

**RAR-MA, INC.**  
***dba* RAISING A READER MA**

**FINANCIAL STATEMENTS**

***with***

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED JUNE 30, 2013 AND 2012**

Smith  Sullivan  
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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**RAR-MA, INC.**  
*dba* **RAISING A READER MA**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2013 AND 2012**



**Mission Statement**

Raising A Reader MA is an evidence-based early literacy organization that helps families of young children (birth through age 5) develop, practice, and maintain home-based literacy routines. Our core program model, which both increases access to books and offers families tools and support for strengthening the culture of reading at home, is driven by 25 years of research that shows the most significant factor impacting a child's academic success is being regularly read to by a parent or other primary adult caregiver before starting kindergarten.

**Our goal** is to end the cycle of low literacy by helping families across Massachusetts develop high impact home reading routines that lay the groundwork for a lifetime of learning, success, and productive, responsible citizenship.

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**YEARS ENDED JUNE 30, 2013 AND 2012**



Raising A Reader MA serves Boston and 8 Gateway Communities in Massachusetts including: Brockton, Chelsea, Everett, Lawrence, Lowell, Malden, Revere, and Springfield.

Our indirect service partners, implementing Raising A Reader through a train-the-trainer model, target high-need children in an additional 24 communities.

Raising A Reader MA currently has more than 48,000 books in circulation through the homes of over 12,000 children and families across the Commonwealth. Our strategic growth plan focuses our expansion on additional Gateway cities, such as Worcester, Lynn, Holyoke, and New Bedford.

Raising A Reader received a Social Capitalist award from FAST COMPANY and the top non-profit award from Philanthropedia.

RAR-MA, Inc. was honored by the City of Chelsea and Boston University.

RAR-MA, Inc. was recently recognized as one of five evidence-base early literacy programs eligible to receive Race To The Top money through its partners in Massachusetts.

Raising A Reader National was awarded, by the U.S. Department of Education, the Innovative Approaches to Literacy Grant. As an Outstanding Affiliate, RAR-MA, Inc. has received a portion of these funds for Massachusetts expansion.

RAR-MA, INC.  
*dba* RAISING A READER MA

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

**C O N T E N T S**

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# Smith Sullivan & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
RAR-MA, Inc.  
*dba* Raising a Reader MA  
Boston, Massachusetts

We have audited the accompanying financial statements of RAR-MA, Inc., *dba* Raising a Reader MA (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows 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 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.

### **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 of 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 Organization'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 Organization'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 RAR-MA, Inc., *dba* Raising a Reader MA, as of June 30, 2013 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
RAR-MA, Inc.  
*dba* Raising a Reader MA

#### **Other Matter**

The financial statements of RAR-MA, Inc. *dba* Raising a Reader MA as of June 30, 2012, were audited by other auditors whose report dated January 7, 2013 expressed an unmodified opinion on those financial statements. As discussed in Note 5 to the financial statements, the Organization has adjusted its fiscal year 2012 financial statements to reflect the fair value of promises to give at the time the promise was received. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the fiscal year 2013 financial statements, we also audited the adjustments to the fiscal year 2012 financial statements to retrospectively apply the change in accounting as described in Note 5. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to RAR-MA, Inc. *dba* Raising a Reader MA's fiscal year 2012 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the fiscal year 2012 financial statements as a whole.

*Smith, Sullivan & Company, P.C.*

Westborough, Massachusetts  
October 24, 2013

RAR-MA, INC.  
*dba* RAISING A READER MA

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS:</u></b>		
Cash and Cash Equivalents	\$ 300,000	\$ 959,782
Accounts Receivable, Program Services	33,343	-
Grants Receivable	190,960	104,300
Prepaid Expenses	<u>9,049</u>	<u>12,972</u>
Total Current Assets	<u>533,352</u>	<u>1,077,054</u>
<b><u>NET PROPERTY AND EQUIPMENT</u></b>	<u>697</u>	<u>1,163</u>
<b><u>OTHER ASSETS:</u></b>		
Board Designated Operating Reserve Fund	567,582	-
Grants Receivable, Non-Current	-	100,000
Security Deposit	<u>2,400</u>	<u>2,400</u>
Total Other Assets	<u>569,982</u>	<u>102,400</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,104,031</u></b>	<b><u>\$ 1,180,617</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable and Accrued Expenses	\$ 30,881	\$ 18,470
Accrued Salaries, Vacation and Related Costs	<u>9,646</u>	<u>4,392</u>
Total Current Liabilities	<u>40,527</u>	<u>22,862</u>
<b><u>NET ASSETS:</u></b>		
Undesignated Net Assets	257,984	870,433
Board Designated Net Assets	<u>567,582</u>	<u>-</u>
Total Unrestricted Net Assets	825,566	870,433
Temporarily Restricted Net Assets	<u>237,938</u>	<u>287,322</u>
Total Net Assets	<u>1,063,504</u>	<u>1,157,755</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 1,104,031</u></b>	<b><u>\$ 1,180,617</u></b>

