

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

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**AND  
INDEPENDENT AUDITOR'S REPORT**

**CONTENTS**

June 30, 2016

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

JM CPA LLP  
589 Eighth Avenue, 7th Floor  
New York, NY 10018



212-303-9000  
Fax: 646-885-0250  
www.jmcpallp.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Reading Team, Inc.:

We have audited the accompanying financial statements of The Reading Team, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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, 2016, 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.

JM CPA LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
November 21, 2016



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

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**STATEMENT OF FINANCIAL POSITION**

June 30, 2016

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**Assets**

Cash and cash equivalents	\$ 214,564
Contributions receivable	63,500
Property and equipment – net	17,618
Security deposits and other assets	<u>12,862</u>
Total assets	<u>\$ 308,544</u>

**Liabilities and Net Assets**

**Liabilities:**

Accrued expenses	\$ 37,238
Deferred rent	<u>44,872</u>
Total liabilities	<u>82,110</u>

**Net assets:**

Restricted	55,000
Unrestricted	<u>171,434</u>
Total net assets	<u>226,434</u>
Total liabilities and net assets	<u>\$ 308,544</u>

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

THE READING TEAM, INC.  
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**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues:</b>			
Contributions	\$ 1,013,344	\$ 101,016	\$ 1,114,360
Other income	<u>599</u>	<u>-</u>	<u>599</u>
Total revenues	1,013,943	101,016	1,114,959
<b>Net assets released from restrictions</b>	<u>46,016</u>	<u>(46,016)</u>	<u>-</u>
	<u>1,059,959</u>	<u>55,000</u>	<u>1,114,959</u>
<b>Expenses:</b>			
Program services (Note 1)	906,167	-	906,167
Management and general	80,245	-	80,245
Fundraising (Note 1)	<u>39,205</u>	<u>-</u>	<u>39,205</u>
Total expenses	<u>1,025,617</u>	<u>-</u>	<u>1,025,617</u>
Increase in net assets	34,342	55,000	89,342
<b>Net assets – beginning of year</b>	<u>137,092</u>	<u>-</u>	<u>137,092</u>
<b>Net assets – end of year</b>	<u>\$ 171,434</u>	<u>\$ 55,000</u>	<u>\$ 226,434</u>

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

THE READING TEAM, INC.  
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**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2016

	Program Services		Supporting Services		Total Expenses
	Community	Education & Training	Management & General	Fundraising	
Payroll and related taxes	\$ -	\$ 558,641	\$ 30,677	\$ 23,008	\$ 612,326
Rent and occupancy	134,200	-	15,976	9,586	159,762
Outreach and communication	20,256	-	2,411	1,447	24,114
Employee benefits	25,185	-	1,908	1,431	28,524
Computer services	680	-	81	49	810
Depreciation	-	18,714	2,079	-	20,793
Development	-	12,079	1,438	863	14,380
Instructional materials	-	3,911	-	-	3,911
Insurance	23,098	-	2,750	1,650	27,498
After school snacks	-	3,167	-	-	3,167
After school instructions	-	34,707	-	-	34,707
Computer hardware	-	5,354	637	382	6,373
Telephone	4,467	-	532	319	5,318
Office supplies	3,349	-	399	239	3,987
Business meetings	1,431	-	170	102	1,703
Children's books	-	54,991	-	-	54,991
Other	1,937	-	220	129	2,286
Financial audit, tax return	-	-	16,670	-	16,670
Staff professional development	-	-	4,297	-	4,297
<b>Total expenses</b>	<b>\$ 214,603</b>	<b>\$ 691,564</b>	<b>\$ 80,245</b>	<b>\$ 39,205</b>	<b>\$ 1,025,617</b>

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

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

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**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016

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<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 89,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,793
Accrued expenses	15,161
Deferred rent liability	(3,754)
Increase in security deposit and other assets	548
Increase in contributions receivable	<u>4,000</u>
Net cash provided by operating activities	<u>126,090</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(600)</u>
Net cash used in investing activities	<u>(600)</u>
Net increase in cash and cash equivalents	125,490
<b>Cash and cash equivalents – beginning</b>	<u>89,074</u>
<b>Cash and cash equivalents – ending</b>	<u>\$ 214,564</u>
<b>Schedules of non-cash investing and financing:</b>	
Received donations for services and materials	<u>\$ 208,300</u>
Used donations for services and materials	<u>\$ 208,300</u>

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



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

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**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 to assist students who are at high risk of reading failure to achieve literacy.

Basis of Accounting and Financial Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had \$55,000 in temporarily restricted net assets, but no permanently restricted net assets at June 30, 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions and betterments of \$2,000 or more and a useful life of 2 years or longer, are capitalized. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

Deferred Rent

Deferred rent represents the amount of excess rent expense on a straight-line basis based on the total rent commitment over the period of the lease and annual rent payable, see Note 3.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016

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**1. Purpose of Organization and Summary of Significant Accounting Policies (Continued)**

Contributions

The Reading Team, Inc. reports contributions of cash and other assets as unrestricted, temporarily restricted or permanently 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. During the year ended June 30, 2016, the Organization received \$101,016 in contributions with donor-imposed restrictions that resulted in temporarily or permanently restricted net assets.

Donated Materials

Donated materials, including books and other noncash donations are recorded as contributions at their fair values at the date of donation. For the year ended June 30, 2016, the Organization received approximately \$50,000 in donated materials.

Donated Services

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated professional services as part of a general and administrative expense are recorded as in-kind contributions in the accompanying financial statements at their estimated fair value on date of receipt to the extent that such amounts can be reasonably estimated. For the year ended June 30, 2016, the Organization received \$158,300 in supporting management and general services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2016

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**1. Purpose of Organization and Summary of Significant Accounting Policies (Continued)**

Income Taxes (Continued)

GAAP clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements. The Organization's tax returns for the years 2012 through 2015 remain open to examination by the Internal Revenue Service.

Credit Risk

The Organization maintains cash balances at a financial institution which may, at times, exceed federally insured limits. At June 30, 2016, amounts did not exceed federally insured limits. The Organization has not experienced any losses through June 30, 2016 on such accounts and management believes that the risk of loss is negligible.

**2. Property and Equipment**

Property and equipment at June 30, 2016, consists of the following:

	<u>Estimated Useful Lives</u>	<u>Costs</u>
Computers	3 Years	\$ 173,628
Furniture and fixtures	7 Years	46,758
Leasehold improvement	Lease term	<u>26,670</u>
		247,056
Less accumulated depreciation		<u>(229,438)</u>
		<u>\$ 17,618</u>

Depreciation expense amounted to \$20,793 for the year ended June 30, 2016.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2016

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**3. Lease Commitment**

Operating Lease

The Organization is a party to a noncancelable lease agreement with the Lessee that expires December 31, 2020.

At June 30, 2016, minimum future aggregate annual rentals under the operating lease are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 151,951
2018	154,230
2019	156,544
2020	158,892
2021	<u>80,037</u>
	<u>\$ 701,654</u>

The rent expense amounted to \$159,762 for the year ended June 30, 2016, of which \$134,200 is in program services, \$15,976 is included in management and general, and \$9,586 is in fundraising in the statement of activities.

**4. Donated Material and Services**

Donated materials and services are recorded as contributions at their fair values at the date of donation. The fair value of donated materials and services in the financial statements for the year ended June 30, 2016 is as follows:

General and administrative services	\$ 38,060
Programming services	148,535
Fundraising services	<u>21,705</u>
	<u>\$ 208,300</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2016

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**5. Subsequent Events**

The Organization has evaluated its subsequent events through November 21, 2016, the date that the financial statements were available to be issued.