

The Reading Team, Inc.
(A Not-for-Profit Organization)
Financial Statements
Years ended June 30, 2020 and 2019

The Reading Team, Inc.
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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, 2020 and 2019, 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, 2020 and 2019, 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
October 12, 2020

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

	2020	2019
Assets		
Cash and cash equivalents	\$ 461,695	\$ 335,536
Promises to give, net	-	25,000
Security deposits and other assets	12,862	12,862
Total assets	\$ 474,557	\$ 373,398
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 8,541	\$ 17,920
Paycheck Protection Loan	77,715	-
Deferred rent	-	6,410
Total liabilities	\$ 86,256	\$ 24,330
Net assets		
Without donor restrictions		
Undesignated	218,301	349,068
With donor restrictions	170,000	-
Total net assets	388,301	349,068
Total liabilities and net assets	\$ 474,557	\$ 373,398

See notes to financial statements

The Reading Team, Inc.
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Contributions, grants and other	\$ 624,160	\$ 170,000	\$ 794,160
Total revenue, support, and gains	<u>624,160</u>	<u>170,000</u>	<u>794,160</u>
Expenses and losses			
Program services expense	643,640	-	643,640
Total program expenses	<u>643,640</u>	<u>-</u>	<u>643,640</u>
Supporting services expense			
Management and general	44,312	-	44,312
Fundraising and development	66,975	-	66,975
Total supporting services expenses	<u>111,287</u>	<u>-</u>	<u>111,287</u>
Total expenses and losses	<u>754,927</u>	<u>-</u>	<u>754,927</u>
Change in net assets	(130,767)	170,000	39,233
Net assets, beginning of year	<u>349,068</u>	<u>-</u>	<u>349,068</u>
Net assets, end of year	<u>\$ 218,301</u>	<u>\$ 170,000</u>	<u>\$ 388,301</u>

The Reading Team, Inc.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Contributions, grants and other	\$ 886,137	\$ -	\$ 886,137
Net assets released from restrictions - other	-	-	-
Total revenue, support, and gains	<u>886,137</u>	<u>-</u>	<u>886,137</u>
Expenses and losses			
Program services expense	<u>593,738</u>	-	<u>593,738</u>
Total program expenses	<u>593,738</u>	<u>-</u>	<u>593,738</u>
Supporting services expense			
Management and general	42,482	-	42,482
Fundraising and development	<u>58,403</u>	-	<u>58,403</u>
Total supporting services expenses	<u>100,885</u>	<u>-</u>	<u>100,885</u>
Total expenses and losses	<u>694,623</u>	<u>-</u>	<u>694,623</u>
Change in net assets	191,514	-	191,514
Net assets, beginning of year	<u>157,554</u>	-	<u>157,554</u>
Net assets, end of year	<u>\$ 349,068</u>	<u>\$ -</u>	<u>\$ 349,068</u>

The Reading Team, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 362,463	\$ 13,987	\$ 29,281	\$ 405,731
Payroll taxes and benefits	59,559	476	10,437	70,472
	<u>422,022</u>	<u>14,463</u>	<u>39,718</u>	<u>476,203</u>
Professional services	7,776	9,753	24,690	42,219
Accounting fees	-	6,000	-	6,000
Other fees	6,519	-	-	6,519
Program expenses	8,900	-	-	8,900
Occupancy	165,993	5,175	1,328	172,496
Travel and meetings	1,100	531	149	1,780
Office and other	16,751	3,883	1,090	21,724
Insurance	14,579	4,507	-	19,086
Total expenses by function	<u>\$ 643,640</u>	<u>\$ 44,312</u>	<u>\$ 66,975</u>	<u>\$ 754,927</u>

The Reading Team, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Salaries	\$ 290,145	\$ 11,196	\$ 23,439	\$ 324,780
Payroll taxes and benefits	51,152	409	8,964	60,525
	<u>341,297</u>	<u>11,605</u>	<u>32,403</u>	<u>385,305</u>
Professional services	25,632	5,902	22,866	54,400
Accounting fees	-	10,284	-	10,284
Other fees	8,085	-	600	8,685
Program expenses	13,955	-	-	13,955
Occupancy	163,812	5,107	1,311	170,230
Travel and meetings	341	165	46	552
Office and other	18,086	4,193	1,177	23,456
Insurance	13,749	4,251	-	18,000
Depreciation	8,781	975	-	9,756
Total expenses by function	<u>\$ 593,738</u>	<u>\$ 42,482</u>	<u>\$ 58,403</u>	<u>\$ 694,623</u>

The Reading Team, Inc.
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 39,233	\$ 191,514
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	-	9,756
Changes in operating assets and liabilities		
Promises to give, net	25,000	(1,000)
Accounts payable and accrued expenses	(9,379)	(13,579)
Deferred rent	(6,410)	(12,821)
Net cash from operating activities	48,444	173,870
Cash flows from financing activities		
Paycheck protection program	77,715	-
Net change in cash and cash equivalents	126,159	173,870
Cash and cash equivalents, beginning of year	335,536	161,666
Cash and cash equivalents, end of year	\$ 461,695	\$ 335,536
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ -	\$ -
Unrelated business income taxes	\$ -	\$ -

See notes to financial statements

The Reading Team, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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.

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, 2020 and 2019, 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:

The Reading Team, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, 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 Organizations 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, 2020 and 2019

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 Organizations 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.

Financial Statement Presentation

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 was effective for fiscal years beginning after December 15, 2017.

Subsequent events

We have evaluated subsequent events through October 12, 2020, the date the consolidated financial statements were available to be issued.

The Reading Team, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

COVID-19

In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the COVID-19 coronavirus continues to spread in the United States and around the world, the Organization may experience disruptions that could severely impact its ability to carry out its activities. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Organization will depend on future developments, which are highly uncertain and cannot be predicted with confidence. These future developments and factors include but are not limited to, the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, supply chain and transportation disruptions, social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the virus. Due to these factors and other currently unknown factors that may come to light if this coronavirus outbreak and any associated protective or preventative measures expand, as of the date of the accountants' report, the Organization cannot reasonably estimate the impact to its activities, revenues, financial condition or results of operations; however, such impact could be significantly negative.

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	\$	461,695
Promises to give		-
		<u> </u>
	\$	<u>461,695</u>

Note 3 - Property and equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computers	\$ 115,277	\$ 115,277
Leasehold improvements	26,670	26,670
Furniture and fixtures	46,758	46,758
	<u>188,705</u>	<u>188,705</u>
Less accumulated depreciation	<u>(188,705)</u>	<u>(178,949)</u>
	<u>\$ -</u>	<u>\$ 9,756</u>

The Reading Team, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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>
2021	<u>160,077</u>
Total minimum lease payments	<u>\$ 160,077</u>

Note 5 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to restriction of spending:		
Joseph H Flom Foundation	100,000	-
The Pinkerton Foundation	<u>70,000</u>	-
	<u>170,000</u>	<u>-</u>

Net assets were released from donor restrictions by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2019</u>	<u>2018</u>
Net assets released from restrictions		
Expiration of time restrictions	<u>\$ -</u>	<u>\$ 182,500</u>

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.