READING IN MOTION

FINANCIAL STATEMENTS

JUNE 30, 2017

READING IN MOTION

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2017 AND 2016

CONTENTS

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Reading In Motion

Report on the Financial Statements
We have audited the accompanying financial statements of Reading In Motion (RIM), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and of 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.

Auditors' 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 audits 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.

311 South Wacker Drive | Suite 4000 | Chicago, IL 60606 | 312-368-0500 | 312-368-0746 Fax | www.legacycpas.com

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Reading In Motion as of June 30, 2017 and 2016, 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.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Legacy Professionals LLP

Chicago, Illinois

October 31, 2017

Reading In Motion

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Cash	$ 655,547	$ 554,187
Receivables		
Grants	454,100	525,000
Pledges	49,690	227,877
Program services	6,800	5,056
Total receivables	510,590	757,933
Prepaid expenses	9,918	38,743
Inventory	69,017	74,255
Property and equipment	88,078	87,059
Less accumulated depreciation	(83,331)	(61,324)
Net property and equipment	4,747	25,735
Security deposit	28,906	34,260
Total assets	$ 1,278,725	$ 1,485,113
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	$ 11,738	$ 8,143
Deferred lease incentive	63,623	75,549
Deferred revenue	28,250	25,000
Total liabilities	103,611	108,692
Net assets		
Unrestricted	346,057	329,022
Temporarily restricted	829,057	1,047,399
Total net assets	1,175,114	1,376,421
Total liabilities and net assets	$ 1,278,725	$ 1,485,113

See accompanying notes to financial statements.

Reading In Motion

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants and contributions			
Foundations	$ 317,510	$ 560,000	$ 877,510
Corporate	169,295	15,000	184,295
Government	9,100	-	9,100
Individual and Board	189,460	-	189,460
Special events - net	29,260	-	29,260
In-kind	3,559	-	3,559
Net assets released from restrictions	793,342	(793,342)	-
Total grants and contributions	1,511,526	(218,342)	1,293,184
Revenue from operations			
Program services	431,442	-	431,442
Other income			
Interest	254	-	254
Miscellaneous	4,337	-	4,337
Total other income	4,591	-	4,591
Total revenue and support	1,947,559	(218,342)	1,729,217
Expenses			
Program services			
Benchmarks	666,017	-	666,017
Spanish	274,892	-	274,892
Expansion project	195,767	-	195,767
Sales and marketing	163,326	-	163,326
Research and development	149,670	-	149,670
Total program services	1,449,672	-	1,449,672
Administrative and general	144,294	-	144,294
Fundraising and development	336,558	-	336,558
Total expenses	1,930,524	-	1,930,524
Change in net assets	17,035	(218,342)	(201,307)
Net assets			
Beginning of year	329,022	1,047,399	1,376,421
End of year	$ 346,057	$ 829,057	$ 1,175,114

See accompanying notes to financial statements.

Reading In Motion

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants and contributions			
Foundations	$ 601,686	$ 815,000	$ 1,416,686
Corporate	106,885	30,000	136,885
Individual and Board	325,961	147,650	473,611
Special events - net	18,525	-	18,525
Net assets released from restrictions	429,251	(429,251)	-
Total grants and contributions	1,482,308	563,399	2,045,707
Revenue from operations			
Program services	450,313	-	450,313
Other income			
Interest	370	-	370
Total revenue and support	1,932,991	563,399	2,496,390
Expenses			
Program services			
Benchmarks	838,672	-	838,672
Spanish	362,100	-	362,100
Expansion project	20,251	-	20,251
Sales and marketing	142,885	-	142,885
Research and development	265,803	-	265,803
Total program services	1,629,711	-	1,629,711
Administrative and general	196,172	-	196,172
Fundraising and development	343,489	-	343,489
Total expenses	2,169,372	-	2,169,372
Change in net assets	(236,381)	563,399	327,018
Net assets			
Beginning of year	565,403	484,000	1,049,403
End of year	$ 329,022	$ 1,047,399	$ 1,376,421

See accompanying notes to financial statements.

Reading In Motion

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (201,307)	$ 327,018
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	22,007	26,908
Bad debt expense	4,425	-
Change in assets and liabilities		
Receivables	242,918	(440,913)
Prepaid expenses	28,825	(14,404)
Inventory	5,238	2,502
Security deposit	5,354	(9,495)
Accounts payable	3,595	(34,260)
Deferred lease incentive	(11,926)	18,792
Deferred revenue	3,250	1,233
Net cash provided by (used in) operating activities	102,379	(122,619)
Cash flows from investing activities		
Purchase of property and equipment	(1,019)	(1,397)
Net increase (decrease) in cash	101,360	(124,016)
Cash		
Beginning of year	554,187	678,203
End of year	$ 655,547	$ 554,187

See accompanying notes to financial statements.

