

READY READERS

FINANCIAL STATEMENTS
WITH
ACCOUNTANTS' REVIEW REPORT

JUNE 30, 2008

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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, 2008 and 2007, 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.

July 31, 2008

READY READERS

Statements of Financial Position

June 30, 2008 and 2007

(See Accountants' Review Report)

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 183,587	\$ 136,259
Book inventory	13,693	8,746
Total Current Assets	197,280	145,005
Furniture and Equipment	8,656	4,705
Less accumulated depreciation	2,530	1,193
	6,126	3,512
TOTAL ASSETS	\$ 203,406	\$ 148,517
LIABILITIES AND NET ASSETS		
Liabilities	\$ -	\$ -
Net Assets		
Unrestricted	192,906	123,267
Temporarily restricted	10,500	25,250
Total Net Assets	203,406	148,517
TOTAL LIABILITIES AND NET ASSETS	\$ 203,406	\$ 148,517

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Activities

Year ended June 30, 2008

(See Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contribution revenue	\$ 160,592	\$ 10,500	\$ 171,092
Special events, net of direct expenses of \$7,988	71,659	-	71,659
In-kind contributions	30,000	-	30,000
Interest income	3,150	-	3,150
Net assets released from restrictions	25,250	(25,250)	-
Total revenues	290,651	(14,750)	275,901
Expenses:			
Program service	157,975	-	157,975
Management and general	32,487	-	32,487
Fundraising	30,550	-	30,550
Total expenses	221,012	-	221,012
Change in Net Assets	69,639	(14,750)	54,889
Net Assets, beginning of year	123,267	25,250	148,517
Net Assets, end of year	\$ 192,906	\$ 10,500	\$ 203,406

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Activities

Year ended June 30, 2007

(See Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contribution revenue	\$ 96,960	\$ 25,250	\$ 122,210
Special events, net of direct expenses of \$7,829	56,367	-	56,367
In-kind contributions	26,000	-	26,000
Interest income	3,226	-	3,226
Net assets released from restrictions	15,500	(15,500)	-
Total revenues	198,053	9,750	207,803
Expenses:			
Program service	125,565	-	125,565
Management and general	39,073	-	39,073
Fundraising	17,550	-	17,550
Total expenses	182,188	-	182,188
Change in Net Assets	15,865	9,750	25,615
Net Assets, beginning of year	107,402	15,500	122,902
Net Assets, end of year	\$ 123,267	\$ 25,250	\$ 148,517

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Functional Expenses

Year Ended June 30, 2008

(See Accountants' Review Report)

	Program Service	Management and General	Fundraising	Total
Salaries and wages	\$ 60,020	\$ 14,161	\$ 17,702	\$ 91,883
Payroll taxes	2,887	722	902	4,511
	62,907	14,883	18,604	96,394
Accounting fees	-	5,350	-	5,350
Book gifts to children	65,556	-	-	65,556
Book distribution supplies	2,524	-	-	2,524
Depreciation	446	445	446	1,337
In-kind book donations	-	-	-	-
In-kind warehouse space	-	-	-	-
Insurance	1,152	2,131	-	3,283
Internet and web site	726	-	-	726
Marketing Materials- Design and Printing	-	-	11,500	11,500
Meetings	-	1,134	-	1,134
Mileage reimbursement	786	222	-	1,008
Miscellaneous	24	1,205	-	1,229
Moving expense	-	75	-	75
Office supplies and equipment	1,802	1,766	-	3,568
Postage and shipping	1,093	164	-	1,257
Printing	405	-	-	405
Rent	6,237	1,522	-	7,759
Tech support	6,151	2,315	-	8,466
Telephone	3,786	969	-	4,755
Utilities	1,427	306	-	1,733
Volunteer training/apprec./recruitment	2,953	-	-	2,953
TOTAL EXPENSES	\$ 157,975	\$ 32,487	\$ 30,550	\$ 221,012

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

PREPARED WITHOUT AUDIT

READY READERS

Statement of Functional Expenses

Year Ended June 30, 2007

(See Accountants' Review Report)

