u>\$ 425,397</u>	<u>\$ 362,524</u>

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

THE READING TEAM, INC.
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FINANCIAL STATEMENTS

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

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Contributions	\$ 622,002	\$ 516,269
Interest and dividend income	85	88
Total revenue	<u>622,087</u>	<u>516,357</u>
Expenses:		
Program services	476,359	381,619
Management and general	55,213	54,301
Fundraising	<u>27,642</u>	<u>14,896</u>
Total expenses	<u>559,214</u>	<u>450,816</u>
Increase in net assets	62,873	65,541
Net assets – beginning of year	<u>362,524</u>	<u>296,983</u>
Net assets – end of year	<u>\$ 425,397</u>	<u>\$ 362,524</u>

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

THE READING TEAM, INC.
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STATEMENTS OF CASH FLOWS – Modified Cash Basis

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets:	\$ 62,873	\$ 65,541
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,130	4,442
(Decrease) in accrued expenses	<u>-</u>	<u>(110)</u>
Net cash provided by operating activities	<u>66,003</u>	<u>69,873</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(16,049)</u>	<u>(2,233)</u>
Net cash used in investing activities	<u>(16,049)</u>	<u>(2,233)</u>
Net change in cash and cash equivalents	<u>49,954</u>	<u>67,640</u>
Cash and cash equivalents – beginning	<u>338,679</u>	<u>271,039</u>
Cash and cash equivalents – ending	<u>\$ 388,633</u>	<u>\$ 338,679</u>

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

NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis

June 30, 2011 and 2010

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, 2011 and 2010, all of the assets of the Organization are 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 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Cash and Cash Equivalents

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

THE READING TEAM, INC.
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NOTES TO FINANCIAL STATEMENTS - Modified Cash Basis (Continued)

June 30, 2011 and 2010

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, 2011 and 2010, consists of the following:

	Estimated Useful Lives	2011	2010
Computers	3 Years	\$ 82,413	\$ 81,003
Furniture and fixtures	7 Years	27,144	12,505
Leasehold improvement	39 Years	26,670	26,670
		136,227	120,178
Less accumulated depreciation		(112,463)	(109,333)
		<u>\$ 23,764</u>	<u>\$ 10,845</u>

Depreciation expense amounted to \$3,130 and \$4,442 for the years ended June 30, 2011 and 2010, respectively.

3. Commitment

Operating Lease

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

At June 30, 2011, minimum future aggregate annual rentals under operating lease are as follows:

Years Ending June 30,	Amount
2012	\$ 141,050
2013	143,166
2014	145,313
2015	147,493
2016	149,705
Thereafter	701,654
	<u>\$ 1,428,381</u>

The rent expense amounted to \$99,500 for the year ended June 30, 2011 and \$96,146 for the year ended June 30, 2010.

4. Donated Services

The fair value of donated services included as contributions in the financial statements for

THE READING TEAM, INC.
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NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis (Continued)

June 30, 2011 and 2010

the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
General and administrative services	\$ 16,770	\$ 15,353
Programming services	59,502	61,072
Fundraising services	12,578	3,838
Accounting services	<u>-</u>	<u>5,000</u>
	<u>\$ 88,850</u>	<u>\$ 85,263</u>

5. Subsequent Events

The Organization has evaluated its subsequent events through September 13, 2011 the date that the accompanying financial statements were available to be issued. The Organization had no material subsequent events requiring disclosure.