

Financial Statements with Report of Independent
Certified Public Accountants

RAR-MA, Inc.

June 30, 2012

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Report of Independent Certified Public Accountants

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

We have audited the accompanying statement of financial position of RAR-MA, Inc. (a nonprofit organization) (the Organization) as of June 30, 2012, and the related statements of activities and cash flows for the year ended June 30, 2012. 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 established by the American Institute of Certified Public. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2012, and the results of its activities and its cash flows for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Boston, Massachusetts
January 7, 2013

RAR-MA, INC.

Statement of Financial Position

June 30, 2012

| | Assets | 2012 |
|---|--------------------------------|-------------------|
| Current assets | | <u>2012</u> |
| Cash and cash equivalents | | \$ 766,120 |
| Grants receivable | | 4,300 |
| Prepaid expenses and other current assets | | <u>12,972</u> |
| Total current assets | | 783,392 |
| | | |
| Certificates of deposit | | 193,662 |
| Property, plant, and equipment | | 1,163 |
| Security deposit | | <u>2,400</u> |
| | | |
| Total assets | | <u>\$ 980,617</u> |
| | Liabilities and Net Assets | |
| | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | | <u>\$ 22,862</u> |
| | | |
| Net assets | | |
| Unrestricted | | 870,433 |
| Temporarily restricted | | <u>87,322</u> |
| | | |
| Total net assets | | <u>957,755</u> |
| | | |
| Total liabilities and net assets | | <u>\$ 980,617</u> |

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

RAR-MA, INC.

Statement of Activities

For the Year Ended June 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| Revenue and support | | | |
| Foundation grants | \$ 449,005 | \$ 220,000 | \$ 669,005 |
| Corporate donations | 113,738 | - | 113,738 |
| Individual donations | 181,513 | - | 181,513 |
| Fees | 33,849 | - | 33,849 |
| In-kind gifts and services | 1,500 | - | 1,500 |
| Miscellaneous income | 15,062 | - | 15,062 |
| Net assets released from restrictions | <u>204,973</u> | <u>(204,973)</u> | <u>-</u> |
| Total revenue and support | <u>999,640</u> | <u>15,027</u> | <u>1,014,667</u> |
| Expenses | | | |
| Development | 186,243 | - | 186,243 |
| Administration | 119,623 | - | 119,623 |
| Program | <u>606,303</u> | <u>-</u> | <u>606,303</u> |
| Total expenses | <u>912,169</u> | <u>-</u> | <u>912,169</u> |
| Change in net assets | 87,471 | 15,027 | 102,498 |
| Net assets, beginning of year | <u>782,962</u> | <u>72,295</u> | <u>855,257</u> |
| Net assets, end of year | <u>\$ 870,433</u> | <u>\$ 87,322</u> | <u>\$ 957,755</u> |

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

RAR-MA, INC.

Statement of Cash Flows

For the Year Ended June 30, 2012

| | |
|---|--------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 102,498 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation on property, plant, and equipment | 232 |
| (Increase) decrease in operating assets | |
| Accounts receivable | (2,980) |
| Prepaid expenses and other current assets | (3,337) |
| Increase (Decrease) in operating liabilities | |
| Accounts payable and accrued expenses | 4,532 |
| Net cash provided by operating activities | <u>100,945</u> |
| Cash flows from investing activities | |
| Maturities of certificates of deposit | 26,987 |
| Purchase of property, plant & equipment | <u>(1,395)</u> |
| Net cash provided by investing activities | <u>25,592</u> |
| Net increase in cash and cash equivalents | 126,537 |
| Cash and cash equivalents, beginning of year | <u>639,583</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 766,120</u></u> |

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

RAR-MA, INC.

Notes to Financial Statements

June 30, 2012

NOTE A - 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 the Organization 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.

NOTE B - 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 US GAAP, whereby revenues and expenses are recorded as they are earned or incurred.

Contributions

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.

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, 2012, these amounts reflect donated catering and bookkeeping services. Donations of professional services are recorded as both unrestricted contributions and as expenses in accordance with US GAAP.

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.

RAR-MA, INC.

Notes to Financial Statements - Continued

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The Organization follows accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2012, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2012, the Organization's federal and various state tax returns generally remain open for the last three years.

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.

Property, Plant and Equipment

The Organization policy is to capitalize expenditures for significant acquisitions of equipment. Acquisitions are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 10 to 25 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment. As of June 30, 2012, the organization had \$232 in depreciation expense on its fixed assets.

Fair Value Measurements

The carrying amounts of the Organizations financial instruments, which include cash and cash equivalents, approximate fair value because of the relatively short maturity of these instruments.

Classes of Net Assets

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.

RAR-MA, INC.

Notes to Financial Statements - Continued

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Classes of Net Assets

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they are to be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2012.

NOTE C - 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, 2012). The line is secured by all assets of the Organization. The line contains various covenants with which the Organization must comply. Management believes it was in compliance with these covenants at June 30, 2012. There was no balance outstanding at June 30, 2012.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Net assets include temporarily restricted net assets of \$87,322 at June 30, 2012, which are available for costs associated with program services of a specified region.

NOTE E - RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution retirement plan covering all employees of the organization. The contributions made by the Organization under this plan for the year June 30, 2012 were \$5,705.

NOTE F - TRANSACTION WITH AFFILIATE AND OTHER RELATED PARTY TRANSACTIONS

The Organization purchased books and supplies of approximately \$50,000 from RAR National during fiscal year 2012.

Donations made by board members were approximately \$8,100 for the year ended June 30, 2012.

NOTE G – FUNDRAISING COSTS

The Organization incurred fundraising expenses of \$37,000, which are included in development expenses in the accompanying statement of activities.

NOTE H - 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, 2012:

| | | |
|--------------------|----|----------------|
| Personnel costs | \$ | 136,975 |
| Program expenses | | 62,802 |
| Employee related | | 3,207 |
| Facilities | | 1,415 |
| Professional costs | | <u>574</u> |
| | \$ | <u>204,973</u> |

NOTE I - CONTRIBUTION CONCENTRATIONS

The Organization had two donors that accounted for 13% and 12% of revenue for the year ended June 30, 2012.

| | | |
|------------------------------------|----|---------|
| Strategic Grant Partners | \$ | 132,376 |
| Richard and Susan Smith Foundation | \$ | 109,200 |

NOTE J - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 7, 2013, which is the date the financial statements were available to be issued.