RAR-MA, INC.  
*dba* RAISING A READER MA

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 339,527	\$ 317,500	\$ 657,027	\$ 597,053	\$ 520,000	\$ 1,117,053
Fee for Service Revenue	293,989	-	293,989	45,137	-	45,137
In-Kind Goods and Services	18,185	-	18,185	1,500	-	1,500
Special Fundraising Event, Net of Direct Costs	71,063	-	71,063	30,825	-	30,825
Total Support and Revenues	722,764	317,500	1,040,264	674,515	520,000	1,194,515
<i>Investment and Other Income:</i>						
Investment Return, Net	2,106	-	2,106	2,572	-	2,572
Other Income	7	-	7	1,200	-	1,200
Total Investment and Other Income	2,113	-	2,113	3,772	-	3,772
<i>Reclassification of Net Assets:</i>						
Net Assets Released from Restriction	366,884	(366,884)	-	304,973	(304,973)	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,091,761</u></b>	<b><u>(49,384)</u></b>	<b><u>1,042,377</u></b>	<b><u>983,260</u></b>	<b><u>215,027</u></b>	<b><u>1,198,287</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>						
Program Services	824,325	-	824,325	589,942	-	589,942
Administrative	156,724	-	156,724	136,484	-	136,484
Fund Raising	155,579	-	155,579	169,363	-	169,363
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>1,136,628</u></b>	<b><u>-</u></b>	<b><u>1,136,628</u></b>	<b><u>895,789</u></b>	<b><u>-</u></b>	<b><u>895,789</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>(44,867)</u></b>	<b><u>(49,384)</u></b>	<b><u>(94,251)</u></b>	<b><u>87,471</u></b>	<b><u>215,027</u></b>	<b><u>302,498</u></b>
<b><u>NET ASSETS -</u></b>						
<b><u>BEGINNING OF YEAR AS RESTATED</u></b> (Note 5)	<b><u>870,433</u></b>	<b><u>287,322</u></b>	<b><u>1,157,755</u></b>	<b><u>782,962</u></b>	<b><u>72,295</u></b>	<b><u>855,257</u></b>
<b><u>NET ASSETS -</u></b>						
<b><u>END OF YEAR AS RESTATED</u></b> (Note 5)	<b><u>\$ 825,566</u></b>	<b><u>\$ 237,938</u></b>	<b><u>\$ 1,063,504</u></b>	<b><u>\$ 870,433</u></b>	<b><u>\$ 287,322</u></b>	<b><u>\$ 1,157,755</u></b>

RAR-MA, INC.  
*dba* RAISING A READER MA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

*(With Summarized Unaudited Comparative Totals for 2012)*

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2013</u>	<u>2012</u>
Salaries	\$ 458,812	\$ 71,114	\$ 102,352	\$ 632,278	\$ 580,054
Payroll Taxes	34,595	18,865	7,682	61,142	42,273
Employee Benefits	45,841	3,308	8,706	57,855	59,032
Professional Fees and Consultants	-	27,931	-	27,931	22,724
Other Professional Fees	-	7,149	6,346	13,495	9,461
Program Supplies and Activities	222,514	-	-	222,514	106,863
Event Costs	130	31	9,266	9,427	175
Food and Meals	2,054	1,656	604	4,314	2,019
Telephone	8,922	2,916	1,998	13,836	12,241
Rent	26,548	4,114	5,923	36,585	19,700
Marketing and Promotion	1,475	1,600	4,986	8,061	4,707
Insurance	-	3,824	-	3,824	2,877
Workers' Compensation Insurance	787	122	176	1,085	914
Printing and Postage	4,068	7,249	5,009	16,326	9,956
Staff Recruitment, Development and Training	540	220	755	1,515	924
Dues and Subscriptions	-	1,344	238	1,582	1,444
Staff Travel and Mileage	14,197	1,393	1,307	16,897	12,143
Repairs and Maintenance	-	770	-	770	223
Office Supplies	3,488	1,829	46	5,363	5,438
Depreciation Expense	-	466	-	466	232
Miscellaneous Expense	354	432	185	971	1,939
Bad Debt Expense	-	391	-	391	450
<b>Total Functional Expenses</b>	<b><u>\$ 824,325</u></b>	<b><u>\$ 156,724</u></b>	<b><u>\$ 155,579</u></b>	<b><u>\$ 1,136,628</u></b>	<b><u>\$ 895,789</u></b>

