

**FINANCIAL STATEMENTS  
of  
READ FOR LITERACY, INC**

**Year Ended August 31, 2013 and 2012**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Read for Literacy, Inc.  
Toledo, Ohio

We have audited the accompanying financial statements of Read for Literacy, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2013 and 2012, 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.

### **Auditor's 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.



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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 for Literacy, Inc. as of August 31, 2013 and 2012, 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.



**TITUS & URBANSKI, INC.**  
Certified Public Accountants

Maumee, Ohio  
February 15, 2014

READ FOR LITERACY, INC.  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
Cash	\$ 59,120	\$ 31,492
Investment	487,937	475,996
Receivables	7,003	12,408
Prepaid Expense	6,771	2,058
Property and Equipment, net	1,580	2,321
<u>TOTAL ASSETS</u>	\$ 562,411	\$ 524,275
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,063	\$ 14
Other Payable	47,543	12,062
<u>TOTAL LIABILITIES</u>	48,606	12,076
<u>NET ASSETS</u>		
Unrestricted		
Operating Fund	200,831	192,152
Designated by Board for Endowment	312,974	312,974
Total Unrestricted	513,805	505,126
Temporarily restricted	- 0 -	7,073
<u>TOTAL NET ASSETS</u>	513,805	512,199
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 562,411	\$ 524,275

See accompanying notes

READ FOR LITERACY, INC.  
STATEMENTS OF ACTIVITIES  
For the Year Ended August 31, 2013

	August 31, 2013		
<u>REVENUE AND OTHER SUPPORT</u>	Unrestricted	Temporarily Restricted	Total
Grants	\$ 173,381	\$ - 0 -	\$ 173,381
Donation	59,161	- 0 -	59,161
Events	65,619	- 0 -	65,619
Book sales	604	- 0 -	604
Work Shop	240	- 0 -	240
Interest and Dividend	17,763	- 0 -	17,763
Gain or (Loss) on Investment	517	- 0 -	517
Net Assets Released from Restriction	7,073	(7,073)	- 0 -
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	324,358	(7,073)	317,285
 <u>EXPENSES</u>			
Program Services	253,670	- 0 -	253,670
Management & General	27,031	- 0 -	27,031
Fund Raising	29,209	- 0 -	29,209
<u>TOTAL EXPENSES</u>	309,910	- 0 -	309,910
 <u>SURPLUS OF REVENUE OVER EXPENSE</u>	 14,448	 (7,073)	 7,375
 <u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized gain on Investment	(5,769)	- 0 -	(5,769)
 <u>CHANGE IN NET ASSETS</u>	 8,679	 (7,073)	 1,606
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	 505,126	 7,073	 512,199
 <u>NET ASSETS AT END OF YEAR</u>	 \$ 513,805	 \$ - 0 -	 \$ 513,805

READ FOR LITERACY, INC.  
STATEMENTS OF ACTIVITIES  
For the Year Ended August 31, 2012

	August 31, 2012		
<u>REVENUE AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 142,716	\$ 7,073	\$ 149,789
Donation	61,585	- 0 -	61,585
Events	68,541	- 0 -	68,541
Book sales	779	- 0 -	779
Work Shop	510	- 0 -	510
Interest and Dividend	25,460	- 0 -	25,460
Gain or (Loss) on Investment	(4,737)	- 0 -	(4,737)
Net Assets Released from Restriction	- 0 -	- 0 -	- 0 -
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	294,854	7,073	301,927
 <u>EXPENSES</u>			
Program Services	216,123	- 0 -	216,123
Management & General	32,885	- 0 -	32,885
Fund Raising	43,480	- 0 -	43,480
<u>TOTAL EXPENSES</u>	292,488	- 0 -	292,488
 <u>SURPLUS OF REVENUE OVER EXPENSE</u>	2,366	7,073	9,439
 <u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized gain on Investment	(6,902)	- 0 -	(6,902)
<u>CHANGE IN NET ASSETS</u>	(4,536)	7,073	2,537
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	509,662	- 0 -	509,662
<u>NET ASSETS AT END OF YEAR</u>	\$ 505,126	\$ 7,073	\$ 512,199

