

READ TO A CHILD, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

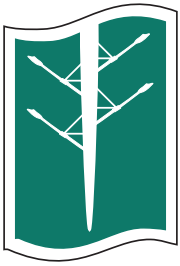
FOR THE YEAR ENDED SEPTEMBER 30, 2019

READ TO A CHILD, INC.

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Murphy, Edwards, Goncalves & Ferreira, PC

Southborough, Massachusetts
December 17, 2019

READ TO A CHILD, INC.

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019

(With Comparative Totals as of September 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 2, 3 and 9)	\$ 547,593	\$ 580,901
Investments (Note 3 and 4)	27,181	20,102
Contributions Receivable (Notes 2 and 3)	46,949	18,499
Prepaid Expenses	<u>12,959</u>	<u>13,694</u>
Total Current Assets	<u>634,682</u>	<u>633,196</u>
TOTAL ASSETS	<u>\$ 634,682</u>	<u>\$ 633,196</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 4,972	\$ 11,180
Accrued Expenses	54,854	49,332
Deferred Income (Note 6)	<u>57,625</u>	<u>45,000</u>
Total Current Liabilities	<u>117,451</u>	<u>105,512</u>
NET ASSETS (Note 2):		
Without Donor Restrictions	429,297	393,267
With Donor Restrictions (Notes 3 and 7)	<u>87,934</u>	<u>134,417</u>
Total Net Assets	<u>517,231</u>	<u>527,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 634,682</u>	<u>\$ 633,196</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(With Comparative Totals for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
NET ASSETS:				
Support:				
Special Events Income (Note 9)	\$ 363,915	\$ -	\$ 363,915	\$ 361,008
Direct Special Event Costs	<u>(55,517)</u>	<u>-</u>	<u>(55,517)</u>	<u>(54,896)</u>
Net Special Event Income	308,398	-	308,398	306,112
Contributions (Note 2)	615,738	-	615,738	487,328
Grant Income	316,166	87,934	404,100	450,820
In-Kind Contributions (Note 2)	99,433	-	99,433	107,660
Net Assets Released from Restriction (Note 2)	<u>134,417</u>	<u>(134,417)</u>	<u>-</u>	<u>-</u>
Total Support	1,474,152	(46,483)	1,427,669	1,351,920
Revenue:				
Investment Return	<u>489</u>	<u>-</u>	<u>489</u>	<u>736</u>
TOTAL SUPPORT AND REVENUE	<u>1,474,641</u>	<u>(46,483)</u>	<u>1,428,158</u>	<u>1,352,656</u>
FUNCTIONAL EXPENSES (Note 2):				
Program Services	<u>985,020</u>	<u>-</u>	<u>985,020</u>	<u>958,871</u>
Support Services:				
Management and General	218,485	-	218,485	166,007
Fund Raising	<u>235,106</u>	<u>-</u>	<u>235,106</u>	<u>218,214</u>
Total Support Services	<u>453,591</u>	<u>-</u>	<u>453,591</u>	<u>384,221</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,438,611</u>	<u>-</u>	<u>1,438,611</u>	<u>1,343,092</u>
INCREASE (DECREASE) IN NET ASSETS	36,030	(46,483)	(10,453)	9,564
NET ASSETS - BEGINNING OF YEAR	<u>393,267</u>	<u>134,417</u>	<u>527,684</u>	<u>518,120</u>
NET ASSETS - END OF YEAR	<u>\$ 429,297</u>	<u>\$ 87,934</u>	<u>\$ 517,231</u>	<u>\$ 527,684</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(With Comparative Totals for the Year Ended September 30, 2018)

	SUPPORT SERVICES MANAGEMENT				
	PROGRAM SERVICES	AND GENERAL	FUND RAISING	2019 TOTAL	2018 TOTAL
Salaries and Wages	\$ 714,295	\$ 157,815	\$ 174,708	\$ 1,046,818	\$ 937,131
Payroll Taxes	66,269	14,901	16,131	97,301	84,377
Employee Benefits (Note 10)	<u>58,184</u>	<u>5,995</u>	<u>5,141</u>	<u>69,320</u>	<u>64,998</u>
Total Payroll and Related Expenses	838,748	178,711	195,980	1,213,439	1,086,506
In-Kind Rent (Note 2)	73,117	11,424	14,892	99,433	107,660
Direct Special Event Costs	-	-	55,517	55,517	54,896
Office and Telecommunications Expense	11,600	7,145	9,721	28,466	27,913
Program Books and Supplies	16,803	-	-	16,803	14,516
Professional Fees and Consultants	11,763	366	3,727	15,856	36,252
Volunteer Transportation	15,706	-	-	15,706	16,032
Travel	4,676	2,368	7,778	14,822	18,144
Accounting Services	-	12,130	-	12,130	12,130
Insurance	4,235	3,930	601	8,766	6,711
Miscellaneous	5,065	307	377	5,749	6,810
Conferences and Meetings	2,583	290	1,475	4,348	4,656
Filing Fees	-	1,814	-	1,814	1,735
Memberships and Dues	434	-	555	989	59
Maintenance and Storage Expense	290	-	-	290	38
Depreciation (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,930</u>
Gross Functional Expenses	985,020	218,485	290,623	1,494,128	1,397,988
Less Items Included in Statement of Activities:					
Direct Special Event Costs	<u>-</u>	<u>-</u>	<u>(55,517)</u>	<u>(55,517)</u>	<u>(54,896)</u>
Total Functional Expenses	<u>\$ 985,020</u>	<u>\$ 218,485</u>	<u>\$ 235,106</u>	<u>\$ 1,438,611</u>	<u>\$ 1,343,092</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(With Comparative Totals for the Year Ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (10,453)	\$ 9,564
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	3,930
Stock Donations Received	(6,961)	(9,894)
Realized and Unrealized (Gain) Loss	(56)	(302)
(Increase) Decrease in Current Assets:		
Contributions Receivable	(28,450)	23,153
Prepaid Expenses	735	(6,549)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(6,208)	5,790
Accrued Expenses	5,522	4,906
Deferred Income	12,625	(28,250)
Net Cash Provided (Used) by Operating Activities	<u>(33,246)</u>	<u>2,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends Reinvested	<u>(62)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(62)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,308)	2,348
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>580,901</u>	<u>578,553</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 547,593</u>	<u>\$ 580,901</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 metro areas of Boston, Detroit, Hartford, Los Angeles and Miami, and offices in Wellesley, MA, Detroit and Los Angeles. Support and revenue is primarily derived from contributions, events and grants.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time or are subject to donor-imposed restrictions such that they be maintained permanently by the Organization.