RAR-MA, INC.  
*dba* RAISING A READER MA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012 (UNAUDITED)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries	\$ 377,391	\$ 77,029	\$ 125,634	\$ 580,054
Payroll Taxes	26,855	5,866	9,552	42,273
Employee Benefits	41,780	3,452	13,800	59,032
Professional Fees and Consultants	-	22,724	-	22,724
Other Professional Fees	1,035	4,624	3,802	9,461
Program Supplies and Activities	106,863	-	-	106,863
Event Costs	25	150	-	175
Food and Meals	675	584	760	2,019
Telephone	8,289	2,256	1,696	12,241
Rent	12,817	2,616	4,267	19,700
Marketing and Promotion	924	40	3,743	4,707
Insurance	-	2,877	-	2,877
Workers' Compensation Insurance	595	121	198	914
Printing and Postage	467	5,685	3,804	9,956
Staff Recruitment, Development and Training	548	120	256	924
Dues and Subscriptions	49	1,232	163	1,444
Staff Travel and Mileage	9,335	1,494	1,314	12,143
Repairs and Maintenance	-	223	-	223
Office Supplies	1,372	3,972	94	5,438
Depreciation Expense	-	232	-	232
Miscellaneous Expense	572	1,187	180	1,939
Bad Debt Expense	350	-	100	450
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Functional Expenses</b>	<b><u>\$ 589,942</u></b>	<b><u>\$ 136,484</u></b>	<b><u>\$ 169,363</u></b>	<b><u>\$ 895,789</u></b>

RAR-MA, INC.  
*dba* RAISING A READER MA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDING JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ (94,251)	\$ 302,498
<i>Adjustments to Reconcile the Above to Net Cash  Provided (Used) by Operating Activities:</i>		
Depreciation Expense	466	232
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	(33,343)	(2,980)
Grants Receivable	(86,660)	(100,000)
Prepaid Expenses	3,923	(3,337)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	12,411	4,532
Accrued Salaries, Vacation and Related Costs	5,254	-
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	<u>100,000</u>	<u>(100,000)</u>
Net Adjustment	<u>2,051</u>	<u>(201,553)</u>
<b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	<b><u>(92,200)</u></b>	<b><u>100,945</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Reclassification of Cash to Board Designated Operating Reserve Fund	(567,582)	-
Reclassification of Certificate of Deposit	-	193,662
Maturities of Certificates of Deposit	-	26,987
Purchase of Property and Equipment	-	(1,395)
Net Cash Flows From Investing Activities	<u>(567,582)</u>	<u>219,254</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>(659,782)</u></b>	<b><u>320,199</u></b>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<b><u>959,782</u></b>	<b><u>639,583</u></b>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 959,782</u></b>
<i>Supplemental Disclosures:</i>		
Interest Paid	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

RAR-MA, INC.  
*dba* RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1      ORGANIZATION

RAR-MA, Inc., *dba* Raising a Reader MA, (“RAR-MA” or the “Organization”), was incorporated in 2009 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Raising A Reader came to Massachusetts in the Spring of 2006 through the generous support of the GreenLight Fund, an organization that identifies groundbreaking, innovative, and results-oriented nonprofits in cities around the country and replicates those programs in Massachusetts.

**Affiliate:**

RAR-MA is an affiliate of the Raising a Reader national network (“RAR National”). This network affiliation allows RAR-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. As part of this affiliation, RAR-MA is obligated to purchase its program materials (books, book bags, and staff training materials) from RAR National.

