

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

The Reading Team, Inc.  
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June 30, 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, 2017, and the related statement 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Lehman Flynn Vollaro*

Melville, NY  
November 13, 2017

The Reading Team, Inc  
Statement of Financial Position  
June 30, 2017

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Assets	
Cash and cash equivalents	\$ 151,624
Promises to give, net	185,000
Property and equipment, net	19,511
Security deposits and other assets	<u>12,862</u>
Total assets	<u>\$ 368,997</u>
Liabilities and net assets	
Accounts payable and accrued expenses	\$ 22,517
Deferred rent	<u>32,051</u>
Total liabilities	<u>54,568</u>
Net assets	
Without donor restrictions	
Undesignated	131,929
With donor restrictions	
Time-restricted for future periods	<u>182,500</u>
Total net assets	<u>314,429</u>
Total liabilities and net assets	<u>\$ 368,997</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
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>
<b>Expenses</b>			
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	<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	<u>171,434</u>	<u>55,000</u>	<u>226,434</u>
Net assets, end of year	<u>\$ 131,929</u>	<u>\$ 182,500</u>	<u>\$ 314,429</u>

See notes to financial statements

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**The Reading Team, Inc**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

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	Program	Management and General	Fundraising	Total
Payroll	\$ 497,828	\$ 3,134	\$ 18,360	\$ 519,322
Employee benefits	36,174	223	1,340	37,737
Payroll taxes	50,095	316	1,847	52,258
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
Community outreach	2,352	55	360	2,767
Occupancy	177,958	5,687	1,286	184,931
Travel and meetings	839	20	291	1,150
Office and other	6,007	2,803	5,745	14,555
Insurance	19,435	2,257	2,606	24,298
Depreciation and amortization	8,781	975	-	9,756
<b>Total expenses by function</b>	<b>\$ 838,378</b>	<b>\$ 77,234</b>	<b>\$ 32,085</b>	<b>\$ 947,697</b>

See notes to financial statements

The Reading Team, Inc  
Statement of Cash Flows  
Year Ended June 30, 2017

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

See notes to financial statements

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

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**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, 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:



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

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*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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### **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.

#### **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 entities are 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, 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.

**Compensated absences**

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. Our policy is to recognize these costs when actually paid.

**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 22, 2017, the date the financial statements were available to be issued.

**Note 2 - Liquidity and availability**

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

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

Cash and cash equivalents	<u>\$ 151,624</u>
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**Note 3 - Property and equipment**

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

Computers	\$ 185,277
Leasehold improvements	26,670
Furniture and fixtures	<u>46,758</u>
	258,705
Less accumulated depreciation and amortization	<u>(239,194)</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:

Years Ending June 30, 2017	Operating Leases
2018	\$ 154,230
2019	156,544
2020	158,892
2021	<u>80,037</u>
Total minimum lease payments	<u>\$ 549,703</u>

Rent expense for the year ended June 30, 2017 totaled \$168,776.

**Note 5 - Net assets with donor restrictions**

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

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

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Net Assets with Donor restrictions	
Subject to the passage of time:	
Meringoff Family Foundation	\$ 135,000
Virginia Cretella Mars Foundation	40,000
Barker Welfare Foundation	7,500
	<u>\$ 182,500</u>
Net assets released from restrictions	
Expiration of time restrictions	<u>\$ 197,500</u>