

READY READERS

FINANCIAL STATEMENTS
WITH
ACCOUNTANTS' REVIEW REPORT

JUNE 30, 2010

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Board of Directors
Ready Readers
St. Louis, Missouri

We have reviewed the accompanying statements of financial position of Ready Readers as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Ready Readers.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Brown Smith Wallace, L.L.C.

August 26, 2010

READY READERS

Statements of Financial Position

June 30, 2010 and 2009

(See Accountants' Review Report)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 179,033	\$ 176,179
Pledges receivable	14,500	-
Refundable payroll taxes	-	636
Book inventory - program	8,922	13,038
Book inventory - other	-	10,000
Total Current Assets	202,455	199,853
Property and Equipment		
Computer hardware	9,457	8,147
Furniture and equipment	5,112	2,871
Leasehold improvements	4,250	-
	18,819	11,018
Less accumulated depreciation	6,319	4,036
	12,500	6,982
Other Assets		
Pledges receivable, less current portion	10,000	-
Website, net	7,000	-
	17,000	-
TOTAL ASSETS	\$ 231,955	\$ 206,835
LIABILITIES AND NET ASSETS		
Liabilities	\$ -	\$ -
Net Assets		
Unrestricted	175,455	168,335
Temporarily restricted	56,500	38,500
Total Net Assets	231,955	206,835
TOTAL LIABILITIES AND NET ASSETS	\$ 231,955	\$ 206,835

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Activities

Year ended June 30, 2010

(See Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contribution revenue	\$ 175,279	\$ 56,500	\$ 231,779
Special events, less direct expenses of \$15,951	105,420	-	105,420
In-kind contributions	12,460	-	12,460
Interest income	582	-	582
Net assets released from restrictions	38,500	(38,500)	-
Total support and revenues	332,241	18,000	350,241
Expenses:			
Program service	217,607	-	217,607
Management and general	47,208	-	47,208
Fundraising	60,306	-	60,306
Total expenses	325,121	-	325,121
Change in Net Assets	7,120	18,000	25,120
Net Assets, beginning of year	168,335	38,500	206,835
Net Assets, end of year	\$ 175,455	\$ 56,500	\$ 231,955

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Activities

Year ended June 30, 2009

(See Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contribution revenue	\$ 157,335	\$ 38,500	\$ 195,835
Special events, less direct expenses of \$8,477	79,891	-	79,891
In-kind contributions	30,000	-	30,000
Interest income	1,022	-	1,022
Net assets released from restrictions	10,500	(10,500)	-
Total support and revenues	278,748	28,000	306,748
Expenses:			
Program service	211,846	-	211,846
Management and general	53,844	-	53,844
Fundraising	37,629	-	37,629
Total expenses	303,319	-	303,319
Change in Net Assets	(24,571)	28,000	3,429
Net Assets, beginning of year	192,906	10,500	203,406
Net Assets, end of year	\$ 168,335	\$ 38,500	\$ 206,835

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Functional Expenses

Year ended June 30, 2010

(See Accountants' Review Report)

	Program Service	Management and General	Fundraising	Total
Salaries and wages	\$ 74,765	\$ 17,600	\$ 42,600	\$ 134,965
Payroll taxes	4,947	1,144	3,057	9,148
	79,712	18,744	45,657	144,113
Accounting fees	-	5,750	-	5,750
Book gifts to children	97,162	-	-	97,162
Book distribution supplies	1,332	-	-	1,332
Depreciation	761	761	761	2,283
Fundraising	-	-	-	-
Insurance	1,598	3,794	-	5,392
In-kind web-design	1,500	-	1,500	3,000
Internet and website	-	-	-	-
Marketing materials- design and printing	2,800	-	9,585	12,385
Meetings	-	1,845	196	2,041
Mileage reimbursement	3,548	287	-	3,835
Miscellaneous	208	1,709	77	1,994
Moving expense	720	1,448	-	2,168
Office supplies and equipment	1,880	2,755	625	5,260
Postage and shipping	944	545	916	2,405
Professional education	139	17	914	1,070
Program evaluation study	960	-	-	960
Rent	5,064	3,220	-	8,284
Tech support	6,903	2,326	75	9,304
Telephone	4,895	3,178	-	8,073
Utilities	2,762	829	-	3,591
Volunteer training/apprec./recruitment	4,719	-	-	4,719
TOTAL EXPENSES	\$ 217,607	\$ 47,208	\$ 60,306	\$ 325,121

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Functional Expenses

Year Ended June 30, 2009

(See Accountants' Review Report)

	Management and			
	Program Service	General	Fundraising	Total
Salaries and wages	\$ 85,847	\$ 28,875	\$ 24,250	\$ 138,972
Payroll taxes	4,957	2,184	1,260	8,401
	90,804	31,059	25,510	147,373
Accounting fees	-	5,500	-	5,500
Book gifts to children	87,429	-	-	87,429
Book distribution supplies	2,803	-	-	2,803
Depreciation	732	732	732	2,196
Fundraising	-	-	920	920
Insurance	658	1,869	-	2,527
In-kind web-design	-	-	-	-
Internet and website	848	-	-	848
Marketing materials- design and printing	-	-	8,519	8,519
Meetings	-	1,812	356	2,168
Mileage reimbursement	2,344	682	-	3,026
Miscellaneous	607	1,114	-	1,721
Moving expense	-	-	-	-
Office supplies and equipment	2,077	3,204	-	5,281
Postage and shipping	1,383	201	1,592	3,176
Professional education	-	458	-	458
Program evaluation study	-	-	-	-
Rent	6,757	2,018	-	8,775
Tech support	5,752	3,901	-	9,653
Telephone	4,058	842	-	4,900
Utilities	1,814	452	-	2,266
Volunteer training/apprec./recruitment	3,780	-	-	3,780
TOTAL EXPENSES	\$ 211,846	\$ 53,844	\$ 37,629	\$ 303,319

