

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

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2015 AND 2014

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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

REPORT ON FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014



Mission Statement

Raising A Reader MA is an evidence-based early literacy organization that helps families of young children (birth through age six) develop, practice, and maintain habits of reading together at home. Our core program model, which both increases access to books and offers support for strengthening the culture of reading at home, is driven by more than 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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Raising A Reader MA serves Boston and 9 Gateway Communities in Massachusetts including: Brockton, Chelsea, Everett, Lawrence, Lowell, Lynn, 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, 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. is recognized as one of five evidence-based 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 and been recognized for Program Excellence by Raising a Reader National.

RAR-MA, INC.
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REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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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 statements of financial position as of June 30, 2015 and 2014, 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 audits. We conducted our audits 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.

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

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, 2015 and 2014 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.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
October 26, 2015

RAR-MA, INC.
dba RAISING A READER MA

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 315,430	\$ 288,427
Accounts Receivable, Program Services	22,666	35,197
Grants Receivable	203,360	180,679
Prepaid Expenses	8,612	12,950
Total Current Assets	<u>550,068</u>	<u>517,253</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>-</u>	<u>232</u>
<u>OTHER ASSETS:</u>		
Board Designated Operating Reserve Fund	320,510	448,775
Grants Receivable, Non-Current	-	10,000
Security Deposit	2,734	2,400
Total Other Assets	<u>323,244</u>	<u>461,175</u>
<u>TOTAL ASSETS</u>	<u>\$ 873,312</u>	<u>\$ 978,660</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 42,927	\$ 29,799
Accrued Salaries, Vacation and Related Costs	11,715	11,091
Total Current Liabilities	<u>54,642</u>	<u>40,890</u>
<u>NET ASSETS:</u>		
Undesignated Net Assets	95,284	282,794
Board Designated Net Assets	320,510	448,775
Total Unrestricted Net Assets	415,794	731,569
Temporarily Restricted Net Assets	402,876	206,201
Total Net Assets	<u>818,670</u>	<u>937,770</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 873,312</u>	<u>\$ 978,660</u>

RAR-MA, INC.
dba RAISING A READER MA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 137,708	\$ 526,950	\$ 664,658	\$ 62,627	\$ 540,279	\$ 602,906
Program Revenue	157,450	-	157,450	208,953	-	208,953
In-Kind Goods and Services	25,200	27,660	52,860	20,295	-	20,295
Special Fundraising Event, Net of Direct Costs	273,516	-	273,516	136,221	-	136,221
Total Support and Revenues	593,874	554,610	1,148,484	428,096	540,279	968,375
<i>Investment and Other Income:</i>						
Investment Return, Net	1,742	-	1,742	2,230	-	2,230
Other Income	1,705	-	1,705	315	-	315
Total Investment and Other Income	3,447	-	3,447	2,545	-	2,545
<i>Reclassification of Net Assets:</i>						
Net Assets Released from Restriction	357,935	(357,935)	-	572,016	(572,016)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>955,256</u>	<u>196,675</u>	<u>1,151,931</u>	<u>1,002,657</u>	<u>(31,737)</u>	<u>970,920</u>
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	904,031	-	904,031	795,594	-	795,594
Administrative	187,378	-	187,378	150,454	-	150,454
Fund Raising	179,622	-	179,622	150,606	-	150,606
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,271,031</u>	<u>-</u>	<u>1,271,031</u>	<u>1,096,654</u>	<u>-</u>	<u>1,096,654</u>
<u>CHANGE IN NET ASSETS</u>	(315,775)	196,675	(119,100)	(93,997)	(31,737)	(125,734)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>731,569</u>	<u>206,201</u>	<u>937,770</u>	<u>825,566</u>	<u>237,938</u>	<u>1,063,504</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 415,794</u>	<u>\$ 402,876</u>	<u>\$ 818,670</u>	<u>\$ 731,569</u>	<u>\$ 206,201</u>	<u>\$ 937,770</u>

RAR-MA, INC.
dba RAISING A READER MA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Comparative Totals for 2014)

	<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>2015</u>	<u>2014</u>
Salaries	\$ 569,589	\$ 79,120	\$ 113,898	\$ 762,607	\$ 694,452
Payroll Taxes	40,062	14,963	7,302	62,327	54,384
Employee Benefits	53,966	2,655	9,520	66,141	56,220
Professional Fees and Consultants	4,112	44,050	35,575	83,737	66,588
Program Supplies and Activities	175,080	-	-	175,080	132,673
Event Costs	-	-	1,229	1,229	2,267
Food and Meals	1,356	1,368	297	3,021	2,908
Telephone	3,684	8,897	480	13,061	11,328
Rent and Utilities	35,290	4,457	6,172	45,919	36,600
Marketing and Promotion	15	41	1,375	1,431	902
General and Liability Insurance	-	4,407	-	4,407	4,013
Workers' Compensation Insurance	734	25	145	904	1,081
Printing and Postage	2,533	4,782	1,172	8,487	9,750
Staff Recruitment, Development and Training	1,132	20,787	169	22,088	450
Dues and Subscriptions	-	39	208	247	1,164
Staff Travel and Mileage	13,782	876	2,006	16,664	16,244
Repairs and Maintenance	-	340	-	340	638
Office Supplies	2,631	135	74	2,840	3,379
Depreciation Expense	-	232	-	232	465
Miscellaneous Expense	-	204	-	204	748
Bad Debt Expense	65	-	-	65	400
Total Functional Expenses	\$ 904,031	\$ 187,378	\$ 179,622	\$ 1,271,031	\$ 1,096,654

