

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

Year Ended August 31, 2016 and 2015

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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, 2016 and 2015, 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, 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.

Titus & Urbanski, Inc.

TITUS & URBANSKI, INC.
Certified Public Accountants

Maumee, Ohio
January 15, 2017

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READ FOR LITERACY, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 21,468	\$ 41,271
Investment	530,851	516,857
Receivables	14,654	11,009
Prepaid Expense	2,465	4,192
Property and Equipment, net	<u>-</u>	<u>117</u>
<u>TOTAL ASSETS</u>	<u>\$ 569,438</u>	<u>\$ 573,446</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,161	\$ 550
Other Payable	<u>58,958</u>	<u>33,520</u>
<u>TOTAL LIABILITIES</u>	<u>61,119</u>	<u>34,070</u>
<u>NET ASSETS</u>		
Unrestricted		
Operating Fund	195,345	226,402
Designated by Board for Endowment	<u>312,974</u>	<u>312,974</u>
Total Unrestricted	<u>508,319</u>	<u>539,376</u>
Temporarily restricted	<u>- 0 -</u>	<u>- 0 -</u>
<u>TOTAL NET ASSETS</u>	<u>508,319</u>	<u>539,376</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 569,438</u>	<u>\$ 573,446</u>

See accompanying notes

READ FOR LITERACY, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2016

	August 31, 2016		
<u>REVENUE AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 172,921	\$ - 0 -	\$ 172,921
Donation	131,782	- 0 -	131,782
Events	153,438	- 0 -	153,438
Book sales	545	- 0 -	545
Work Shop	- 0 -	- 0 -	- 0 -
Interest and Dividend	17,805	- 0 -	17,805
Gain or (Loss) on Investment	- 0 -	- 0 -	- 0 -
Other Income	12	- 0 -	12
Net Assets Released from Restriction	- 0 -	- 0 -	- 0 -
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	<u>476,503</u>	<u>- 0 -</u>	<u>476,503</u>
<u>EXPENSES</u>			
Program Services	407,525	- 0 -	407,525
Management & General	52,423	- 0 -	52,423
Fund Raising	43,964	- 0 -	43,964
<u>TOTAL EXPENSES</u>	<u>503,912</u>	<u>- 0 -</u>	<u>503,912</u>
<u>SURPLUS OF REVENUE OVER EXPENSE</u>	(27,409)	- 0 -	(27,409)
<u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized gain on Investment	(3,648)	- 0 -	(3,648)
<u>CHANGE IN NET ASSETS</u>	(31,057)	- 0 -	(31,057)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>539,376</u>	<u>- 0 -</u>	<u>539,376</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 508,319</u>	<u>\$ - 0 -</u>	<u>508,319</u>

READ FOR LITERACY, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2015

	<u>August 31, 2015</u>		
<u>REVENUE AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 209,995	\$ - 0 -	\$ 209,995
Donation	116,150	- 0 -	116,150
Events	113,977	- 0 -	113,977
Book sales	505	- 0 -	505
Donation of Claire's Day Inc.	34,766	- 0 -	34,766
Interest and Dividend	18,574	- 0 -	18,574
Gain or (Loss) on Investment	1,287	- 0 -	1,287
Other Income	2,648	- 0 -	2,648
Net Assets Released from Restriction	19,091	(19,091)	- 0 -
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	<u>516,993</u>	<u>(19,091)</u>	<u>497,902</u>
<u>EXPENSES</u>			
Program Services	351,378	- 0 -	351,378
Management & General	69,508	- 0 -	69,508
Fund Raising	66,247	- 0 -	66,247
<u>TOTAL EXPENSES</u>	<u>487,133</u>	<u>- 0 -</u>	<u>487,133</u>
<u>SURPLUS OF REVENUE OVER EXPENSE</u>	29,860	(19,091)	10,769
<u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized gain on Investment	(9,686)	- 0 -	(9,686)
<u>CHANGE IN NET ASSETS</u>	20,174	(19,091)	1,083
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>519,202</u>	<u>19,091</u>	<u>538,293</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 539,376</u>	<u>\$ - 0 -</u>	<u>\$ 539,376</u>

