

READ AHEAD, INC.

Financial Statements

For the Years Ended September 30, 2016 and 2015

READ AHEAD, INC.
For the Years Ended September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Read Ahead, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Read Ahead, Inc. (the "Organization") (formerly Everybody Wins Foundation, Inc.), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 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.

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 Ahead, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

February 13, 2017

READ AHEAD, INC.
Statements of Financial Position
September 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash	\$ 644,205	\$ 573,476
Contributions receivable	4,310	36,429
Prepaid expenses	25,327	6,436
Total current assets	673,842	616,341
Office equipment (less accumulated depreciation of \$42,237 and \$37,760 at September 30, 2016 and 2015, respectively)	6,509	8,815
Security deposits	21,918	21,918
Total assets	\$ 702,269	\$ 647,074
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,102	\$ 35,876
Deferred income	28,996	17,438
Total current liabilities	64,098	53,314
Deferred rent	43,703	50,885
Total liabilities	107,801	104,199
Commitments		
Net assets:		
Unrestricted	594,468	542,875
Total net assets	594,468	542,875
Total liabilities and net assets	\$ 702,269	\$ 647,074

See notes to financial statements.

READ AHEAD, INC.
Statement of Activities
For the year ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>
Revenue:			
Contributions	\$ 484,237	\$ -	\$ 484,237
Grants - Foundation	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>509,237</u>	<u>-</u>	<u>509,237</u>
Event income	651,192	-	651,192
Less: costs of direct benefits to donors	<u>90,430</u>	<u>-</u>	<u>90,430</u>
Net event income	<u>560,762</u>	<u>-</u>	<u>560,762</u>
Interest income	<u>397</u>	<u>-</u>	<u>397</u>
Other income	<u>1,298</u>	<u>-</u>	<u>1,298</u>
Net gain on sale of investments	<u>1,447</u>	<u>-</u>	<u>1,447</u>
Contributed services	<u>102,000</u>	<u>-</u>	<u>102,000</u>
Total revenue	<u>1,175,141</u>	<u>-</u>	<u>1,175,141</u>
Expenses:			
Program services:			
Reading and mentoring activities with schoolchildren	744,783	-	744,783
Supporting activities:			
Management and general	239,559	-	239,559
Fundraising	<u>139,206</u>	<u>-</u>	<u>139,206</u>
Total expenses	<u>1,123,548</u>	<u>-</u>	<u>1,123,548</u>
Change in net assets	51,593	-	51,593
Net assets - unrestricted:			
Beginning of year	<u>542,875</u>	<u>-</u>	<u>542,875</u>
End of year	<u>\$ 594,468</u>	<u>\$ -</u>	<u>\$ 594,468</u>

See notes to financial statements.

READ AHEAD, INC.
Statement of Activities (Continued)
For the year ended September 30, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2015</u>
Revenue:			
Contributions	\$ 590,333	\$ -	\$ 590,333
Grants - Foundation	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	615,333	-	615,333
Event income	574,635	-	574,635
Less: cost of direct benefits to donors	<u>89,665</u>	<u>-</u>	<u>89,665</u>
Net event income	<u>484,970</u>	<u>-</u>	<u>484,970</u>
Interest income	<u>224</u>	<u>-</u>	<u>224</u>
Other income	<u>10,990</u>	<u>-</u>	<u>10,990</u>
Net gain on sale of investments	<u>98</u>	<u>-</u>	<u>98</u>
Total revenue	<u>1,111,615</u>	<u>-</u>	<u>1,111,615</u>
Expenses:			
Program services:			
Reading and mentoring activities with schoolchildren	674,497	-	674,497
Supporting activities:			
Management and general	267,304	-	267,304
Fundraising	<u>135,792</u>	<u>-</u>	<u>135,792</u>
Total expenses	<u>1,077,593</u>	<u>-</u>	<u>1,077,593</u>
Change in net assets	34,022	-	34,022
Net assets - unrestricted:			
Beginning of year	<u>508,853</u>	<u>-</u>	<u>508,853</u>
End of year	<u>\$ 542,875</u>	<u>\$ -</u>	<u>\$ 542,875</u>

See notes to financial statements.

