

**READY READERS**

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

**JUNE 30, 2011**

## TABLE OF CONTENTS

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	<u>Page</u>
Independent Accountants' Review Report .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses.....	5
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8



## Independent Accountants' Review Report

Board of Directors  
Ready Readers  
St. Louis, Missouri

We have reviewed the accompanying statements of financial position of Ready Readers as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to the management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Brown Smith Wallace, L.L.C.*

St. Louis, Missouri  
August 23, 2011

## READY READERS

### Statements of Financial Position

June 30, 2011 and 2010

(See Independent Accountants' Review Report)

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 221,324	\$ 179,033
Pledges receivable	42,570	14,500
Book inventory - program	20,913	8,922
<b>Total Current Assets</b>	<b>284,807</b>	202,455
<b>Property and Equipment</b>		
Computer hardware	9,557	9,457
Furniture and equipment	5,437	5,112
Leasehold improvements	4,250	4,250
	19,244	18,819
Less accumulated depreciation	9,800	6,319
	9,444	12,500
<b>Other Assets</b>		
Pledges receivable, less current portion	-	10,000
Website, net	6,278	7,000
	6,278	17,000
<b>TOTAL ASSETS</b>	<b>\$ 300,529</b>	<b>\$ 231,955</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued liabilities, current	\$ 4,848	\$ -
<b>Net Assets</b>		
Unrestricted	244,611	175,455
Temporarily restricted	51,070	56,500
<b>Total Net Assets</b>	<b>295,681</b>	231,955
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 300,529</b>	<b>\$ 231,955</b>

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

PREPARED WITHOUT AUDIT

## READY READERS

### Statement of Activities

Year ended June 30, 2011

(See Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues:</b>			
Contribution revenue	\$ 253,710	\$ 51,070	\$ 304,780
Special events, less direct expenses of \$11,777	116,692	-	116,692
In-kind contributions	1,606	-	1,606
Interest income	514	-	514
Net assets released from restrictions	56,500	(56,500)	-
	<hr/>	<hr/>	<hr/>
Total support and revenues	429,022	(5,430)	423,592
	<hr/>	<hr/>	<hr/>
<b>Expenses:</b>			
Program service	237,688	-	237,688
Management and general	71,810	-	71,810
Fundraising	50,367	-	50,367
	<hr/>	<hr/>	<hr/>
Total expenses	359,866	-	359,866
	<hr/>	<hr/>	<hr/>
Change in Net Assets	69,156	(5,430)	63,726
	<hr/>	<hr/>	<hr/>
Net Assets, beginning of year	175,455	56,500	231,955
	<hr/>	<hr/>	<hr/>
Net Assets, end of year	\$ 244,611	\$ 51,070	\$ 295,681
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The accompanying notes are an integral part of these financial statements.

PREPARED WITHOUT AUDIT

## READY READERS

### Statement of Activities

Year ended June 30, 2010

(See Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues:</b>			
Contribution revenue	\$ 175,279	\$ 56,500	\$ 231,779
Special events, less direct expenses of \$15,951	105,420	-	105,420
In-kind contributions	12,460	-	12,460
Interest income	582	-	582
Net assets released from restrictions	38,500	(38,500)	-
Total support and revenues	332,241	18,000	350,241
<b>Expenses:</b>			
Program service	217,607	-	217,607
Management and general	47,208	-	47,208
Fundraising	60,306	-	60,306
Total expenses	325,121	-	325,121
<b>Change in Net Assets</b>	7,120	18,000	25,120
<b>Net Assets, beginning of year</b>	168,335	38,500	206,835
<b>Net Assets, end of year</b>	\$ 175,455	\$ 56,500	\$ 231,955

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

PREPARED WITHOUT AUDIT

## READY READERS

### Statement of Functional Expenses

Year ended June 30, 2011

(See Independent Accountants' Review Report)