RAR-MA, INC.
dba RAISING A READER MA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 519,245	\$ 73,477	\$ 101,730	\$ 694,452
Payroll Taxes	38,628	8,177	7,579	54,384
Employee Benefits	43,941	3,586	8,693	56,220
Professional Fees and Consultants	11,182	38,146	17,260	66,588
Program Supplies and Activities	132,673	-	-	132,673
Event Costs	-	-	2,267	2,267
Food and Meals	1,470	930	508	2,908
Telephone	1,355	9,546	427	11,328
Rent	27,366	3,872	5,362	36,600
Marketing and Promotion	147	180	575	902
General and Liability Insurance	-	4,013	-	4,013
Workers' Compensation Insurance	806	106	169	1,081
Printing and Postage	2,221	4,901	2,628	9,750
Staff Recruitment, Development and Training	370	-	80	450
Dues and Subscriptions	-	1,164	-	1,164
Staff Travel and Mileage	12,630	913	2,701	16,244
Repairs and Maintenance	-	638	-	638
Office Supplies	3,280	37	62	3,379
Depreciation Expense	-	465	-	465
Miscellaneous Expense	280	303	165	748
Bad Debt Expense	-	-	400	400
Total Functional Expenses	<u>\$ 795,594</u>	<u>\$ 150,454</u>	<u>\$ 150,606</u>	<u>\$ 1,096,654</u>

RAR-MA, INC.
dba RAISING A READER MA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (119,100)	\$ (125,734)
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>		
Depreciation Expense	232	465
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	12,531	9,606
Grants Receivable	(22,681)	(1,179)
Prepaid Expenses	4,338	(3,901)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	13,128	(1,082)
Accrued Salaries, Vacation and Related Costs	624	1,445
<i>(Increase) Decrease in Other Assets:</i>		
Grants Receivable, Non-Current	10,000	(10,000)
Security Deposit	(334)	-
Net Adjustment	<u>17,838</u>	<u>(4,646)</u>
<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(101,262)</u>	<u>(130,380)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Transfer of Cash from Board Designated Operating Reserve Fund	<u>128,265</u>	<u>118,807</u>
Net Cash Flows From Investing Activities	<u>128,265</u>	<u>118,807</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>27,003</u>	<u>(11,573)</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>288,427</u>	<u>300,000</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 315,430</u>	<u>\$ 288,427</u>

RAR-MA, INC.
dba RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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.

RAR-MA 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

RAR-MA’s Core Program Model:

RAR-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 more than 25 years of research that correlates high rates of family book sharing during a child’s early years (birth through age six) with kindergarten readiness.

RAR-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

RAR-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, 2015 AND 2014

(Continued)

NOTE 2 *(Continued)*

Efficacy: Measuring our Impact:

Decades of research have shown that **when parents read regularly with their children, children's pre-literacy skills improve**. In order to track this important behavior change, RAR-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 has increased 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:

RAR-MA continues to use 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.

For the year ended June 30, 2015, **71 cents of every RAR-MA dollar spent went toward programming**, while serving 12,000 children within Massachusetts. Comparatively, for the year ended June 30, 2014, **73 cents of every dollar spent went toward programming** while serving 11,000 children in Massachusetts.

Funding:

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

In addition to recognition from the U.S. Department of Education for Race to the Top, RAR-MA has received significant support from notable foundations such as The Barr Foundation, Amelia Peabody Foundation, Nordblom Family Foundation, and the Irene E. & George A. Davis 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, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

RAR-MA, INC.
dba RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 3 *(Continued)*

Basis of Accounting:

The Organization maintains its books and prepares 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.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, 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.

In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors as an operating reserve fund. The operating reserve fund is to be used for strategic growth and/or other initiatives at the discretion of the Board of Directors and for cash flow to meet recommended balances in the operating account. As of June 30, 2015 and 2014, the Organization had \$320,510 and \$448,775, respectively, in *Board Designated Net Assets*.

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.

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.

Receivables:

Accounts Receivable, Program Services represents uncollected fees from public schools and other organizations related to RAR program fees, consultation, data analysis and materials.