READ AHEAD, INC.
Statements of Cash Flows
For the years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 51,593	\$ 34,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,477	9,545
Net (gain) on sale of investments	(1,447)	(98)
Changes in operating assets and liabilities:		
Decrease in contributions receivable	32,119	6,502
(Increase) in prepaid expenses	(18,891)	(3,472)
(Decrease) in accounts payable and accrued expenses	(774)	(16,502)
Increase in deferred income	11,558	17,438
(Decrease) in deferred rent	<u>(7,182)</u>	<u>(4,804)</u>
Net cash provided by operating activities	<u>71,453</u>	<u>42,631</u>
Cash flows from investing activities:		
(Purchase of) office equipment	(2,171)	-
Sale of investments	11,439	10,076
(Purchase of) investments	<u>(9,992)</u>	<u>(9,978)</u>
Net cash (used in) provided by investing activities	<u>(724)</u>	<u>98</u>
Net increase in cash	70,729	42,729
Cash:		
Beginning of year	<u>573,476</u>	<u>530,747</u>
End of year	<u>\$ 644,205</u>	<u>\$ 573,476</u>

See notes to financial statements.

READ AHEAD, INC.
Statement of Functional Expenses
For the year ended September 30, 2016

	<u>Total</u>	<u>Program Services</u>	<u>Supporting Activities</u>	
			<u>Management and General</u>	<u>Fundraising</u>
Salaries	\$ 622,660	\$ 426,833	\$ 114,196	\$ 81,631
Payroll taxes	67,112	46,006	12,308	8,798
Payroll expenses	4,180	2,865	767	548
Rent	86,732	59,454	15,907	11,371
Telephone	17,390	12,694	1,566	3,130
Stationery, printing and postage	2,246	1,641	202	403
Insurance	20,778	-	20,778	-
Employee benefits	72,917	49,985	13,373	9,559
Promotional materials	5,337	5,337	-	-
Depreciation	4,477	-	4,477	-
Books and program materials	646	646	-	-
Pension processing fees	2,303	-	2,303	-
School buses	14,212	14,212	-	-
School recognition events	2,476	2,476	-	-
Subscriptions	2,439	561	1,585	293
Professional fees	44,000	3,316	40,684	-
Meals and entertainment	2,773	1,580	1,193	-
Meetings	1,480	-	1,480	-
Travel	4,178	1,838	1,880	460
Staff training	2,061	2,061	-	-
Filing fees	143	-	143	-
Credit card fees	10,708	-	-	10,708
Computer and website services	203	139	37	27
Office supplies	14,657	11,139	1,173	2,345
In-kind expense	102,000	102,000	-	-
Miscellaneous	15,440	-	5,507	9,933
Total expenses	<u>\$ 1,123,548</u>	<u>\$ 744,783</u>	<u>\$ 239,559</u>	<u>\$ 139,206</u>

See notes to financial statements.

READ AHEAD, INC.
Statement of Functional Expenses (Continued)
For the year ended September 30, 2015

	Total	Program Services	Supporting Activities	
			Management and General	Fundraising
Salaries	\$ 671,293	\$ 460,171	\$ 123,115	\$ 88,007
Payroll taxes	78,022	53,484	14,309	10,229
Payroll expenses	5,004	3,430	918	656
Rent	88,594	60,731	16,248	11,615
Telephone	21,289	15,541	1,916	3,832
Stationery, printing and postage	1,882	1,375	169	338
Insurance	19,869	-	19,869	-
Employee benefits	59,575	40,839	10,926	7,810
Promotional materials	511	511	-	-
Depreciation	9,545	-	9,545	-
Books and program materials	50	50	-	-
Pension processing fee	2,205	-	2,205	-
School buses	18,523	18,523	-	-
School recognition events	291	291	-	-
Subscriptions	2,691	619	1,749	323
Professional fees	61,131	3,316	57,815	-
Meals and entertainment	971	553	418	-
Newsletter	459	459	-	-
Travel	4,382	1,928	1,972	482
Staff training	1,442	1,442	-	-
Filing fees	143	-	143	-
Credit card fees	9,633	-	-	9,633
Bad debt expense	2,650	-	2,650	-
Computer and website services	3,426	2,349	628	449
Office supplies	11,691	8,885	935	1,871
Office cleaning	1,470	-	1,470	-
Miscellaneous	851	-	304	547
Total expenses	<u>\$ 1,077,593</u>	<u>\$ 674,497</u>	<u>\$ 267,304</u>	<u>\$ 135,792</u>

See notes to financial statements.