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.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU changes the terminology used to describe net assets to *net assets with donor restrictions and net assets without donor restrictions*. Not-for profits are also required to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. In addition, new disclosures are required to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. The Organization adopted the provisions of the new ASU during the year ended September 30, 2019, and has retrospectively applied the standard to the year ended September 30, 2018. The retrospective application had no effect on the 2018 increase in net assets. The 2018 presentation relative to investment return and direct special event costs was modified to conform to the current year presentation.

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.

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

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them using a present value technique. Thereafter, amortization of discounts is recorded as

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable (Continued)

additional contribution revenue. An allowance for uncollectible receivables is provided based upon management's analysis of the individual receivables and management's judgment, considering such factors as prior collection history, the relationship with the donor, and other relevant factors. As of September 30, 2019, contributions receivable are expected to be collected within one year of the statement of financial position date. Accordingly, no allowance for doubtful accounts has been recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Depreciation expense is provided on a straight-line basis over the estimated useful life of the asset, which ranges from three to five years. There is no depreciation expense for the year ending September 30, 2019.

Revenue Recognition

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, 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 net assets with donor restrictions in accordance with the restriction. Net assets with restrictions are reclassified to net assets without donor restrictions 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.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated Services and Facilities/In-Kind

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require 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 \$99,433. 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 1,900 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.

Subsequent Events

The Organization has evaluated subsequent events through December 17, 2019, the date that the financial statements were available to be issued. No significant subsequent events have been identified by management.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2016 – 2019 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, does not pay income taxes.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity and reserves by following three principal guidelines, which include operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term goals will be met. On an annual basis the Board of Directors approves the range of cash that the Organization shall maintain, which generally targets a minimum of two months operating cash and a maximum of eight months operating cash. As of September 30, 2019, the cash balance was within the targeted range. The following reflects the Organization's financial assets as of September 30, 2019:

Cash and Cash Equivalents	\$ 547,593
Investments	27,181
Contributions Receivable	<u>46,949</u>
Total Financial Assets	621,723
Less Imposed Restrictions:	
Donor Restricted Funds	<u>(87,834)</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 533,889</u>

In addition, there is a \$125,000 line of credit in place that could be drawn upon if needed.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with the *Fair Value Measurement* standard, the Organization measures its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs consist of inputs other than quoted prices that are observable for the asset either directly or indirectly, including in markets that are not considered to be active, and Level 3 consists of inputs that are unobservable and which require significant judgment or estimation. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The inputs and methodology used for valuing the investments are not indicators of the risks associated with those instruments. The Organization's investments are Level 1 assets within the fair value hierarchy.

Investments are comprised of the following as of September 30, 2019:

Description	Fair Value Measurement	
	Level 1	Total
Cash	\$ 22,204	\$ 22,204
Exchange Traded Funds	<u>4,977</u>	<u>4,977</u>
Total Market Value	<u>\$ 27,181</u>	<u>\$ 27,181</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2019:

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

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE 6 DEFERRED INCOME

As of September 30, 2019, deferred income consists of contributions received in support of special events taking place after the fiscal year end.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2019, net assets with donor restrictions are available for the support of the lunchtime reading program in fiscal year 2020.

NOTE 8 LINE OF CREDIT

The Organization has a revolving line of credit of \$125,000 with Eastern Bank at a variable interest rate based on the bank's base rate plus 1.74%. The line of credit is secured by the assets of the Organization. As of September 30, 2019, the line of credit was fully available at year end.

NOTE 9 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, 2019, the uninsured cash balances were approximately \$34,000.

For the year ended September 30, 2019, the annual gala event generated approximately 11% of the Organization's total support and revenue.

NOTE 10 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, 2019, the Organization did not elect to make any employer contributions into the plan.