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

PREPARED WITHOUT AUDIT

READY READERS

Statements of Cash Flows

Years ended June 30, 2010 and 2009

(See Accountants' Review Report)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 25,120	\$ 3,429
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash donations	(7,000)	(10,000)
Depreciation	2,283	2,196
Loss on disposal of assets	-	903
(Increase) decrease in operating assets:		
Pledges receivable	(24,500)	-
Refundable payroll taxes	636	(636)
Book inventory	14,116	655
	<hr/>	<hr/>
Net cash provided by (used in) operations	10,655	(3,453)
 Cash flows from investing activities:		
Purchases of furniture and equipment	(7,801)	(3,955)
	<hr/>	<hr/>
Net cash used in investing activities	(7,801)	(3,955)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 2,854	 (7,408)
 Cash and cash equivalents at beginning of year	 176,179	 183,587
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 179,033	\$ 176,179
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The accompanying notes are an integral part of these financial statements.

PREPARED WITHOUT AUDIT

READY READERS

Notes to Financial Statements

June 30, 2010

(See Accountants' Review Report)

Note A - Nature of Activities

Ready Readers (the "Organization") began operations in September 1997. It incorporated in Missouri on January 11, 1999. The Organization's mission is to inspire preschool children from low-income communities to become readers by reading aloud to them and by increasing their exposure to quality books and stimulating reading-related activities.

Note B - Summary of Operations and Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as increases in unrestricted, temporarily or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions. At June 30, 2010 and 2009, the Organization had no permanently restricted net assets.

READY READERS

Notes to Financial Statements - Continued

June 30, 2010

(See Accountants' Review Report)

Note B - Summary of Operations and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and temporary investments in certificates of deposit with a maturity of three months or less. The Organization's cash and cash equivalents are on deposit with a major domestic financial institution. At times, bank deposits may be in excess of federally insured limits.

Book Inventory

"Book inventory – program" consists of books on hand that are used in the Organization's programs as well as those provided to program participants. Inventory is recorded at cost.

"Book inventory – other" consists of books donated to the Organization. These items are recorded at the estimated selling price, which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost or estimated value at the time of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on a straight-line basis over various useful lives. Depreciation expense amounted to \$2,283 and \$2,196 for the years ended June 30, 2010 and 2009, respectively.

Functional Allocation of Expenses

Expenses are charged to each program based on the direct costs incurred. Shared direct costs are distributed proportionally and equitably to applicable funding sources based upon management's evaluation of the expense incurred.

Donated Supplies and Services

Donated materials, equipment and facilities are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the years ended June 30, 2010 and 2009 the Organization received donated materials and property in the amount of \$12,460 and \$10,000, respectively.

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Notes to Financial Statements - Continued

June 30, 2010

(See Accountants' Review Report)

Note B - Summary of Operations and Significant Accounting Policies (Continued)

Donated Supplies and Services (Continued)

During the year ended June 30, 2009, the Organization received donated services by its then Executive Director with an estimated fair value of \$20,000. Donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated.

Numerous volunteers support the Organization by reading to children in various settings; however the value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been met.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from federal and state income taxes.

Note C - Pledges Receivable

At June 30, 2010, the pledges receivable are as follows:

<u>June 30,</u>	<u>Amount</u>
2011	\$ 14,500
2012	<u>10,000</u>
	<u>\$ 24,500</u>

Included in the above pledge amount is \$20,000 that is restricted for the establishment of an endowment fund. All pledges are considered fully collectible, therefore, there is no allowance for uncollectible promises receivable. Book value of pledges receivable approximates fair value at June 30, 2010.

Note D - Intangible Asset

The Organization received an in-kind contribution for the development of a website with an estimated book value of \$7,000 and an expected useful live of three years. The website was completed on June 30, 2010; therefore, there was no website amortization expense for the fiscal year ended June 30, 2010.

READY READERS

Notes to Financial Statements - Continued

June 30, 2010

(See Accountants' Review Report)

Note E - Temporarily Restricted Net Assets

	<u>2010</u>	<u>2009</u>
Temporarily restricted net assets were restricted for the following at June 30:		
Time	\$ 20,000	\$ -
Book purchases	<u>36,500</u>	<u>38,500</u>
	<u>\$ 56,500</u>	<u>\$ 38,500</u>
Net assets released as of June 30:		
Book purchases	<u>\$ 38,500</u>	<u>\$ 10,500</u>

Note F - Lease Commitment

On January 1, 2010, the Organization signed an operating lease for office and warehouse space, which expires on March 31, 2013. Future minimum lease payments as of June 30, 2010 are as follows:

Years ending <u>June 30,</u>	<u>Amount</u>
2011	\$ 14,400
2012	14,400
2013	10,800

Rent expenses included in the financial statements totaled \$8,284 and \$8,775 for the years ended June 30, 2010 and 2009, respectively.

Note G - Subsequent Events

Management has evaluated all subsequent events through September 2, 2010, the date the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of the Organization.