

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

FINANCIAL STATEMENTS
(Modified Cash Basis)

Years Ended June 30, 2010 and 2009

AND
INDEPENDENT AUDITORS' REPORT

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June 30, 2010 and 2009

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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, 2010 and 2009, 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 audit 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 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, 2010 and 2009, 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
August 26, 2010

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

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

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ <u>338,679</u>	\$ <u>271,039</u>
Total current assets	338,679	271,039
Property and equipment – net	10,845	13,054
Security deposits	<u>13,000</u>	<u>13,000</u>
Total assets	<u>\$ 362,524</u>	<u>\$ 297,093</u>
 <u>Liabilities and Net Assets</u>		
Liabilities	\$ <u>-</u>	\$ <u>110</u>
Commitment		
Net assets – unrestricted	<u>362,524</u>	<u>296,983</u>
Total liabilities and net assets	<u>\$ 362,524</u>	<u>\$ 297,093</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Contributions	\$ 516,269	\$ 668,320
Interest and dividend income	<u>88</u>	<u>404</u>
Total revenue	<u>516,357</u>	<u>668,724</u>
Expenses:		
Program services	381,619	477,470
Management and general	54,301	49,889
Fundraising	<u>14,896</u>	<u>36,384</u>
Total expenses	<u>450,816</u>	<u>563,743</u>
Increase in net assets	65,541	104,981
Net assets – beginning of year	<u>296,983</u>	<u>192,002</u>
Net assets – end of year	<u>\$ 362,524</u>	<u>\$ 296,983</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets:	\$ 65,541	\$ 104,981
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,442	18,902
(Decrease) increase in accrued expenses	<u>(110)</u>	<u>110</u>
Net cash provided by operating activities	<u>69,873</u>	<u>123,993</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(2,233)</u>	<u>(2,005)</u>
Net cash used in investing activities	<u>(2,233)</u>	<u>(2,005)</u>
Net change in cash and cash equivalents	67,640	121,988
Cash and cash equivalents – beginning	<u>271,039</u>	<u>149,051</u>
Cash and cash equivalents – ending	<u>\$ 338,679</u>	<u>\$ 271,039</u>

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

NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis

June 30, 2010 and 2009

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, 2010 and 2009, 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

NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis (Continued)

June 30, 2010 and 2009

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. As of October 3, 2008 through December 31, 2013, the FDIC limit was increased to \$250,000 for interest bearing accounts. For non interest bearing accounts, the coverage was unlimited for participating institutions until December 31, 2009, at which time the coverage was to revert to \$250,000. Effective January 1, 2010 some of the banks elected to opt out of the unlimited FDIC coverage for non interest bearing accounts, and accordingly such amounts will not be covered by FDIC insurance for balances over \$250,000 through December 31, 2010. The bank balances, at times, exceeded 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, 2010 and 2009, consists of the following:

	Estimated Useful Lives	2010	2009
Computers	9 Years	\$ 81,003	\$ 79,828
Furniture and fixtures	7 Years	12,505	11,446
Leasehold improvement	39 Years	26,670	26,670
		120,178	117,944
Less accumulated depreciation		(109,333)	(104,890)
		<u>\$ 10,845</u>	<u>\$ 13,054</u>

Depreciation expense amounted to \$4,442 and \$18,902 for the years ended June 30, 2010 and 2009, respectively.

3. Commitment

Operating Lease

The Organization is subject to a noncancelable lease agreement with P.J.M.X., Inc., which expires September 30, 2020.

At June 30, 2010, minimum future aggregate annual rentals under operating lease are as follows:

Years Ending June 30,	Amount
2011	\$ 128,283
2012	141,575
2013	143,699
2014	145,854
2015	148,042
Thereafter	814,212
	<u>\$ 1,521,665</u>

The rent expense amounted to \$96,146 for the year ended June 30, 2010 and \$83,613 for the

NOTES TO FINANCIAL STATEMENTS – Modified Cash Basis (Continued)

June 30, 2010 and 2009

year ended June 30, 2009 net of the sublease payments received.

4. Donated Services

The fair value of donated services included as contributions in the financial statements for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
General and administrative services	\$ 15,353	\$ 3,835
Programming services	61,072	56,187
Fundraising services	3,838	19,174
Accounting services	5,000	23,000
Children's books	<u>-</u>	<u>5,000</u>
	<u>\$ 85,263</u>	<u>\$ 107,196</u>

5. Subsequent Events

The Organization has evaluated its subsequent events through August 26, 2010 the date that the accompanying financial statements were available to be issued. The Organization had no material subsequent events requiring disclosure.