NOTE 2      PROGRAM SERVICES

**Raising A Reader MA’s Core Program Model:**

Raising A Reader MA is an evidence-based early literacy program dedicated to preventing the academic achievement gap by helping families of young children develop, practice and maintain home-based literacy routines critical for school success. Our work, which both increases access to books and offers families resources and support for strengthening the culture of reading at home, is driven by 25 years of research that correlates high rates of family book sharing during a child’s early years (birth through age five) with kindergarten readiness.

Raising A Reader MA does this by delivering the following services to children and families:

1. Increasing access to books at home through our **signature Red Bag book rotation program**
2. Offering multilingual **workshops, trainings, and an instructional DVD** to help parents use these books to strengthen the culture of reading at home
3. **Partnering with early educators** and other family support workers to encourage families to read with their children at home

Raising A Reader MA is a collaborative program – we work with centers of early education and care including Head Start, public pre-schools, home visiting programs, parent-child playgroups, adult education programs, and family child care providers.

RAR-MA, INC.  
*dba* RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 2      *(Continued)*

**Efficacy: Measuring our Impact:**

Decades of research has shown that **when parents read regularly with their children, children’s pre-literacy skills improve**. In order to track this important behavior change, Raising A Reader MA employs parent pre- and post- surveys as well as focus groups and interviews to assess both the quantity and quality of their shared reading behaviors.

Annual program evaluation data shows that the percentage of **families reading books at home three or more times a week increases by as many as 20 percentage points over a year, up to 75% reporting reading together at home three or more times a week**. Baseline data collected at the start of the program shows that before the program, fewer than 55% of families report reading together at home regularly.

**Management Information System:**

Raising A Reader MA uses a customized program evaluation and performance measurement tracking system built on the Salesforce platform. It fuses staff activity, partner assessment, constituent behavior and survey response data, allowing for real-time staff engagement with key metrics. Used daily, it allows for easier analysis to inform program strategy and data driven decisions.

As of June 30, 2013, Raising A Reader MA spent **73 cents of every dollar on programming**, while serving 11,500 children within Massachusetts.

**Funding:**

RAR-MA is supported primarily through private funding and donations from sources throughout the community.

In addition to recognition from the Department of Education for Race to the Top and Innovative Approaches to Literacy Funding, RAR-MA has received significant support by notable foundations such as the Smith Family Foundation, Social Venture Partners Boston (“SVP”), Strategic Grant Partners (“SGP”), the Davis Foundation, and the Amelia Peabody Foundation.

NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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 those estimates; however, adherence to generally accepted accounting principles, has in management’s opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

RAR-MA, INC.  
*dba* RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3      *(Continued)*

**Basis of Accounting:**

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Fair Value of Financial Instruments:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

For the years presented, the Organization did not have any assets that require re-measurement on a recurring basis, which would be required to be classified under the fair value hierarchy.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for activities and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

RAR-MA, INC.  
*dba* RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3     *(Continued)*

In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes. As of June 30, 2013, the Organization had \$567,582 in *Board Designated Net Assets* held as an operating reserve.

*Temporarily Restricted Net Assets* - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. In the accompanying financial statements, temporarily restricted net assets consists of time and program restricted gifts.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, RAR-MA did not have any assets of this nature.

**Cash and Cash Equivalents:**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less at time of purchase to be cash equivalents. As of June 30, 2013, all cash equivalents are included in the *Board Designated Operating Reserve Fund*.

**Receivables:**

*Accounts Receivable, Program Services* represents uncollected fees from program services.

*Grants Receivable* are classified as current if they are scheduled for receipt within one year, and non-current when the expected date of receipt exceeds one year. As of June 30, 2012, that balance in *Grants Receivable, Non-Current* was due in FY 2014.

Management has deemed all receivables fully collectible and therefore, they have not been reduced by an allowance for uncollectible receivables. Balances that remain outstanding after management has made reasonable collection efforts will be charged to activities when that determination is made. For the years ended June 30, 2013 and 2012, *Bad Debt Expense* was \$391 and \$450, respectively.

**Property and Equipment:**

Property and equipment purchases in excess of \$1,000 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenue over the estimated useful lives of the assets, as expressed in terms of years.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3      *(Continued)*

Property and equipment consists of computers with three-year estimated useful lives. Accumulated depreciation was \$698 and \$232 as of June 30, 2013 and 2012, respectively.