Grants Receivable represents amounts which are due from individual donors and foundations related to grant commitments for programmatic support and the Organization's annual gala fundraising event.

RAR-MA, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 3 *(Continued)*

Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of June 30, 2014, the balance in *Grants Receivable, Non-Current* was due in FY 2016.

Management periodically reviews receivables to determine if any balances are uncollectible. Management believes that all receivables are fully collectible; accordingly, these financial statements do not contain a provision for uncollectible accounts. 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, 2015 and 2014, bad debt expense was \$65 and \$400, 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.

As of June 30, 2014, property and equipment consisted of computers with three-year estimated useful lives. These computers were fully depreciated and disposed of prior to June 30, 2015. Accumulated depreciation was \$1,163 as of June 30, 2014.

Revenue Recognition:

For the years presented, *Program Revenue* includes revenue received from affiliated communities for reimbursed program supplies and expansion, as well as revenue for RAR-MA program research. In addition, some communities pay contracted fees for the train the trainer model. *Program Revenue* is 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*TM, 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 3 *(Continued)*

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*TM, the Organization maintains a policy whereby contributions of donated goods and services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statements of Activities and are reported 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.

RAR-MA relies heavily upon the services of many individuals and organizations who provide expertise and assistance in the delivery of its program services in addition to administrative support. This volunteer group includes individuals and businesses, as well as extensive efforts and contributions made by the Board of Directors and its various committees. Although extensive, this volunteer effort does not meet the recognition criteria, and therefore, the related service contribution is not reflected in the accompanying financial statements.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, 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 RAR-MA, Inc., *dba* Raising A Reader MA, and its programs on a day-to-day basis.

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, 2015 and 2014, total fund raising expenses, including both direct and indirect event costs, were \$234,032 and \$195,147, respectively.

RAR-MA, INC.
dba RAISING A READER MA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 3 *(Continued)*

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.

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, 2015 and 2014). The line is secured by all assets of the Organization. As of June 30, 2015 and 2014, there was no balance outstanding under the line. The line-of-credit is subject to the Bank's annual review.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include unexpended contributions temporarily restricted by donors for the following purposes:

<u>Nature of Restriction</u>	<u>2015</u>	<u>2014</u>
Community Specific Programs:		
Boston	\$262,538	\$ 23,530
Lynn	52,986	120,000
Springfield	30,692	62,671
Parent Ambassador Program	29,000	-
In-Kind Books Receivable	<u>27,660</u>	<u>-</u>
Total	<u>\$402,876</u>	<u>\$206,201</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 5 (Continued)

During the years ended June 30, 2015 and 2014, net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the years presented:

<u>Nature of Restriction</u>	<u>2015</u>	<u>2014</u>
Community Specific Programs:		
Boston	\$ 38,992	\$ 61,470
Brockton	10,000	175,551
Chelsea/Revere	34,950	-
Lawrence	30,000	26,000
Lowell	5,000	50,000
Lynn	77,013	-
Springfield	125,980	175,895
Tri-City	10,000	58,100
Parent Ambassador Program	6,000	-
Time Restricted	<u>20,000</u>	<u>25,000</u>
Total	<u>\$357,935</u>	<u>\$572,016</u>

NOTE 6 IN-KIND GOODS AND SERVICES

For the years ended June 30, 2015 and 2014, the following in-kind contributions met the Organization's recognition criteria and were recognized in its financial statements:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Rent*	\$25,200	\$18,000
Books	27,660	-
Audio Visual Services	-	2,295
Total	<u>\$52,860</u>	<u>\$20,295</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 \$25,200 and \$18,000 for the years ended June 30, 2015 and 2014, respectively.

During FY 2015, RAR-MA received a pledge of 3,055 books, which was valued by the donating publishing company at \$27,660, using the retail value for each book. Delivery of the books occurred subsequent to June 30, 2015, and the book donation receivable has been included in temporarily restricted net assets in the accompanying financial statements as of June 30, 2015.

The Organization entered into a contract with a law firm to provide RAR-MA with pro-bono legal assistance on general business matters, including corporate governance issues, internal controls and procedures, as well as intellectual property matters. As RAR-MA would not have engaged this law firm for these services, while generous in amount, there services have not met the recognition criteria for financial reporting.