NOTE 1. NATURE OF THE ORGANIZATION

Reading In Motion (RIM) was established in 1983 with the mission to get every at-risk child reading at or above grade level within the first years of school, through the power and discipline of the arts. RIM maintains the following principal programs:

Benchmarks is a world-class reading program for at-risk children. The program uses arts-based activities that are physical, kinesthetic and imaginative to address key reading skills. During the year ended June 30, 2017, 3,125 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2016, 3,800 pre-kindergarten, kindergarten and 1st grade students benefited from this program. Benchmarks includes the Extra Dosage component, which provides well-trained Extra Dosage instructors in first grade classrooms to provide additional small group instruction, at the same time the teacher is doing small group instruction in the same room.

Spanish is the Spanish language version of Benchmarks and is an adaptation designed to be used in bilingual pre-kindergarten and 1st grade classrooms in which reading is taught in Spanish. This program uses music and drama-based activities to address key reading and pre-reading skills. During the year ended June 30, 2017, 1,175 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2016, 1,575 pre-kindergarten, kindergarten and 1st grade students benefited from this program. The Spanish adaptation accounts for the particulars of the Spanish language and its orthography, such as an emphasis on syllabic segmentation and an earlier push for encoding and decoding skills.

Certain marketing and program development expenses are considered to benefit both programs.

The **National Expansion** program is focused on bringing RIM's best in class Benchmarks program (in English and Spanish) to other major metropolitan areas across the United States with large populations of at-risk students. The organization's plan is to introduce Benchmarks to one new city per year, with the first 400 students seated in the 2017-18 school year (FY18). Within each city, RIM will pursue a staged expansion strategy, beginning with Kindergarten and then adding new grades and additional schools annually, allowing for simpler, more effective program implementation. During FY17, RIM expanded into Las Vegas under the National Expansion program, with teacher training and student services to begin in FY18.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation - To conform with generally accepted accounting principles, RIM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

> **Unrestricted** - Unrestricted net assets are available to finance the general operations of RIM. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of RIM, the environment in which it operates and the purposes specified in its articles of incorporation.
>
> **Temporarily Restricted** - Temporarily restricted net assets result from (a) contributions and other inflows of assets, the use of which by RIM is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of RIM pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of RIM pursuant to those stipulations.
>
> **Permanently Restricted** - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the organization to expend part or all of the income or other economic benefits derived from the donated assets. At both June 30, 2017 and 2016, RIM had no permanently restricted net assets.

Cash - Cash consists of monies held in demand deposit checking accounts, money market accounts and certificates of deposit without significant withdrawal restrictions.

Receivables - An allowance for uncollectible accounts for receivables at June 30, 2017 and 2016, was considered unnecessary and is not provided.

Grants Receivable - Unconditional promises to give are recognized as revenues and as assets in the period that the promises are received. Conditional promises to give are recognized as revenue when the conditions on with they depend are substantially met. At June 30, 2017 and 2016, management has determined that the effect of discounting grants due beyond one year would be immaterial. As such, as of June 30, 2017 and 2016, grants for future years are not discounted to present value.

Pledges Receivable - Unconditional promises to give are recognized as revenue in the period that the promises are received. Conditional promises to give are recognized when the conditions are substantially met. Pledges receivable may contain amounts that will be collected over a period longer than one year. No estimate for the present value of these amounts has been made, as discount would be immaterial. RIM considers pledges receivable to be fully collectible; accordingly no allowance for doubtful accounts is necessary.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory - Inventory consists of supplies that are used in RIM's various programs. Inventory is valued by average cost. At June 30, 2017 and 2016, RIM carried inventory at $69,017 and $74,255 respectively.

Property and Equipment - Property and equipment consist of office equipment, computer equipment, and software carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method over the estimated three to five year useful lives of the assets.

Depreciation expense was $22,007 for year ended June 30, 2017 and $26,908 for the year ended June 30, 2016.

Deferred Lease Incentive - As part of a leasing arrangement, RIM received an incentive in the form of free rent from the landlord. RIM recognizes this incentive as a reduction of rental expense on a straight-line basis over the term of the lease.