**Revenue Recognition:**

For the years presented, *Fee for Service Revenue* consists of contracted training fees, related materials and fees for reimbursed supplies that are recognized as revenue in the period in which the related services are performed.

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

**In-Kind Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization maintains a policy whereby the value of the donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization are recognized as revenue on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses. Donations of equipment and goods which meet the criteria of the Organization's capitalization policy are capitalized and depreciated pursuant to the policies previously described.

**Functional Expenses:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses which can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated on various statistical bases. Supporting services are those related to operating and managing the RAR-MA, Inc., *dba* Raising a Reader MA, and its programs on a day-to-day basis.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3      *(Continued)*

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to RAR-MA's internal management and accounting for program services.

*Fund Raising* - includes all activities related to maintaining contributor information, membership development, grant writing, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs. Fund raising expenses also include the indirect costs of special fund raising events, while direct event costs are netted against the event proceeds. For the years ended June 30, 2013 and 2012, total fund raising expenses, including both direct and indirect event costs, were \$172,752 and \$185,723, respectively.

**Tax Position:**

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2010 are no longer subject to examination by tax authorities.

**Reclassifications:**

Certain amounts in the prior year information have been reclassified to conform to the current year presentation. Specifically, direct costs of special events in the amount of \$16,360 have been reclassified from the Statement of Functional Expenses to *Special Fund Raising Event, Net of Direct Costs* in the Statement of Activities. Additionally, certain reclassifications were made to present a complete Statement of Functional Expenses. Reclassifications made to the prior year summarized information have no impact on total net assets or changes in net assets (*See Note 5 for Net Asset Restatement*).

NOTE 4      LINE OF CREDIT

The Organization has a \$50,000 line-of-credit with Eastern Bank that is due on demand. Interest is payable monthly at 1.00% above the Wall Street Journal prime rate, but not less than 5.00% (5.00% as of June 30, 2013 and 2012, respectively). The line is secured by all assets of the Organization. As of June 30, 2013 and 2012, there was no balance outstanding under the line. The line-of-credit is subject to the Bank's annual review.

NOTE 5      RESTATEMENT OF NET ASSETS

Prior to FY 2013, the Organization did not report the fair value of a promise to give at the time the promise was received, which is required by generally accepted accounting principles. To retroactively adjust the revenue recognition, the Organization has restated its FY 2012 Statement of Activities and adjusted its opening temporarily restricted net assets as of July 1, 2012.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 5 (Continued)

Management has restated its net assets in the accompanying Statement of Activities as follows:

Temporarily Restricted Net Assets as of June 30, 2012	\$ 87,322
Fair Value of Revenue from Promise to Give as of June 30, 2012	<u>200,000</u>
Temporarily Restricted Net Assets as Restated as of June 30, 2012	<u>\$ 287,322</u>

The FY 2012 financial statements have been restated to retrospectively apply the reporting of the fair value of a promise to give at the time the promise is received. The effect of this correction is an increase in *Gifts, Grants and Contributions* of \$300,000, and an additional release of net assets from restriction of \$100,000.

NOTE 6 RESTRICTED NET ASSETS

**Temporarily Restricted Net Assets:**

The following is a summary of temporarily restricted net assets as of June 30, 2013 and 2012:

<u>Nature of Restriction</u>	<u>2013</u>	<u>2012</u>
Brockton	\$144,372	\$229,634
Lowell	-	57,688
Springfield	68,566	-
Time Restricted	<u>25,000</u>	-
Total	<u>\$237,938</u>	<u>\$287,322</u>

For the years presented, net assets were released from restriction for the following programs and purposes:

<u>Nature of Restriction</u>	<u>2013</u>	<u>2012</u>
Brockton	\$110,262	\$226,273
Lowell	68,688	78,700
Springfield	120,434	-
Boston	30,000	-
Lawrence	5,000	-
Tri-City	<u>32,500</u>	-
Total	<u>\$366,844</u>	<u>\$304,973</u>

**Board Designated Net Assets:**

To more clearly reflect the Board's intentions, in FY 2013, the Board established a board designated operating reserve fund to be used for strategic growth and/or other initiatives at the discretion of the Board of Directors. For presentation purposes, cash held in savings accounts totaling \$567,582 was reclassified as *Board Designated Operating Reserve Funds* as of June 30, 2013.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 7      IN-KIND GOODS AND SERVICES

