

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

FINANCIAL STATEMENTS

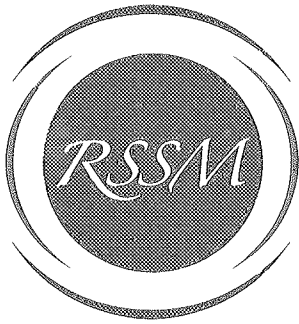
Year Ended June 30, 2015

AND
INDEPENDENT AUDITOR'S REPORT

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June 30, 2015

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Certified Public Accountants
& Strategic Advisors

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, 2015, and the related statements of activities 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, 2015, and the related statements of activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSSM CPA LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
December 21, 2015



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

STATEMENT OF FINANCIAL POSITION

June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 89,074
Total current assets	89,074
Contributions receivable	67,500
Property and equipment – net	37,811
Security deposits and other assets	<u>13,410</u>
Total assets	<u>\$ 207,795</u>

Liabilities and Unrestricted Net Assets

Accrued expenses	\$ 22,077
Deferred rent	48,626
Commitments	
Unrestricted net assets	<u>137,092</u>
Total liabilities and unrestricted net assets	<u>\$ 207,795</u>

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

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Changes in unrestricted net assets:

Revenues:

Contributions	\$ 971,305
Total unrestricted revenues	<u>971,305</u>

Net assets released from restrictions:

Satisfaction of program restrictions	<u>44,420</u>
Total net assets released from restrictions	<u>44,420</u>
Total unrestricted revenues	<u>1,015,725</u>

Expenses:

Program services	853,232
Management and general	143,480
Fundraising	<u>37,027</u>
Total expenses	<u>1,033,739</u>
Decrease in unrestricted net assets	<u>(18,014)</u>

Changes in temporarily restricted net assets:

Contributions	44,420
Net assets released from restrictions	<u>(44,420)</u>
Change in temporarily restricted net assets	<u>-</u>
Decrease in net assets	(18,014)

Unrestricted net assets – beginning of year 155,106

Unrestricted net assets – end of year \$ 137,092

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

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

Cash flows from operating activities:	
Decrease in net assets:	\$ (18,014)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	32,086
Accrued expenses	761
Deferred rent liability	(1,541)
Increase in security deposit and other assets	<u>(324)</u>
Net cash used in operating activities	<u>(54,532)</u>
Net decrease in cash and cash equivalents	(54,532)
Cash and cash equivalents – beginning	<u>143,606</u>
Cash and cash equivalents – ending	<u><u>\$ 89,074</u></u>
Schedule of non-cash investing and financing:	
Received donations for services and materials	<u>\$ 248,900</u>
Used donations for services and materials	<u><u>\$ 248,900</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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 no temporarily or permanently restricted net assets at June 30, 2015.

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 are capitalized, while 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. At June 30, 2015, the Organization had no 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, 2015, 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 fair value on date of use or receipt to the extent that such amounts can be reasonably estimated. For the year ended June 30, 2015, the Organization received \$198,900 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.

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 2011 through 2014 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, 2015, amounts did not exceed federally insured limits. However, the Organization has not experienced any losses through June 30, 2015 on such accounts and management believes that the risk of loss is negligible.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015

2. Property and Equipment

Property and equipment at June 30, 2015, consists of the following:

	Estimated Useful Lives	
Computers	3 Years	\$ 173,028
Furniture and fixtures	7 Years	46,758
Leasehold improvement	Lease term	<u>26,670</u>
		246,456
Less accumulated depreciation		<u>(208,645)</u>
		<u>\$ 37,811</u>

Depreciation expense amounted to \$32,086 for the year ended June 30, 2015.

3. Commitment

Operating Lease

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

At June 30, 2015, minimum future aggregate annual rentals under the operating lease are as follows:

Years Ending June 30,	Amount
2016	\$ 149,705
2017	151,951
2018	154,230
2019	156,544
2020	158,892
Thereafter	<u>80,037</u>
	<u>\$ 851,359</u>

The rent expense amounted to \$156,191 for the year ended June 30, 2015, of which \$131,200 is in program services, \$15,619 is included in management and general, and \$9,372 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, 2015 are as follows:

General and administrative services	\$ 85,540
Programming services	141,835
Fundraising services	<u>21,525</u>
	<u>\$ 248,900</u>

5. Subsequent Events

The Organization has evaluated its subsequent events through December 21, 2015, the date that the financial statements were available to be issued.