RAR-MA, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 7 SPECIAL FUND RAISING EVENTS

For the years presented, the Organization held a “Dinner With An Author” event as a special fundraising event. During FY 2015, RAR-MA also held a literacy breakfast event as a special fundraising event. The revenue from these fund raising events is reflected on the Statements 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>Dinner</u>	<u>Breakfast</u>	<u>2015</u>	<u>2014</u>
Gross Event Ticket Sales	\$ 69,600	\$ 17,300	\$ 86,900	\$ 44,700
Auction Proceeds	48,900	-	48,900	32,675
Contributions and Sponsorships	<u>103,591</u>	<u>88,535</u>	<u>192,126</u>	<u>103,387</u>
Total Proceeds	222,091	105,835	327,926	180,762
Less: Direct Event Costs of Events	<u>(42,028)</u>	<u>(12,382)</u>	<u>(54,410)</u>	<u>(44,541)*</u>
Net Event Proceeds	<u>\$180,063</u>	<u>\$ 93,453</u>	<u>\$273,516</u>	<u>\$136,221</u>

*For the year ended June 30, 2014, direct costs include \$2,295 of donated audio visual services.

NOTE 8 RELATED PARTY TRANSACTIONS

RAR National:

The Organization purchased books and supplies of \$149,403 and \$112,336 from RAR National during FY 2015 and FY 2014, respectively. RAR-MA received \$43,933 and \$109,589 in revenue during FY 2015 and FY 2014, respectively, from RAR National for contracted services, reimbursed supplies and travel costs. As of June 30, 2014, \$18,913 was due from RAR National for reimbursement of costs related to a contract and is included in *Accounts Receivable, Program Services*.

Executive Director:

The Executive Director is an employee and serves as a voting member on the Organization’s Board of Directors.

NOTE 9 EMPLOYMENT ARRANGEMENT

Effective March 2015, RAR-MA entered into a co-employment agreement with ADP TotalSource, Inc. (“ADP”) for the purpose of outsourcing the Organization’s human resource function, including employee benefits administration, payroll processing, tax remittance and reporting and workers compensation coverage. Accordingly, ADP became the employer of record, while RAR-MA continues to direct the day-to-day duties and activities of its employees. For purposes of financial and tax reporting, RAR-MA continues to report and track the components of its personnel costs, maintaining the integrity of the specific line items.

RAR-MA, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 10 UNEMPLOYMENT COMPENSATION LIABILITY

RAR-MA has elected to finance the benefit costs of unemployment compensation by reimbursing the Commonwealth of Massachusetts (“Commonwealth”) for unemployment compensation paid by the Commonwealth on behalf of the Organization. The election was made under the Unemployment Compensation Amendments of 1976 (Public Law 94-566).

The Organization paid \$8,090 and \$2,880 during FY 2015 and 2014, respectively, which represents the cost of unemployment compensation for one terminated employee, plus interest. The reimbursable amounts have been included in *Payroll Taxes* on the Statements of Functional Expenses for the years ended June 30, 2015 and 2014. The Organization’s exposure to future claims, as of June 30, 2015, cannot be reasonably estimated.

NOTE 11 EMPLOYEE BENEFIT PLANS

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, 2015 and 2014, employer contributions to the Plan were \$14,011 and \$11,257, respectively, and are included in *Employee Benefits* on the Statements of Functional Expenses.

Effective May 1, 2015, the Organization also maintains a ROTH 401(k) that covers substantially all employees.

NOTE 12 OPERATING LEASE COMMITMENTS

Facilities:

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. Effective November 2014, the Organization began paying for electricity on this leased space.

Office Equipment:

During FY 2014, the Organization entered into a sixty month contract for office equipment. The agreement originally called for monthly payments of \$405 through August 2019 based on an average monthly print quantity with a provision for a quarterly fee assessment for any overages. The lease was amended in January 2014 reducing the monthly payment to \$322 per month for the remainder of the contract with fewer copies per month included. For the years ended June 30, 2015 and 2014, total payments under this agreement amounted to \$3,864 and \$3,552, respectively, and are included in *Printing and Postage* in the accompanying Statement of Functional Expenses.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(Continued)

NOTE 12 *(Continued)*

The future minimum lease obligation arising from this commitment is scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2016	\$ 3,864
June 30, 2017	3,864
June 30, 2018	3,864
June 30, 2019	<u>644</u>
Total	<u>\$12,236</u>

NOTE 13 CONCENTRATIONS

Cash:

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 management considers credit risk on cash to be low. The Organization had cumulative deposits of \$135,846 and \$237,579 in excess of the \$250,000 federally insured per institution limit as of June 30, 2015 and 2014, respectively.

Grants Receivable:

As of June 30, 2015 and 2014, one foundation grant accounted for 49% and 26% of total *Grants Receivable*, respectively. As of June 30, 2014, a second foundation grant accounted for 23% of *Grants Receivable*.

Accounts Receivable, Program Services:

For the years ended June 30, 2015 and 2014, balances due from one public school accounted for 56% and 27% of total *Accounts Receivable, Program Services*, respectively.

As of June 30, 2014, amounts due from RAR National accounted for 54% of *Accounts Receivable, Program Services*, and there were no amounts due from RAR National as of June 30, 2015.

NOTE 14 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 26, 2015, the date which the financial statements were available for issue, and noted no events which met the criteria.