READ AHEAD, INC.
Notes to Financial Statements
September 30, 2016 and 2015

Note 1 - Nature of Operations

Read Ahead, Inc. (the "Organization"), formerly named Everybody Wins Foundation Inc., is a corporation which was organized in the State of New York as a not-for-profit entity on March 7, 1991.

The purpose of the Organization is to recruit, train and supervise corporate employees and other members of the community who engage in reading and mentoring activities with schoolchildren.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets - have no donor restrictions and have met all legal and donor requirements.
- b. Temporarily restricted net assets - are temporarily restricted by donor stipulations and requirements.
- c. Permanently restricted net assets - are permanently restricted by donor stipulations and requirements.

On September 17, 2010, the Organization adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Accordingly, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accounting Standards Codification ("ASC") No. 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. As of September 30, 2016 and 2015, the Organization had no temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation

Investment in common stock is stated at fair value as determined by quoted market prices.

Contributions Receivable

The Organization carries its contributions receivable at cost, less an allowance for doubtful accounts as needed. On a periodic basis the Organization evaluates its contributions receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections, and current credit conditions. As of September 30, 2016, there was no allowance for doubtful accounts deemed necessary by management. As of September 30, 2015, an allowance for doubtful accounts in the amount of \$2,650 was deemed necessary by management.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Equipment

It is the Organization's policy to capitalize equipment over \$1,000. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted contributions. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Contributions of Securities

Contributions of securities are recorded at their fair value at the date of the contribution.

Sources of Revenue

Sources of revenue for the Organization's services are provided by contributions from individuals, corporations and private foundations, its annual fundraising event, as well as from other fundraising events.

Functional Classification of Expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which the organization exists. Supporting activities are all activities of an organization other than program services.

Contributed Services

Contributed services are recognized if the services received: (a) create or enhance long-lived assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Services (Continued)

The Organization recognizes contributed services for professional fees and books that were utilized principally in the Organization's program operations during the year ended September 30, 2016. These contributed services have been recorded at their approximate fair value. Contributed services for the year ended September 30, 2016 and 2015 totaled \$102,000 and \$-0-, respectively.

Income Taxes

The Organization files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (the "IRS"). At September 30, 2016, the Organization's Form 990s for the years 2013 through 2016 remain eligible for examination by the IRS.

Subsequent Events

The Organization has evaluated subsequent events and transactions through February 13, 2017, the date that the financial statements were available to be issued.

Note 3 - Concentrations of Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk include cash. The Organization maintains an account at a high quality financial institution and its deposit balance may, at times, exceed federally insured limits. The Organization has not experienced any losses on this account.

Note 4 - Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2016 and 2015

Note 5 - Commitments

The Organization moved during the year ended September 30, 2009 from its previous location and currently leases office space under an operating lease which expires in February 2020. Total rent expense was \$86,732 and \$88,594 for the years ended September 30, 2016 and 2015, respectively.

The future minimum annual rental commitments as of September 30, 2016 are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2017	\$ 84,089
2018	86,612
2019	89,211
2020	<u>38,191</u>
Total	<u>\$ 298,103</u>

Note 6 - Retirement Plan

Beginning in November 2013, the Organization sponsors a defined contribution 403(b) plan (the "Plan") covering all eligible employees of the Organization. The Organization makes annual contributions to the Plan equal to a percentage determined by the Organization prior to the end of each year. The Organization made a contribution of \$3,844 and \$4,633 for the years ended September 30, 2016 and 2015, respectively.