

**The Reading Team, Inc.**  
**(A Not-for-Profit Organization)**  
**Financial Statements**  
**Years ended June 30, 2018 and 2017**

The Reading Team, Inc.  
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June 30, 2018 and 2017

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**Report of Independent Auditors**

The Board of Directors  
The Reading Team, Inc.  
New York, NY

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Reading Team, Inc., which include the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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.

**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, 2018 and 2017, and the change 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.

*Lehman Flynn Vollaro*

Melville, NY  
September 10, 2018

The Reading Team, Inc.  
 Statements of Financial Position  
 June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 161,666	\$ 151,624
Promises to give, net	24,000	185,000
Property and equipment, net	9,756	19,511
Security deposits and other assets	12,862	12,862
Total assets	\$ 208,284	\$ 368,997
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 31,499	\$ 22,517
Deferred rent	19,231	32,051
Total liabilities	\$ 50,730	\$ 54,568
<b>Net assets</b>		
Without donor restrictions		
Undesignated	157,554	131,929
With donor restrictions		
Time-restricted for future periods	-	182,500
Total net assets	157,554	314,429
Total liabilities and net assets	\$ 208,284	\$ 368,997

See notes to financial statements

The Reading Team, Inc.  
Statement of Activities  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Contributions, grants and other	\$ 843,515	\$ -	\$ 843,515
Net assets released from restrictions - other	182,500	(182,500)	-
Total revenue, support, and gains	<u>1,026,015</u>	<u>(182,500)</u>	<u>843,515</u>
Expenses and losses			
Program services expense	865,636	-	865,636
Total program expenses	<u>865,636</u>	<u>-</u>	<u>865,636</u>
Supporting services expense			
Management and general	66,134	-	66,134
Fundraising and development	68,620	-	68,620
Total supporting services expenses	<u>134,754</u>	<u>-</u>	<u>134,754</u>
Total expenses and losses	<u>1,000,390</u>	<u>-</u>	<u>1,000,390</u>
Change in net assets	25,625	(182,500)	(156,875)
Net assets, beginning of year	131,929	182,500	314,429
Net assets, end of year	<u>\$ 157,554</u>	<u>\$ -</u>	<u>\$ 157,554</u>

The Reading Team, Inc.  
Statement of Activities  
Year Ended June 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Contributions and grants	\$ 710,692	\$ 325,000	\$ 1,035,692
Net assets released from restrictions - other	197,500	(197,500)	-
Total revenue, support, and gains	<u>908,192</u>	<u>127,500</u>	<u>1,035,692</u>
Expenses and losses			
Program services expense	838,378	-	838,378
Total program expenses	<u>838,378</u>	<u>-</u>	<u>838,378</u>
Supporting services expense			
Management and general	77,234	-	77,234
Fundraising and development	32,085	-	32,085
Total supporting services expenses	<u>109,319</u>	<u>-</u>	<u>109,319</u>
Total expenses and losses	<u>947,697</u>	<u>-</u>	<u>947,697</u>
Change in net assets	(39,505)	127,500	87,995
Net assets, beginning of year	171,434	55,000	226,434
Net assets, end of year	<u>\$ 131,929</u>	<u>\$ 182,500</u>	<u>\$ 314,429</u>

The Reading Team, Inc.  
Statement of Functional Expenses  
Years Ended June 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 482,858	\$ 18,316	\$ 30,166	\$ 531,340
Payroll taxes and benefits	72,529	2,751	4,532	79,812
	<u>555,387</u>	<u>21,067</u>	<u>34,698</u>	<u>611,152</u>
Professional services	54,375	14,500	30,950	99,825
Accounting fees	-	14,325	-	14,325
Other fees	32,150	-	-	32,150
Program expenses	14,349	-	-	14,349
Occupancy	161,353	5,030	1,292	167,675
Travel and meetings	300	145	41	486
Office and other	25,192	5,841	1,639	32,672
Insurance	13,749	4,251	-	18,000
Depreciation	8,781	975	-	9,756
Total expenses by function	<u>\$ 865,636</u>	<u>\$ 66,134</u>	<u>\$ 68,620</u>	<u>\$ 1,000,390</u>

The Reading Team, Inc.  
Statement of Functional Expenses  
Years Ended June 30, 2017