See accompanying notes

READ FOR LITERACY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2016

	August 31, 2016			
	Program Services	Management & General	Fund Raising	Total
Salaries and Wages	\$ 217,578	\$ 36,221	\$ 11,643	\$ 265,442
Employee Fringe Benefits & Taxes	47,682	7,938	2,552	58,172
<u>TOTAL SALARIES & RELATED EXPENSES</u>	265,260	44,159	14,195	323,614
Travel	5,977	627	568	7,172
Insurance	1,359	78	868	2,305
Telephone	1,685	48	- 0 -	1,733
Repairs & Maintenance	- 0 -	185	- 0 -	185
Postage & Office Supplies	5,438	571	417	6,426
Training	4,444	- 0 -	- 0 -	4,444
Volunteer	11,370	151	1,421	12,942
Advertising and Promotions	25,093	435	1,596	27,124
Books	28,379	- 0 -	- 0 -	28,379
Dues & Subscriptions	1,334	200	- 0 -	1,534
Background Checking	7,116	51	- 0 -	7,167
Spelling Bee	- 0 -	- 0 -	5,089	5,089
Race Event and Fundraising	140	- 0 -	11,903	12,043
Professional Fee	20,111	1,962	100	22,173
Program Service Expense	- 0 -	- 0 -	- 0 -	-
Claire's Day Expense	27,223	- 0 -	7,053	34,276
Staff Professional Expenses	2,436	1,745	- 0 -	4,181
Bank Charge	55	2,205	748	3,008
Total Expenses Before Depreciation & Amortization	407,420	52,417	43,958	503,795
Depreciation & Amortization	105	6	6	117
<u>TOTAL EXPENSES</u>	<u>\$ 407,525</u>	<u>\$ 52,423</u>	<u>\$ 43,964</u>	<u>\$ 503,912</u>

READ FOR LITERACY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2015

	August 31, 2015			
	Program Services	Management & General	Fund Raising	Total
Salaries and Wages	\$ 193,487	\$ 57,565	\$ 17,620	\$ 268,672
Employee Fringe Benefits & Taxes	28,921	4,256	1,348	34,525
<u>TOTAL SALARIES & RELATED EXPENSES</u>	222,408	61,821	18,968	303,197
Travel	6,964	1,851	352	9,167
Insurance	1,049	- 0 -	1,110	2,159
Telephone	1,453	125	- 0 -	1,578
Repairs & Maintenance	- 0 -	748	- 0 -	748
Postage & Office Supplies	7,208	702	1,835	9,745
Training	1,871	- 0 -	- 0 -	1,871
Volunteer	12,297	106	2,577	14,980
Advertising and Promotions	8,282	558	5,033	13,873
Books	32,542	- 0 -	- 0 -	32,542
Dues & Subscriptions	2,044	200	- 0 -	2,244
Background Checking	5,018	- 0 -	- 0 -	5,018
Spelling Bee	- 0 -	- 0 -	3,755	3,755
Other Special Events	419	- 0 -	14,702	15,121
Professional Fee	37,632	2,227	315	40,174
Program Service Fee	2,876	- 0 -	- 0 -	2,876
Claire's Day Expense	2,486	- 0 -	16,222	18,708
Staff Professional Expenses	5,915	75	- 0 -	5,990
Bank Charge	262	1,059	1,342	2,663
Total Expenses Before Depreciation & Amortization	350,726	69,472	66,211	486,409
Depreciation & Amortization	652	36	36	724
<u>TOTAL EXPENSES</u>	<u>\$ 351,378</u>	<u>\$ 69,508</u>	<u>\$ 66,247</u>	<u>\$ 487,133</u>

See accompanying notes

READ FOR LITERACY
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>INCREASE IN NET ASSETS</u>	\$ (31,057)	\$ 1,083
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Depreciation	117	724
Realized (gain) loss on investment	- 0 -	(1,287)
Unrealized (gain) loss on investment	3,648	9,686
<Increase> Decrease in Operating Assets		
Accounts Receivable	(3,636)	4,633
Interest Receivable	(9)	(214)
Prepaid Expense	1,727	2,859
Increase <Decrease> in Operating Liabilities:		
Accounts Payable	1,611	(1,102)
Other Payable	25,438	(20,371)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>(2,161)</u>	<u>(3,989)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	65,000	71,891
Purchase of investments and equipment	(82,642)	(90,143)
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(17,642)</u>	<u>(18,252)</u>
<u>NET INCREASED / (DECREASE) IN CASH</u>	<u>(19,803)</u>	<u>(22,241)</u>
<u>CASH AT BEGINNING OF YEAR</u>	<u>41,271</u>	<u>63,512</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 21,468</u>	<u>\$ 41,271</u>

See accompanying notes

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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 a range of literacy services and trainings that enable children, adults and families the opportunity to achieve success.

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, 2015, and 2016 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 has stated that there were no permanently restricted net assets as of August 31, 2016.

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.

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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, 2016 and 2015

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 1,399 tutors, and each tutor donates around 148 hours per year. The management estimates the total value received from the services of volunteer tutors during the year is about \$ 4,879,912.

The Organization receives donated advertising service from The Blade Company. The management estimates the value of the donated advertising service is around \$118,203.