See accompanying notes



READ FOR LITERACY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2013

	August 31, 2013			
	Program Services	Management & General	Fund Raising	Total
Salaries and Wages	\$ 174,960	\$ 22,273	\$ 17,431	\$ 214,664
Employee Fringe Benefits & Taxes	19,518	1,307	1,332	22,157
<u>TOTAL SALARIES &amp; RELATED EXPENSES</u>	194,478	23,580	18,763	236,821
Travel	4,387	- 0 -	- 0 -	4,387
Insurance	836	836	- 0 -	1,672
Telephone	1,496	83	83	1,662
Repairs & Maintenance	910	51	51	1,012
Postage & Office Supplies	5,935	989	2,968	9,892
Training	447	- 0 -	- 0 -	447
Volunteer	635	- 0 -	- 0 -	635
Advertising and Promotions	904	- 0 -	100	1,004
Books	27,564	- 0 -	- 0 -	27,564
Dues & Subscriptions	752	42	42	836
Background Checking	5,321	- 0 -	- 0 -	5,321
Spelling Bee	- 0 -	- 0 -	4,731	4,731
Other Special Events	- 0 -	- 0 -	2,258	2,258
Professional Fee	7,362	1,181	- 0 -	8,543
Staff Professional Expenses	1,637	91	91	1,819
Bank Charge	340	141	85	566
Total Expenses Before Depreciation & Amortization	253,004	26,994	29,172	309,170
Depreciation & Amortization	666	37	37	740
<u>TOTAL EXPENSES</u>	\$ 253,670	\$ 27,031	\$ 29,209	\$ 309,910



READ FOR LITERACY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2012

	August 31, 2012			
	Program Services	Management & General	Fund Raising	Total
Salaries and Wages	\$ 156,083	\$ 26,318	\$ 26,482	\$ 208,883
Employee Fringe Benefits & Taxes	17,551	1,095	2,374	21,020
<u>TOTAL SALARIES &amp; RELATED EXPENSES</u>	173,634	27,413	28,856	229,903
Travel	3,339	- 0 -	- 0 -	3,339
Insurance	677	677	- 0 -	1,354
Telephone	1,481	82	82	1,645
Repairs & Maintenance	1,176	65	66	1,307
Postage & Office Supplies	4,207	701	2,103	7,011
Training	1,066	31	31	1,128
Volunteer	- 0 -	- 0 -	- 0 -	- 0 -
Advertising and Promotions	5,253	- 0 -	584	5,837
Books	14,299	- 0 -	- 0 -	14,299
Dues & Subscriptions	795	44	44	883
Background Checking	5,227	- 0 -	- 0 -	5,227
Spelling Bee	- 0 -	- 0 -	3,298	3,298
Race Event and Fundraising	- 0 -	- 0 -	8,289	8,289
Professional Fee	3,941	3,684	- 0 -	7,625
Program Service Expense	- 0 -	- 0 -	- 0 -	- 0 -
Bank Charge	362	151	90	603
Total Expenses Before Depreciation & Amortization	215,457	32,848	43,443	291,748
Depreciation & Amortization	666	37	37	740
<u>TOTAL EXPENSES</u>	\$ 216,123	\$ 32,885	\$ 43,480	\$ 292,488

See accompanying notes

READ FOR LITERACY  
STATEMENTS OF CASH FLOWS  
For the Years Ended August 31, 2013 and 2012

	2013	2012
<u>INCREASE IN NET ASSETS</u>	\$ 1,606	\$ 2,537
 <u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Depreciation	740	740
Realized (gain) loss on investment	(517)	4,737
Unrealized (gain) loss on investment	5,769	6,902
<Increase> Decrease in Operating Assets		
Accounts Receivable	5,826	(7,735)
Interest Receivable	(420)	938
Prepaid Expense	(4,713)	(958)
Increase <Decrease> in Operating Liabilities:		
Accounts Payable	1,049	(8,240)
Other Payable	35,481	(9,757)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	44,821	(10,836)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	47,898	347,329
Purchase of investments and equipment	(65,091)	(373,577)
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	(17,193)	(26,248)
 <u>NET INCREASED /(DECREASE) IN CASH</u>	 27,628	 (37,084)
 <u>CASH AT BEGINNING OF YEAR</u>	 31,492	 68,576
 <u>CASH AT END OF YEAR</u>	 \$ 59,120	 \$ 31,492

See accompanying notes

READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the organization have been prepared on the accrual basis of accounting. Under the accrual method of accounting, revenues and expense are identified with specific periods of time and are recorded as incurred or received unconditionally, along with acquired assets and incurred liabilities, without regard to the date of receipt or payment of cash.

**Organization**

Read for Literacy, Inc provides training for volunteer tutors to teach illiterate adults and help early childhood reading in the Greater Toledo Area.

**Income Taxes**

Read for Literacy, Inc is a nonprofit organization exempt from federal income tax under Section 501 (c) (3) of the U. S. Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Form 990, Return of Organization Exempt from income Tax, for the years ending August 31, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by the donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Management is of the opinion that there were no permanently restricted net assets as of August 31, 2013.