For the years ended June 30, 2013 and 2012, the following in-kind contributions met the Organization's recognition criteria and were recognized in its financial statements:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Rent*	\$18,000	\$ -
Books	185	-
Catering	-	<u>1,500</u>
Total	<u>\$18,185</u>	<u>\$1,500</u>

\*The Organization operates its programs in various satellite locations throughout Massachusetts. Most of this satellite space is provided free of charge to RAR-MA, and while not tracked, management estimates the annual value to be approximately \$18,000.

RAR-MA received a multi-year grant from Social Venture Partners, a charitable grant making organization. The grant consists of support in the form of \$40,000 cash and pro-bono consulting services valued at approximately \$22,500. The consulting services included strategic planning, program evaluation, marketing and communications. The value of these services was significant and much appreciated by RAR-MA. Absent the generosity of SVP Boston, RAR-MA would not have engaged such services; therefore, this contribution, while significant, has not been reflected in the accompanying financial statements.

NOTE 8      SPECIAL FUND RAISING EVENTS

In FY 2013, the Organization held a "Dinner With An Author" event as a special fundraising event. In FY 2012, the Organization held a gala dinner event. The revenue from these fund raising events is reflected on the Statement of Activities, net of direct costs, while costs of direct mail campaigns and indirect event costs are reported on the Statement of Functional Expenses. The following table summarizes the fund raising events:

	<u>2013</u>	<u>2012</u>
Gross Event Ticket Sales	\$ 17,250	\$ 4,750
Auction Proceeds	8,500	7,250
Contributions and Sponsorships Received	61,640	35,185
Raffle Ticket Proceeds	<u>846</u>	<u>-</u>
Total Proceeds	88,236	47,185
Less: Direct Event Costs of Events	<u>(17,173)</u>	<u>(16,360)</u>
Net Event Proceeds	<u>\$ 71,063</u>	<u>\$ 30,825</u>

RAR-MA, INC.  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 9     TRANSACTIONS WITH AFFILIATE AND OTHER RELATED PARTY TRANSACTIONS

**RAR National:**

The Organization purchased books and supplies of \$195,920 and \$50,000 from RAR National during FY 2013 and FY 2012, respectively. RAR-MA received \$83,310 in revenue during FY 2013 from RAR National for contracted services, reimbursed supplies and travel costs. As of June 30, 2013, \$11,460 was due from RAR National for reimbursement of costs related to a contract and is included in *Grants Receivable*.

NOTE 10     EMPLOYEE BENEFIT PLAN

The Organization maintains an employee benefit program that covers substantially all employees. Contributions to the plan are based on a percentage of eligible employees' compensation, subject to certain limitations, and vest over a three-year period. For the years ended June 30, 2013 and 2012, employer contributions to the Plan were \$7,449 and \$5,705, respectively, and are included in *Employee Benefits* on the Statements of Functional Expenses.

NOTE 11     OPERATING LEASE COMMITMENTS

The Organization leases approximately 1,500 square feet of office and program space in Boston pursuant to a lease which expired on December 31, 2009. RAR-MA has occupied the premises on a tenancy-at-will basis since that time. Monthly rental payments were \$1,500 for the years presented.

NOTE 12     CONCENTRATIONS

**Cash and Cash Equivalents:**

The Organization is subject to some credit risk through cash balances in checking and savings accounts which are placed with two high quality institutions. At times during the year, the balances in these accounts may exceed the federally insured and other insured limits; however, the Organization has not experienced any losses on uninsured cash balances and the Organization believes its cash balance is not exposed to significant credit risk. As of June 30, 2013, the Organization had cumulative deposits of \$338,585 in excess of the \$250,000 federally insured per institution limit.

**Grants Receivable:**

For the years ended June 30, 2013 and 2012, one foundation grant accounted for 52% and 100% of total *Grants Receivable*, respectively.

**Accounts Receivable, Program Services:**

For the year ended June 30, 2013, balances due from the two public schools accounted for 87% of total *Accounts Receivable, Program Services*.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 13 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through October 24, 2013, the date which the financial statements were available for issue, and noted no events which met the criteria.