	Program Service	Management and General	Fundraising	Total
Salaries and wages	\$ 78,719	\$ 39,628	\$ 34,747	\$ 153,095
Payroll taxes	5,790	2,939	2,580	11,309
	<b>84,509</b>	<b>42,567</b>	<b>37,327</b>	<b>164,404</b>
Accounting fees	-	5,950	-	5,950
Book gifts to children	103,097	-	-	103,097
Book distribution supplies	1,677	-	-	1,677
Depreciation and amortization	4,335	934	934	6,203
Insurance	2,485	2,532	-	5,017
In-kind web-design	-	-	-	-
Legal fees	-	1,650	-	1,650
Marketing materials- design and printing	-	-	8,963	8,963
Meetings	-	2,470	-	2,470
Mileage reimbursement	4,712	22	-	4,734
Miscellaneous	-	1,846	754	2,600
Moving expense	-	-	-	-
Office supplies and equipment	778	2,499	702	3,979
Postage and shipping	635	496	883	2,014
Professional education	30	129	804	963
Program evaluation study	9,988	-	-	9,988
Rent	10,520	4,260	-	14,780
Tech support	2,899	1,853	-	4,752
Telephone	5,367	3,259	-	8,626
Utilities	2,997	1,343	-	4,340
Volunteer training/apprec./recruitment	3,659	-	-	3,659
<b>TOTAL EXPENSES</b>	<b>\$ 237,688</b>	<b>\$ 71,810</b>	<b>\$ 50,367</b>	<b>\$ 359,866</b>

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

PREPARED WITHOUT AUDIT

## READY READERS

### Statement of Functional Expenses

Year ended June 30, 2010

(See Independent Accountants' Review Report)

	<b>Program Service</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 74,765	\$ 17,600	\$ 42,600	\$ 134,965
Payroll taxes	4,947	1,144	3,057	9,148
	79,712	18,744	45,657	144,113
Accounting fees	-	5,750	-	5,750
Book gifts to children	97,162	-	-	97,162
Book distribution supplies	1,332	-	-	1,332
Depreciation and amortization	761	761	761	2,283
Insurance	1,598	3,794	-	5,392
In-kind web-design	1,500	-	1,500	3,000
Legal fees	-	-	-	-
Marketing materials- design and printing	2,800	-	9,585	12,385
Meetings	-	1,845	196	2,041
Mileage reimbursement	3,548	287	-	3,835
Miscellaneous	208	1,709	77	1,994
Moving expense	720	1,448	-	2,168
Office supplies and equipment	1,880	2,755	625	5,260
Postage and shipping	944	545	916	2,405
Professional education	139	17	914	1,070
Program evaluation study	960	-	-	960
Rent	5,064	3,220	-	8,284
Tech support	6,903	2,326	75	9,304
Telephone	4,895	3,178	-	8,073
Utilities	2,762	829	-	3,591
Volunteer training/apprec./recruitment	4,719	-	-	4,719
<b>TOTAL EXPENSES</b>	<b>\$ 217,607</b>	<b>\$ 47,208</b>	<b>\$ 60,306</b>	<b>\$ 325,121</b>

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

PREPARED WITHOUT AUDIT

## READY READERS

### Statements of Cash Flows

Years ended June 30, 2011 and 2010

(See Independent Accountants' Review Report)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 63,726	\$ 25,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash donations	-	(7,000)
Depreciation and amortization	6,203	2,283
(Increase) decrease in operating assets:		
Pledges receivable	(18,070)	(24,500)
Refundable payroll taxes	-	636
Book inventory	(11,991)	14,116
Increase in liabilities:		
Accrued expenses	4,848	-
<b>Net cash provided by operating activities</b>	<b>44,716</b>	<b>10,655</b>
<b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	(425)	(7,801)
Purchases of additions to website	(2,000)	-
<b>Net cash used in investing activities</b>	<b>(2,425)</b>	<b>(7,801)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>42,291</b>	<b>2,854</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>179,033</b>	<b>176,179</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 221,324</b>	<b>\$ 179,033</b>

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

PREPARED WITHOUT AUDIT

## READY READERS

### Notes to Financial Statements

June 30, 2011

(See Independent Accountants' Review Report)

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#### **Note A - Nature of Activities**

Ready Readers (the "Organization") began operations in September 1997. It incorporated in Missouri on January 11, 1999. The Organization's mission is to inspire preschool children from low-income communities to become readers by reading aloud to them and by increasing their exposure to quality books and stimulating reading-related activities.

#### **Note B - Summary of Operations and Significant Accounting Policies**

##### **Basis of Accounting and Presentation**

The financial statements have been prepared using the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 those estimates.

##### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as increases in unrestricted, temporarily or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions. At June 30, 2011 and 2010, the Organization had no permanently restricted net assets.

## READY READERS

### Notes to Financial Statements - Continued

June 30, 2011

(See Independent Accountants' Review Report)

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#### Note B - Summary of Operations and Significant Accounting Policies (Continued)

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in banks. The Organization's cash and cash equivalents are on deposit with a major domestic financial institution. At times, bank deposits may be in excess of federally insured limits.

##### **Book Inventory**

"Book inventory – program" consists of books on hand that are used in the Organization's programs as well as those provided to program participants. Inventory is recorded at cost.

##### **Property and Equipment**

Property and equipment are recorded at cost or estimated value at the time of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on a straight-line basis over various useful lives. Depreciation expense amounted to \$3,481 and \$2,283 for the years ended June 30, 2011 and 2010, respectively.

##### **Functional Allocation of Expenses**

Expenses are charged to each program based on the direct costs incurred. Shared direct costs are distributed proportionally and equitably to applicable funding sources based upon management's evaluation of the expense incurred.

##### **Donated Supplies and Services**

The Organization records donated services and goods in accordance with FASB ASC 958-605, *Revenue Recognition*. Donated materials, equipment and facilities are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the years ended June 30, 2011 and 2010, the Organization received donated materials and property in the amount of \$1,606 and \$12,460, respectively.

Numerous volunteers support the Organization by reading to children in various settings; however the value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been met.

## READY READERS

### Notes to Financial Statements - Continued

June 30, 2011

(See Independent Accountants' Review Report)

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#### Note B - Summary of Operations and Significant Accounting Policies (Continued)

##### Income Taxes

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

The Organization has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions. The Organization's federal Form 990 for tax years 2008 and later remain subject to examination by taxing authorities.

##### Subsequent Events

The Organization evaluated all subsequent events through August 23, 2011, the date the financial statements were available to be issued.

#### Note C - Pledges Receivable

Pledges receivable at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$ 42,570	\$ 14,500
Due in one to five years	<u>-</u>	<u>10,000</u>
	<u>\$ 42,570</u>	<u>\$ 24,500</u>

Book value of pledges receivable approximates fair value at June 30, 2011 and 2010.

#### Note D - Intangible Asset

During the year ended June 30, 2010, the Organization received an in-kind contribution for the development of a website with an estimated book value of \$7,000 and an expected useful live of three years. The website was completed on June 30, 2010. The Organization capitalized an additional \$2,000 for the fiscal year ended June 30, 2011 for customization of the website. Amortization expense amounted to \$2,722 and \$0 for the years ended June 30, 2011 and 2010, respectively.

## READY READERS

### Notes to Financial Statements - Continued

June 30, 2011

(See Independent Accountants' Review Report)

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#### Note E - Line-of-Credit

During the year ended June 30, 2011, the Organization obtained a \$25,000 unsecured line-of-credit with PNC Bank. The line-of-credit expires on October 4, 2012. Interest is payable on outstanding balances at prime rate which was 3.25% at June 30, 2011. There was no outstanding balance on the line of credit at year end.

#### Note F - Temporarily Restricted Net Assets

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets were restricted for the following at June 30:		
Time	\$ -	\$ 20,000
Book purchases	<u>51,070</u>	<u>36,500</u>
	<u>\$ 51,070</u>	<u>\$ 56,500</u>
Net assets released as of June 30:		
Time	\$ 20,000	\$ -
Book purchases	<u>36,500</u>	<u>38,500</u>
	<u>\$ 56,500</u>	<u>\$ 38,500</u>

#### Note G - Lease Commitment

On January 1, 2010, the Organization signed an operating lease for office and warehouse space, which expires on March 31, 2013. Future minimum lease payments as of June 30, 2011 are as follows:

Years ending <u>June 30,</u>	<u>Amount</u>
2012	\$ 14,400
2013	10,800

Rent expense included in the financial statements totaled \$14,780 and \$8,284 for the years ended June 30, 2011 and 2010, respectively.

#### Note H - Board Designated Endowment Fund

During the year ended June 30, 2011, the Organization's Board of Directors authorized establishing an endowment fund with a donor gift of \$20,000. The Board is in the process of developing investment and distribution policies for endowment fund activity.