

RAR-MA, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
WITH
INDEPENDENT AUDITORS' REPORT

RAR-MA, INC.

Table of Contents

	Page Number
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
RAR-MA, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of RAR-MA, Inc. (the Organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the year ended June 30, 2011. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RAR-MA, Inc. as of June 30, 2011 and 2010, and the results of its activities and its cash flows for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

CCR LLP

Boston, Massachusetts
October 25, 2011

RAR-MA, INC.

Statements of Financial Position
June 30, 2011 and 2010

	Assets	
	2011	2010
Current assets		
Cash and cash equivalents	\$ 639,583	\$ 117,002
Certificates of deposit	220,649	660,000
Accounts receivable	1,320	-
Prepaid expenses and other current assets	9,635	8,030
Total current assets	<u>871,187</u>	<u>785,032</u>
Security deposit	<u>2,400</u>	<u>2,400</u>
Total assets	<u>\$ 873,587</u>	<u>\$ 787,432</u>
	Liabilities and Net Assets	
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 18,330</u>	<u>\$ 28,376</u>
Net assets		
Unrestricted net assets	782,962	572,695
Temporarily restricted net assets	<u>72,295</u>	<u>186,361</u>
Total net assets	<u>855,257</u>	<u>759,056</u>
Total liabilities and net assets	<u>\$ 873,587</u>	<u>\$ 787,432</u>

See notes to financial statements.

RAR-MA, INC.Statement of Activities
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Grant revenue	\$ 564,903	\$ 128,856	\$ 693,759
Donations and gifts	310,655	-	310,655
In-kind gifts	30,628	-	30,628
Interest income	3,460	-	3,460
Net assets released from restrictions	242,922	(242,922)	-
	<u>1,152,568</u>	<u>(114,066)</u>	<u>1,038,502</u>
Total revenue and support			
Expenses			
Program expenses	591,730	-	591,730
General and administrative	120,930	-	120,930
Fundraising expenses	229,641	-	229,641
	<u>942,301</u>	<u>-</u>	<u>942,301</u>
Total expenses			
Change in net assets	210,267	(114,066)	96,201
Net assets, beginning of year	572,695	186,361	759,056
Net assets, end of year	<u>\$ 782,962</u>	<u>\$ 72,295</u>	<u>\$ 855,257</u>

See notes to financial statements.

RAR-MA, INC.

Statement of Cash Flows
For the Year Ended June 30, 2011

Cash flows from operating activities	
Change in net assets	\$ 96,201
Increase in operating assets	
Accounts receivable	(1,320)
Prepaid expenses and other current assets	(1,605)
Decrease in operating liabilities	
Accounts payable and accrued expenses	<u>(10,046)</u>
Net cash provided by operating activities	<u>83,230</u>
Cash flows from investing activities	
Maturities of certificates of deposit	<u>439,351</u>
Net cash provided by investing activities	<u>439,351</u>
Net increase in cash and cash equivalents	522,581
Cash and cash equivalents, beginning of year	<u>117,002</u>
Cash and cash equivalents, end of year	<u><u>\$ 639,583</u></u>

See notes to financial statements.

RAR-MA, INC.

Notes to Financial Statements
For the Year Ended June 30, 2011

1. Nature of Operations

RAR-MA, Inc. (the Organization) is a Massachusetts non-profit corporation located in Boston, Massachusetts that was incorporated on March 9, 2009. The Organization works with low-income families to help give every child an equal opportunity for achievement by engaging parents in a routine of daily book sharing from birth to age five, fostering healthy brain development, parent-child bonding, and the early literacy skills essential for school success. The organization is an affiliate of the Raising A Reader national network (RAR National). This network affiliation allows Raising A Reader MA the opportunity to leverage resources such as training, research, tools and program materials, including trademark licensing, while upholding a five part standard of excellence commitment. The Organization is supported primarily through private funding and donations from sources throughout the community.

2. Summary of Significant Accounting Policies

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, liabilities, net assets, and changes therein, and disclosure of contingent assets and liabilities, if any. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with GAAP, whereby revenues and expenses are recorded as they are earned or incurred.

Contributions

In accordance with ASC 958, *Not-for-Profit Entities*, contributions are recognized as revenue at their fair value when received. Unconditional promises to give are recognized when the commitment is made. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restriction.

The Organization had two donors that accounted for 13% and 12% of revenue for the year ended June 30, 2011.

In-Kind Gifts and Services

Donations of goods are recorded at their estimated fair value on the date of gift, provided the fair value is reasonably determinable. For the year ended June 30, 2011, these amounts reflect donated catering and bookkeeping services. Donations of professional services are recorded as both unrestricted contributions and as expenses in accordance with ASC 958.

Continued --

RAR-MA, INC.

Notes to Financial Statements
For the Year Ended June 30, 2011

2. Summary of Significant Accounting Policies (Continued)

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a public charity. Accordingly, no provision for federal or state income taxes has been made in these financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

The Organization places its cash and cash equivalents in highly rated financial institutions, which are continually reviewed by senior management for financial stability. Effective December 31, 2010, extending through December 31, 2012, all “noninterest-bearing transaction accounts” are fully insured, regardless of the balance of the account. Generally the Organization’s cash and cash equivalents in interest-bearing accounts exceeds financial depository insurance limits. However, the Organization has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant credit risk.

Fair Value Measurements

ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Organization has determined that none of its financial or nonfinancial assets or liabilities are measured at fair value, therefore the disclosure requirements of ASC 820 do not currently apply.

Classes of Net Assets

In accordance with ASC 958, *Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets that are not restricted by donors. This may include net assets whose use is limited by internally imposed restrictions.

Temporarily Restricted Net Assets – Net assets whose use by the Organization has been limited by donors to later periods of time, after specific dates, use in specific locations, after fulfillment of specific requirements or for specific purposes. Upon fulfillment of all donor limitations, the temporarily restricted net assets are released from restriction.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they are to be maintained permanently by the Agency. The Organization has no permanently restricted net assets at June 30, 2011.

RAR-MA, INC.

Notes to Financial Statements For the Year Ended June 30, 2011

3. Line of Credit

The Organization has a \$50,000 revolving line of credit agreement with a bank, payable on demand, bearing interest at the Wall Street Prime Rate plus 1% with a floor of 5% (5% at June 30, 2011). The line is secured by all assets of the Organization. The line of credit contains various covenants with which the Organization must comply. Management believes it was in compliance with these covenants at June 30, 2011. There was no balance outstanding at June 30, 2011 and 2010.

4. Temporarily Restricted Net Assets

Net assets include temporarily restricted net assets of \$72,295 and \$186,361 at June 30, 2011 and 2010 respectively, which are available for costs associated with a specified region.

5. Retirement Plan

The Organization maintains a 403(b) defined contribution retirement plan covering all full-time employees who meet certain age and service requirements. The contributions made by the Organization under this plan for the year June 30, 2011 were \$6,376.

6. Transaction with Affiliate

The Organization purchased books and supplies of approximately \$72,000 from RAR National during fiscal year 2011.

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Releases of restrictions were comprised of the following for the year ended June 30, 2011:

Personnel costs	\$ 144,448
Program expenses	94,588
Employee related	2,911
Facilities	<u>975</u>
	<u>\$ 242,922</u>

8. Subsequent Events

Subsequent events were evaluated through October 25, 2011, which is the date the financial statements were available to be issued.

Subsequent to year end, approximately \$192,000 of the certificate of deposit was renewed and is scheduled to mature in May 2012.

See independent auditors' report