	Program Service	Management and General	Fundraising	Total
Salaries and wages	\$ 28,222	\$ 20,798	\$ 10,583	\$ 59,603
Payroll taxes	1,539	1,075	590	3,204
	29,761	21,873	11,173	62,807
Accounting fees	-	4,000	-	4,000
Book gifts to children	67,937	-	-	67,937
Book distribution supplies	-	-	-	-
Depreciation	244	244	244	732
In-kind book donations	5,000	-	-	5,000
In-kind warehouse space	1,000	-	-	1,000
Insurance	-	2,960	-	2,960
Internet and web site	851	-	-	851
Marketing Materials- Design and Printing	-	-	4,725	4,725
Meetings	-	-	-	-
Mileage reimbursement	287	287	-	574
Miscellaneous	857	2,008	-	2,865
Moving expense	1,016	176	-	1,192
Office supplies and equipment	524	1,135	-	1,659
Postage and shipping	738	353	-	1,091
Printing	1,889	-	-	1,889
Rent	7,186	3,923	-	11,109
Tech support	4,223	1,408	1,408	7,039
Telephone	1,344	706	-	2,050
Utilities	-	-	-	-
Volunteer training/apprec./recruitment	2,708	-	-	2,708
TOTAL EXPENSES	\$ 125,565	\$ 39,073	\$ 17,550	\$ 182,188

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

PREPARED WITHOUT AUDIT

READY READERS

Statements of Cash Flows

Years ended June 30, 2008 and 2007

(See Accountants' Review Report)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 54,889	\$ 25,615
Adjustments to reconcile change in net assets provided by operating activities:		
Depreciation	1,337	732
Book inventory	(4,947)	5,875
	<hr/>	<hr/>
Net cash provided by operations	51,279	32,222
 Cash flows from investing activities:		
Purchase of furniture and equipment	(3,951)	(2,096)
Proceeds of certificate of deposit	-	15,000
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(3,951)	12,904
INCREASE IN CASH AND CASH EQUIVALENTS	47,328	45,126
Cash and cash equivalents at beginning of year	<hr/> 136,259	<hr/> 91,133
Cash and cash equivalents at end of year	<hr/> \$ 183,587	<hr/> \$ 136,259

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

PREPARED WITHOUT AUDIT

READY READERS

Notes to Financial Statements

June 30, 2008

(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 at-risk preschool children in the St. Louis metropolitan area 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 Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendations of the Financial Accounting Standards Board (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations: (SFAS 117). Under SFAS No. 117, 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.

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.

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.

READY READERS

Notes to Financial Statements - Continued

June 30, 2008

(See Accountants' Review Report)

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

Furniture and Equipment

Furniture 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 \$1,337 and \$732 for the years ended June 30, 2008 and 2007, respectively.

Donated Services and Supplies

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, 2008 and 2007 the Organization received donated materials and facilities in the amount of \$0 and \$6,000, respectively.

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. During the years ended June 30, 2008 and 2007, the Organization received donated services by the Executive Director with an estimated fair value of \$30,000 and \$20,000 for the years ended June 30, 2008 and 2007, respectively.

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.

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, 2008 and 2007, the Organization had no permanently restricted net assets.

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Notes to Financial Statements - Continued

June 30, 2008

(See Accountants' Review Report)

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

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.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

Note C - Book Inventory

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

Note D - Temporarily Restricted Net Assets

Temporarily restricted net assets account for contributions that are restricted for specific purposes or time periods; at June 30, 2008 and 2007, the following items were included in temporarily restricted net assets:

	<u>2007</u>	<u>2006</u>
Book purchases	\$ <u>10,500</u>	\$ <u>25,250</u>
Net assets released as of June 30, 2008		
Book purchases and program restrictions	\$ <u>25,250</u>	\$ <u>15,500</u>

Note E - Lease Commitment

During 2007, the Organization leased office space for \$341 per month under an operating lease that expired June 30, 2007. Under another operating lease that expired July 1, 2007, the Organization leased warehouse space for \$667 per month. Total lease expense for 2007 amounted to \$10,963. This amount included donated space valued at \$1,000. On July 1, 2008, the Organization signed a new three-year operating lease for office and warehouse space for \$675/month. Under the existing operating lease, future lease payments for office and warehouse space will total \$8,100 per year through June 30, 2010.