

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

FINANCIAL STATEMENTS
(Modified Cash Basis)

Years Ended June 30, 2013 and 2012

AND
INDEPENDENT AUDITORS' REPORT

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June 30, 2013 and 2012

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INDEPENDENT AUDITORS' 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 of the statements of assets, liabilities and net assets – modified cash basis as of June 30, 2013 and 2012, and the related statements of revenues, expenses and other changes in net assets – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
November 4, 2013

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

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - Modified Cash Basis

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 142,681	\$ 300,978
Total current assets	142,681	300,978
Property and equipment – net	106,545	27,020
Security deposits	<u>13,000</u>	<u>13,000</u>
Total assets	<u>\$ 262,226</u>	<u>\$ 340,998</u>
<u>Liabilities and Net Assets</u>		
Liabilities	\$ -	\$ -
Commitment		
Net assets – unrestricted	<u>262,226</u>	<u>340,998</u>
Total liabilities and net assets	<u>\$ 262,226</u>	<u>\$ 340,998</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 CHANGES IN NET ASSETS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Contributions	\$ 924,181	\$ 649,959
Interest and dividend income	-	17
Total revenues	<u>924,181</u>	<u>649,976</u>
Expenses:		
Program services	886,076	632,541
Management and general	80,962	68,431
Fundraising	<u>35,915</u>	<u>33,403</u>
Total expenses	<u>1,002,953</u>	<u>734,375</u>
Change in net assets	(78,772)	(84,399)
Net assets – beginning of year	<u>340,998</u>	<u>425,397</u>
Net assets – end of year	<u>\$ 262,226</u>	<u>\$ 340,998</u>

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

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

STATEMENT OF CASH FLOWS - Modified Cash Basis

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets:	\$ (78,772)	\$ (84,399)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	<u>20,369</u>	<u>5,031</u>
Net cash used in operating activities	<u>(58,403)</u>	<u>(79,368)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(99,894)</u>	<u>(8,287)</u>
Net cash used in investing activities	<u>(99,894)</u>	<u>(8,287)</u>
Net change in cash and cash equivalents	(158,297)	(87,655)
Cash and cash equivalents – beginning	<u>300,978</u>	<u>388,633</u>
Cash and cash equivalents – ending	<u>\$ 142,681</u>	<u>\$ 300,978</u>

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

June 30, 2013 and 2012

**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 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. 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, 2013, all assets were unrestricted. As of June 30, 2012, there were no permanently restricted assets.

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 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. At June 30, 2013, the Organization had no contributions with donor-imposed restrictions that resulted in temporarily restricted net assets.

NOTES TO FINANCIAL STATEMENTS - Minimum Capital Risk (Continued)

June 30, 2013 and 2012

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid 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.

Generally accepted accounting principles in the United States of America ("GAAP") clarify 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.

Credit Risk

The Organization maintains cash balances at a financial institution which may, at times, exceed 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, 2013 and 2012, consists of the following:

	Estimated Useful Lives	2013	2012
Computers	3 Years	\$ 173,028	\$ 88,255
Furniture and fixtures	7 Years	44,710	29,589
Leasehold improvement	39 Years	26,670	26,670
		244,408	144,514
Less accumulated depreciation		(137,863)	(117,494)
		\$ 106,545	\$ 27,020

Depreciation expense amounted to \$20,369 and \$5,031 for the years ended June 30, 2013 and 2012, respectively.

3. Commitment

Operating Lease

The Organization is subject to a noncancelable lease agreement, which expires December 31, 2020.

At June 30, 2013, minimum future aggregate annual rentals under the operating lease are as follows:

Years Ending June 30,	Amount
2014	\$ 145,313
2015	147,493
2016	149,705
2017	151,951
2017	154,230
Thereafter	395,473
	\$ 1,144,165

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

The rent expense amounted to \$147,086 for the year ended June 30, 2013 and \$144,497 for the year ended June 30, 2012.

4. Donated Services

The fair value of donated services included as contributions in the financial statements for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
General and administrative services	\$ 36,065	\$ 19,539
Programming services	87,293	71,999
Fundraising services	17,419	14,654
Property and equipment (computers)	<u>70,000</u>	<u>-</u>
	<u>\$ 210,777</u>	<u>\$ 106,192</u>

5. Restrictions on Net Assets

Temporarily restricted net assets as of June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Purpose-restricted:		
Furniture and equipment for 2nd site	\$ -	\$ 10,000
	<u>\$ -</u>	<u>\$ 10,000</u>

6. Subsequent Events

The Organization has evaluated its subsequent events through November 4, 2013, the date that the accompanying financial statements were available to be issued. The Organization had no material subsequent events requiring recognition or disclosure.