	<u>Program</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 497,828	\$ 3,134	\$ 18,360	\$ 519,322
Payroll taxes and benefits	86,269	539	3,187	89,995
	<u>584,097</u>	<u>3,673</u>	<u>21,547</u>	<u>609,317</u>
Professional services	-	37,832	-	37,832
Accounting fees	-	23,435	-	23,435
Other fees	19,644	250	250	20,144
Program expenses	19,265	247	-	19,512
Occupancy	177,958	5,687	1,286	184,931
Travel and meetings	839	20	291	1,150
Office and other	8,359	2,858	6,105	17,322
Insurance	19,435	2,257	2,606	24,298
Depreciation	8,781	975	-	9,756
Total expenses by function	<u>\$ 838,378</u>	<u>\$ 77,234</u>	<u>\$ 32,085</u>	<u>\$ 947,697</u>



The Reading Team, Inc.  
Statements of Cash Flows  
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (156,875)	\$ 87,995
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	9,756	9,756
Changes in operating assets and liabilities		
Promises to give, net	160,999	(121,500)
Accounts payable and accrued expenses	8,982	(14,721)
Deferred rent	(12,820)	(12,821)
Net cash from (used for) operating activities	<u>10,042</u>	<u>(51,291)</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(11,649)
Net cash from (used for) investing activities	<u>-</u>	<u>(11,649)</u>
Net change in cash and cash equivalents	10,042	(62,940)
Cash and cash equivalents, beginning of year	<u>151,624</u>	<u>214,564</u>
Cash and cash equivalents, end of year	<u>\$ 161,666</u>	<u>\$ 151,624</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ -	\$ -
Unrelated business income taxes	\$ -	\$ -

## **Note 1 - Principal activity and significant accounting policies**

### **Organization**

The Reading Team, Inc. (TRT, we, us, our) is a nonprofit organization established to assist students who are at high risk of reading failure to achieve literacy.

### **Comparative financial information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

### **Cash and cash equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

### **Contributions receivable**

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 and 2017, there was no allowance.

### **Property and equipment**

We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

## **Net assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets 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 an operating reserve and board-designated endowment.

*Net Assets 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.

## **Revenue and revenue recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

## **Donated services and in-kind contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017, respectively.

## **Functional allocation of expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Income taxes**

The Reading Team, Inc. is organized as a New York nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the entity is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Reading Team, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

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**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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 those estimates, and those differences could be material.

**Financial instruments and credit risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Recent accounting guidance**

To improve information presented in a not-for-profit entity's financial statements and to provide more useful information to users of those statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, on August 18, 2016. The new standard includes qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We have elected to adopt ASU 2016-14 early with full retrospective application.

**Subsequent events**

We have evaluated subsequent events through September 10, 2018, the date the consolidated financial statements were available to be issued.

The Reading Team, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

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**Note 2 - Liquidity and availability**

We regularly monitor the availability of resources required to meet our operating needs and other contractual commitments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consists of the following:

Cash and cash equivalents	\$ 161,666
Promises to give	<u>24,000</u>
	<u>\$ 185,666</u>

**Note 3 - Property and equipment**

Property and equipment consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computers	\$ 115,277	\$ 115,277
Leasehold improvements	26,670	26,670
Furniture and fixtures	<u>46,758</u>	<u>46,758</u>
	188,705	188,705
Less accumulated depreciation	<u>(178,949)</u>	<u>(169,194)</u>
	<u>\$ 9,756</u>	<u>\$ 19,511</u>

**Note 4 - Leases**

The Organization is a party to a noncancelable lease agreement with a lessee that expires December 31, 2021. Future minimum lease payments are as follows.

<u>Years Ending June 30,</u>	<u>Operating Leases</u>
2019	\$ 156,544
2020	158,892
2021	<u>80,037</u>
Total minimum lease payments	<u>\$ 395,473</u>

The Reading Team, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

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**Note 5 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2018	2017
Subject to the passage of time:		
Meringoff Family Foundation	-	135,000
Virginia Cretella Mars Foundation	-	40,000
Barker Welfare Foundation	\$ -	\$ 7,500
	-	182,500

	2018	2017
Net assets released from restrictions		
Expiration of time restrictions	\$ 182,500	\$ 197,500

**Note 6 - Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.