Deferred Revenue - Grants and program service revenue received in advance for future programs are recorded as deferred revenue. Recognition as revenue occurs when the program takes place.

Revenue Recognition - RIM receives a significant portion of its operating revenue from school contracts, the sale of educational materials, grants and contributions.

RIM receives certain fees in advance of providing the related services. Such amounts are deferred upon receipt and recognized as revenue when earned. At year end, deferred revenue represents school contract fees received for the next calendar year applicable to future years.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. 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. Investment income and realized and unrealized gains and losses resulting from contributions are reported as unrestricted or temporarily restricted net assets, as directed by the donor. There were no investments during the years ended June 30, 2017 and 2016.

Note 2. Summary of Significant Accounting Policies (continued)

In-kind Donations - From time to time, RIM receives donated goods and services. These in-kind donations are recorded as contributions at their estimated fair value at the date of donation, and as expenses in the statements of activities. In kind donations totaled $3,559 during the year ended June 30, 2017, there were no in-kind donations during the year ended June 30, 2016.

Functional Allocation of Expenses - The costs of providing RIM's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

Special Events - Proceeds from special events are shown net of related expenses.

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 in the financial statements. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through October 31, 2017, which is the date the financial statements were available to be issued.

Note 3. Concentrations of Support and Revenue

Approximately 90% and 80% of RIM's program services revenue is derived from Chicago Public Schools for the years ended June 30, 2017 and 2016, respectively.

Note 4. Concentration of Credit Risk

Cash consists of monies held in checking and savings accounts and highly liquid interest-bearing accounts without significant withdrawal restrictions. RIM places its cash with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to $250,000 per financial institution. Balances may at times exceed insured limits.

Note 5. Income Taxes

RIM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under Section 170(b)(1)(A). RIM has been classified as an organization other than a private foundation under Section 509(a)(2).

RIM files Form 990, *Return of Organization Exempt from Income Tax,* and are subject to examination by the Internal Revenue Service until the applicable statute of limitations expires.

NOTE 6. OPERATING LEASE

RIM leases office space under a lease agreement expiring on April 30, 2025. As an incentive to extend the lease, the landlord provided free rent for ten months over the first two years of the lease. This lease incentive is being amortized on a straight-line basis through the early termination date. There is an option to terminate the lease effective April 30, 2021 with proper notice and a termination fee which includes rent abatement, brokerage commissions and tenant improvement costs and allowances. Additionally, the lease also calls for a pro rata share of the increase in real estate taxes and the costs of operating the building.

The following is a schedule of future minimum rental payments required under noncancelable lease terms of this operating lease as of June 30, 2017, excluding pro rata expenses:

Year ending June 30,	
2018	$ 115,713
2019	117,975
2020	120,237
2021	101,768
	$ 455,693

Rent and utilities expense was $109,428 for the year ended June 30, 2017 and $110,452 for the year ended June 30, 2016.

NOTE 7. PENSION PLAN

Full-time employees are automatically enrolled in a contributory defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code and may opt out of the plan if they choose. RIM matches employee deferrals at 25% up to a maximum of 4% of the employee's salary. The matching contributions made to the plan were $6,477 for the year ended June 30, 2017 and $4,502 for the year ended June 30, 2016.

NOTE 8. TEMPORARILY RESTRICTED ASSETS

At June 30, 2017 and 2016, temporarily restricted net assets consisted of grants and contributions from the following:

	2017	2016
Andrew Family Foundation	$ 250,000	$ 134,749
A Better Chicago	200,000	400,000
Windsong Trust	125,000	-
Crown Family Philanthropies	120,000	-
Anonymous	114,057	250,000
CME Group	15,000	10,000
McGraw Foundation	5,000	-
Individuals	-	147,650
McShane Family Foundation	-	75,000
Target	-	20,000
Montgomery Ward Foundation	-	7,500
BMO Harris	-	2,500
Total	$ 829,057	$ 1,047,399

All temporarily restricted net assets are time and purpose restricted and are scheduled to be released as follows:

	2017	2016
Year ending June 30,		
2017	$ -	$ 847,399
2018	644,057	200,000
2019	185,000	-
	$ 829,057	$ 1,047,399

NOTE 8. TEMPORARILY RESTRICTED ASSETS (CONTINUED)

For the years ended June 30, 2017 and 2016, grants and contributions provided by the following were released from restrictions:

