

READ TO A CHILD, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

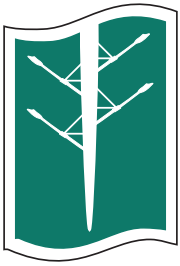
FOR THE YEAR ENDED SEPTEMBER 30, 2017

READ TO A CHILD, INC.

CONTENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	PAGE(S)
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Read to a Child, Inc.

We have audited the accompanying financial statements of Read to a Child, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 from 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 entity'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 entity'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 Read to a Child, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Read to a Child, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Murphy, Edwards, Goncalves & Ferrera, PC

Southborough, Massachusetts

December 11, 2017

READ TO A CHILD, INC.

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2017

(With Comparative Totals as of September 30, 2016)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Note 2)	\$ 578,553	\$ 568,749
Investments (Note 3)	9,906	9,902
Contributions Receivable (Note 2)	41,652	79,036
Prepaid Expenses	<u>7,145</u>	<u>8,986</u>
Total Current Assets	637,256	666,673
PROPERTY AND EQUIPMENT, NET (Notes 2 and 4)	<u>3,930</u>	<u>17,673</u>
TOTAL ASSETS	<u>\$ 641,186</u>	<u>\$ 684,346</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,390	\$ 10,021
Accrued Expenses	44,426	43,788
Deferred Income (Note 5)	<u>73,250</u>	<u>74,000</u>
Total Current Liabilities	<u>123,066</u>	<u>127,809</u>
NET ASSETS (Note 2):		
Unrestricted	435,099	430,249
Temporarily Restricted (Note 6)	<u>83,021</u>	<u>126,288</u>
Total Net Assets	<u>518,120</u>	<u>556,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 641,186</u>	<u>\$ 684,346</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(With Comparative Totals for the Year Ended September 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
NET ASSETS:				
Support:				
Special Events Income	\$ 330,158	\$ -	\$ 330,158	\$ 295,849
Direct Special Event Costs	<u>(46,864)</u>	<u>-</u>	<u>(46,864)</u>	<u>(45,182)</u>
Net Special Event Income	283,294	-	283,294	250,667
Contributions (Note 2)	468,911	-	468,911	396,268
Grant Income	326,287	80,558	406,845	461,081
In-Kind Contributions (Note 2)	127,519	-	127,519	153,090
Net Assets Released from Restriction (Note 2)	<u>123,825</u>	<u>(123,825)</u>	<u>-</u>	<u>-</u>
Total Support	<u>1,329,836</u>	<u>(43,267)</u>	<u>1,286,569</u>	<u>1,261,106</u>
Revenue:				
Interest Income (Note 3)	648	-	648	605
Realized and Unrealized Gain (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
Total Revenue	<u>648</u>	<u>-</u>	<u>648</u>	<u>1,740</u>
TOTAL SUPPORT AND REVENUE	<u>1,330,484</u>	<u>(43,267)</u>	<u>1,287,217</u>	<u>1,262,846</u>
FUNCTIONAL EXPENSES (Note 2):				
Program Services	<u>955,835</u>	<u>-</u>	<u>955,835</u>	<u>904,135</u>
Support Services:				
Management and General	152,598	-	152,598	157,665
Fund Raising	<u>217,201</u>	<u>-</u>	<u>217,201</u>	<u>168,788</u>
Total Support Services	<u>369,799</u>	<u>-</u>	<u>369,799</u>	<u>326,453</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,325,634</u>	<u>-</u>	<u>1,325,634</u>	<u>1,230,588</u>
INCREASE (DECREASE) IN NET ASSETS	4,850	(43,267)	(38,417)	32,258
NET ASSETS - BEGINNING OF YEAR	<u>430,249</u>	<u>126,288</u>	<u>556,537</u>	<u>524,279</u>
NET ASSETS - END OF YEAR	<u>\$ 435,099</u>	<u>\$ 83,021</u>	<u>\$ 518,120</u>	<u>\$ 556,537</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(With Comparative Totals for the Year Ended September 30, 2016)