**Use of Estimates in the Preparation of Financial Statements**

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.

Continued

READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Promise to Give**

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions, which have donor restrictions expiring in the current year, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the 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. All of the Organizations promise to give are expected to be received within the next year.

**Net Asset Categories**

A description of the Organization's net asset categories is as follows:

**Unrestricted Net Assets**—unrestricted net assets are those that bear no external restrictions as to use or purpose. Unrestricted net assets also include assets that the governing board has designated to be retained and invested. The governing board has control over the expenditure of the principal of such funds.

**Temporarily Restricted Net Assets**—temporarily restricted net assets are those whose use has been restricted by donors to a specific time period or purpose.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid, short-term investments with maturity dates of three months or less.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.



READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Donated Services & Facilities**

The Organization's operations are dependent upon volunteer tutors who donate their time. The Organization receives services from 1,559 tutors, and each tutor donates around 143 hours per year. The management estimates the total value received from the services of volunteer tutors during the year is about \$ 4,934,386.

The Organization receives donated advertising service. The management estimates the value of the donated advertising service is around \$211,224.

The Organization is also provided office space, furniture, IT services and HR support free of charge by Toledo Main Library. The management estimates the value of the rent and utility is around \$75, 000 annually.

The Organization accounting policy is not to record donated services and facilities. Management has determined the record keeping time and cost to substantiate existence, completeness and valuation is prohibitive at this time. Management does believe limited record keeping allows the dollar value presented above to be reasonable.

**NOTE B - CASH**

The cash consists of the following:

	<u>2013</u>	<u>2012</u>
Petty Cash	\$ 150	\$ 50
Huntington Bank Checking	58,970	31,442
Total	<u>\$ 59,120</u>	<u>\$ 31,492</u>

Continued

READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE C - INVESTMENT**

The Organization's investments as of August 31, 2013 and 2012, at fair market value, consist of the following:

	<u>2013</u>	<u>2012</u>
Certificates of Deposit and Corporate Notes	\$ 387,836	\$ 391,283
Equity Securities	2,037	1,998
Money Market Funds	17,686	7,320
Mutual Funds	80,378	75,395
Total Investment	<u>\$ 478,937</u>	<u>\$ 475,996</u>

**NOTE D - FAIR VALUE MEASUREMENTS**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Quoted price in active markets for identical securities.

Level 2 - Price determined using other significant observable inputs. Observable inputs that other market participants would use in pricing a security, including quoted prices for similar securities.

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs reflect the Center's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. All the investments of the Organization are Level 1 inputs and are based on the closing price reported on the active market. No Level 2 and Level 3 inputs were available to the Organization.

Continued

READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE D - FAIR VALUE MEASUREMENTS** -CONTINUED

The Investments at August 31, 2013 and 2012 consist of the following:

	<u>Fair Value</u>	<u>2013</u> Fair Value Measurements Using Quoted Price in Active Markets for Identical Assets (Level 1)
Certificates of Deposit and Corporate Notes	\$ 387,836	\$ 387,836
Equity Securities	2,037	2,037
Money Market Funds	17,686	17,686
Mutual Funds	80,378	80,378
Total Investment	<u>\$ 478,937</u>	<u>\$ 478,937</u>

  

	<u>Fair Value</u>	<u>2012</u> Fair Value Measurements Using Quoted Price in Active Markets for Identical Assets (Level 1)
Certificates of Deposit and Corporate Notes	\$ 391,283	\$ 391,283
Equity Securities	1,998	1,998
Money Market Funds	7,320	7,320
Mutual Funds	75,395	75,395
Total Investment	<u>\$ 475,996</u>	<u>\$ 475,996</u>

READ FOR LITERACY, INC  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2013 and 2012

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or at fair value at the date of receipt for donated items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets in excess of \$500 are capitalized.

Property and equipment at August 31, 2013 and 2012 consisted of the following:

	2013	2012
Furniture & Fixtures	\$ 13,309	\$ 13,309
Office Equipment	36,256	36,256
Subtotal	<u>\$ 49,565</u>	<u>\$ 49,565</u>
Less Accumulated Depreciation & Amortization	47,985	47,224
Property and Equipment, net	<u>\$ 1,580</u>	<u>\$ 2,321</u>

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at August 31, 2013 and 2012 consist of the following:

	2013	2012
Pledge Receivables	\$ - 0 -	\$ 7,073
Spelling Bee Revenue	- 0 -	- 0 -
Total Temporarily Restricted net Assets	<u>\$ - 0 -</u>	<u>\$ 7,073</u>

**NOTE G - EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 15, 2014, the date which the financial statements were available to be issued.