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>2016</u>	<u>2015</u>
Cash on Hand	\$ 5, 800	\$ 250
Gift Card	323	5
Cash in Bank	<u>15, 345</u>	<u>41, 016</u>
Total	<u>\$ 21, 468</u>	<u>\$ 41, 271</u>

NOTE C - INVESTMENT

The Organization's investments as of August 31, 2016 and 2015, at fair market value, consist of the following:

	<u>2016</u>	<u>2015</u>
Certificates of Deposit and Corporate Notes	\$ 340, 843	\$ 408, 426
Equity Securities	2, 904	2, 676
Money Market Funds	99, 185	16, 838
Mutual Funds	<u>87, 919</u>	<u>88, 917</u>
Total Investment	<u>\$ 530, 851</u>	<u>\$ 516, 857</u>

Continued

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

NOTE C – INVESTMENT – CONTINUED

On January 27, 2016 Read for Literacy’s Board of Directors approved a new Investment Policy.

GENERAL INVESTMENT GUIDELINES

Read for Literacy (“RFL”) funds shall be invested in diversified portfolios taking into consideration the strategic asset allocation and overall investment objectives for each fund. Acceptable investment vehicles include but are not limited to stocks, bonds, mutual funds, exchange traded funds and other prudent investments.

Operating Funds Account

The operating funds are those funds that may be made available for RFL’s operating expenses should the need arise as determined by the organization’s other policies or procedures. Considering these possible withdrawals RFL’s overall investment objective is to maintain a balanced, conservative portfolio.

Endowment Funds Account

The endowment funds are being held for the long term with few, if any, anticipated regular withdrawals. Considering the long-term nature of this fund RFL’s overall investment objective is a growth oriented portfolio which prioritizes the below desired outcomes as follows:

1. Capital Appreciation
2. Capital Preservation
3. Income production

The Board has chosen the Trust Company to serve as the approved Investment Manager of the organization. The primary contact for the Investment Manager will be the RFL Treasurer. The RFL Treasurer shall obtain Finance Committee approval for any adjustments to asset allocations or withdrawals from either fund account.

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:

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS – CONTINUED

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.

The Investments at August 31, 2016 and 2015 consist of the following:

		<u>2016</u> Fair Value Measurements Using Quoted Price in Active Markets for Identical Assets (Level 1)
	<u>Fair Value</u>	
Certificates of Deposit and Corporate Notes	\$ 340, 843	\$ 340, 843
Equity Securities	2, 904	2, 904
Money Market Funds	99, 185	99, 185
Mutual Funds	87, 919	87, 919
Total Investment	<u>\$ 530, 851</u>	<u>\$ 530, 851</u>

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS – CONTINUED

	Fair Value	2015 Fair Value Measurements Using Quoted Price in Active Markets for Identical Assets (Level 1)
Certificates of Deposit and Corporate Notes	\$ 408,426	\$ 408,426
Equity Securities	2,676	2,676
Money Market Funds	16,838	16,838
Mutual Funds	88,917	88,917
Total Investment	<u>\$ 516,857</u>	<u>\$ 516,857</u>

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, 2016 and 2015 consisted of the following:

	2016	2015
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	49,565	49,448
Property and Equipment, net	<u>\$ - 0 -</u>	<u>\$ 117</u>

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

There are no Temporarily restricted net assets at August 31, 2016 and 2015.

READ FOR LITERACY, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

NOTE G – CLAIRE’S DAY INC.

Claire’s Day Inc. is a nonprofit organization dedicated to inspiring children and families to be lifelong readers through exposure to a variety of literary opportunities and experience. Read for Literacy and Claire’s Day Inc. signed a Memorandum of Understanding on December 12th, 2014. This Memorandum states that these two organizations will share resources and staff in a new collaboration in which Read for Literacy will conduct certain programs and service related to the success of Claire’s Day in exchange for a management fee before April 1, 2015.

On April 1, 2015, Read for Literacy Inc. acquired Claire’s Day Inc. without transferring any consideration. This business combination is accounted for using the acquisition method. As of April 1, Claire’s Day Inc. had assets as following and no liabilities.

	<u>April 1, 2015</u>
Cash in Checking Account	\$ 16, 679
Gift Card	25
Cash in Savings Account	<u>18, 062</u>
Total Assets	\$ 34, 766

The assets \$ 34, 766 received were recorded as contribution received in donation of Claire’s Day Inc. in the Read for Literacy Inc.’s statement of activities for the year ending August 31, 2015. All acquisition-related costs were recorded as expense.

NOTE H – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 15, 2017, the date which the financial statements were available to be issued, and has determined that no adjustments are necessary to the accounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which require disclosure.