SUPPORT SERVICES

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	2017 TOTAL	2016 TOTAL
Salaries and Wages	\$ 664,305	\$ 100,097	\$ 108,355	\$ 872,757	\$ 804,949
Payroll Taxes	58,658	8,102	9,471	76,231	72,351
Employee Benefits	<u>51,665</u>	<u>10,997</u>	<u>5,880</u>	<u>68,542</u>	<u>60,476</u>
Total Payroll and Related Expenses	774,628	119,196	123,706	1,017,530	937,776
Accounting Services	-	11,830	-	11,830	11,450
Professional Fees and Consultants	17,453	948	52,691	71,092	19,413
In-Kind Professional Fees (Note 2)	16,930	-	15,730	32,660	43,508
Insurance	4,715	509	679	5,903	10,033
Office and Telecommunications Expense	14,288	3,330	8,239	25,857	27,629
Program Books and Supplies	19,105	-	-	19,105	23,328
Maintenance and Storage Expense	655	30	-	685	932
In-Kind Rent (Note 2)	71,063	11,496	12,300	94,859	109,582
Travel	6,830	405	2,188	9,423	11,458
Volunteer Transportation	13,602	-	-	13,602	9,260
Conferences and Meetings	2,734	154	202	3,090	4,292
Filing Fees	-	1,839	-	1,839	1,975
Memberships and Dues	39	-	-	39	160
Miscellaneous	2,018	1,913	446	4,377	6,049
Depreciation (Note 2)	<u>11,775</u>	<u>948</u>	<u>1,020</u>	<u>13,743</u>	<u>13,743</u>
Total Expenses	<u>\$ 955,835</u>	<u>\$ 152,598</u>	<u>\$ 217,201</u>	<u>\$ 1,325,634</u>	<u>\$ 1,230,588</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(With Comparative Totals for the Year Ended September 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ (38,417)	\$ 32,258
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,743	13,743
Realized and Unrealized (Gain) Loss	-	(1,135)
(Increase) Decrease in Current Assets:		
Investments	(4)	-
Contributions Receivable	37,384	(76,148)
Prepaid Expenses	1,841	(569)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(4,631)	438
Accrued Expenses	638	12,746
Deferred Income	(750)	25,000
Net Cash Provided by Operating Activities	<u>9,804</u>	<u>6,333</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,804	6,333
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>568,749</u>	<u>562,416</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 578,553</u>	<u>\$ 568,749</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Read to a Child is a national nonprofit literacy and mentoring organization that fosters a love of reading, improves literacy skills and empowers underserved children by inspiring adults to read to them regularly. In Read to a Child's Lunchtime Reading Program, an adult is partnered one-on-one with an at-risk elementary school student for a rewarding read aloud experience during the child's lunch break. The Organization has programs in greater Boston, Detroit, Los Angeles, Miami, and Connecticut, and offices in Wellesley, MA, Detroit and Los Angeles. The Organization's support and revenue is primarily derived from contributions, events and grants.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization maintains its accounting records on the accrual basis. The financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. The Organization reports information regarding its financial position and activities according to three net asset classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the prior year, from which the summarized totals were derived.

Cash and Cash Equivalents

The Organization considers equivalent to cash all money market funds and other deposits with an original maturity of ninety days or less from date of purchase. Cash equivalents are stated at cost which approximates market.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions Receivable

Unconditional promises to give are recognized at net realizable value as income in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. As of September 30, 2017, pledges receivable are expected to be fully collected in fiscal year 2018. Accordingly, no allowance for doubtful accounts has been recognized.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair value at the date of gift. Assets are capitalized if they are expected to have a useful life of greater than one year and their cost of acquisition exceeds one thousand dollars.

Depreciation expense is provided on a straight-line basis over the estimated useful life of the asset, which ranges from three to five years. Depreciation expense for the year ending September 30, 2017 is \$13,743. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in the statement of activities for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets in accordance with the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization.

Donated Services and Facilities/In-Kind

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) required specialized skills, are performed by people with those skills and would otherwise be purchased. During the year, the Organization received donated office space valued at \$94,859 and donated marketing services valued at \$32,660. Donated office space was provided by commercial real estate firms at locations including Detroit, Los Angeles and Wellesley, MA. The value of the donated services and facilities are included in the financial statements as an in-kind contribution and expense.

In the operation of its Lunchtime Reading Program, the Organization relies heavily upon approximately 1,700 volunteers to read aloud to elementary students each week during the school year. No value for these services is reflected in the financial statements, as the criteria for recording these services in accordance with generally accepted accounting principles has not been met.

Functional Expenses

The Organization classifies its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program or support services are charged directly according to their functional classification. Other expenses that are common to several services are allocated by various statistical bases.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated subsequent events through December 11, 2017, the date that the financial statements were available to be issued.

Income Taxes

Under FASB ASC 740-10, *Income Taxes*, an organization should recognize the tax benefit associated with uncertain tax positions taken for tax return purposes only when it is more likely than not that position will be sustained. Management does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits, interest or penalties. Fiscal years 2014 – 2017 are currently open for examination by taxing authorities.

Read to a Child, Inc. qualifies as a tax exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, and as such, is not required to pay income taxes.

NOTE 3 INVESTMENTS

The Organization carries investments with readily determinable values at quoted market prices, as of the balance sheet date, in accordance with the provisions of the FASB ASC 958-320, *Not-for-Profit Entities, Investments*. As there are active markets for the investments, the fair value measurement of investments are based on level 1 inputs of the fair value hierarchy. As of September 30, 2017, the investment mix is comprised entirely of cash. Investment performance and interest earned on savings accounts for the year ended September 30, 2017 resulted in interest income of \$648.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(Continued)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2017:

Website and Computer Systems	\$ 56,950
Less: Accumulated Depreciation	<u>(53,020)</u>
Property and Equipment, Net	<u>\$ 3,930</u>

NOTE 5 DEFERRED INCOME

As of September 30, 2017, deferred income consists of contributions received in support of special events taking place after the fiscal year end.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2017, temporarily restricted net assets are available for the support of technology upgrades and the lunchtime reading program in fiscal year 2018.

NOTE 7 LINE OF CREDIT

The Organization has a revolving line of credit of \$125,000 with Eastern Bank at a variable interest rate, which is 5.99% as of September 30, 2017. The line of credit is secured by the assets of the Organization. During the year no advances were drawn and the line was fully available at year end.

NOTE 8 CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Organization maintains its cash balances in various financial institutions. The amount insured by the Federal Deposit Insurance Corporation is \$250,000 per bank. At September 30, 2017, the uninsured cash balances were approximately \$75,000.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(Continued)

NOTE 9 RETIREMENT PLAN

Effective January 1, 2016, the Organization adopted a 401(k) defined contribution retirement plan for the purpose of providing eligible employees who have attained the age of 18 a tax-deferred retirement plan. For the year ended September 30, 2017, the Organization did not elect to make any employer contributions into the plan.