	2017	2016
A Better Chicago	$ 200,000	$ -
Individuals	147,650	-
Anonymous	135,943	-
Andrew Family Foundation	134,749	95,251
McShane Family Foundation	75,000	-
Crown Family Philanthropies	60,000	30,000
Target	20,000	40,000
CME Group	10,000	10,000
Montgomery Ward Foundation	7,500	-
BMO Harris	2,500	-
Invest for Kids, Inc.	-	124,000
Polk Brothers Foundation	-	75,000
Chicago Tribune Children's Charities	-	45,000
McGraw Foundation	-	5,000
Schwab Charitable Foundation	-	5,000
Total	$ 793,342	$ 429,251

NOTE 9. LINE OF CREDIT

At June 30, 2017, RIM has a line of credit in the amount of $120,000, collateralized by all of the assets of RIM. The line of credit was not utilized during the years ended June 30, 2017 and 2016.

NOTE 10. SPECIAL EVENTS

Reading in Motion held four special events during the years ended June 30, 2017 and 2016. Proceeds from these special events are shown net of their related expenses on the statements of activities as follows:

	2017	2016
Contributions/sponsorships	$ 31,050	$ 20,388
Ticket sales	14,245	12,625
Event expenses	(16,035)	(14,488)
Total	$ 29,260	$ 18,525

SUPPLEMENTARY INFORMATION

Reading In Motion

Schedule of Functional Expenses

Year Ended June 30, 2017

	Program Services								
	Benchmarks	Spanish	Expansion Project	Sales and Marketing	Research and Development	Total	Administrative and General	Fundraising and Development	Total
Salary and payroll tax expense	$ 433,432	$ 175,456	$ 122,925	$ 93,444	$ 90,624	$ 915,881	$ 105,573	$ 196,346	$ 1,217,800
Employee benefits	56,150	22,730	15,925	12,105	11,740	118,650	13,677	25,436	157,763
	489,582	198,186	138,850	105,549	102,364	1,034,531	119,250	221,782	1,375,563
Bad debt	-	-	-	-	-	-	4,425	-	4,425
Bank processing fees	144	58	41	31	30	304	35	9,622	9,961
Depreciation expense	7,809	3,162	2,280	1,683	1,633	16,567	1,903	3,537	22,007
Donor and staff recognition	193	78	80	42	40	433	45	623	1,101
Dues and subscriptions	1,257	534	2,127	2,740	253	6,911	970	4,148	12,029
Insurance	7,532	3,049	2,136	1,624	1,575	15,916	1,834	3,412	21,162
Meals & entertainment	4,730	1,978	2,143	7,609	989	17,449	484	4,511	22,444
Meeting expense	2,734	1,106	-	1,014	571	5,425	-	-	5,425
Office supplies and equipment	1,658	684	469	476	306	3,593	244	588	4,425
Postage expense	385	156	380	83	80	1,084	52	1,527	2,663
Printing expense	2,874	1,163	1,385	2,277	601	8,300	695	3,418	12,413
Professional fees	14,162	5,733	26,210	22,553	29,843	98,501	1,441	58,101	158,043
Program supplies and materials	59,847	25,306	-	32	31	85,216	-	-	85,216
Promotion expense	-	-	1,271	905	-	2,176	-	52	2,228
Rent and utilities	43,320	17,536	-	9,339	9,058	79,253	10,551	19,624	109,428
Repairs and maintenance expense	138	56	-	30	29	253	33	62	348
Telephone	9,108	3,687	3,258	1,964	1,904	19,921	2,219	4,126	26,266
Training expense	80	33	-	17	17	147	-	264	411
Travel and transportation expense	4,903	4,167	15,137	5,358	346	29,911	113	1,161	31,185
Warehouse and processing expense	15,561	8,220	-	-	-	23,781	-	-	23,781
Total	$ 666,017	$ 274,892	$ 195,767	$ 163,326	$ 149,670	$ 1,449,672	$ 144,294	$ 336,558	$ 1,930,524

READING IN MOTION

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services								
	Benchmarks	Spanish	Expansion Project	Sales and Marketing	Research and Development	Total	Administrative and General	Fundraising and Development	Total
Salary and payroll tax expense	$ 569,257	$ 236,034	$ -	$ 97,190	$ 111,075	$ 1,013,556	$ 138,843	$ 236,034	$ 1,388,433
Employee benefits	74,257	30,789	-	12,678	14,489	132,213	18,111	30,789	181,113
	643,514	266,823	-	109,868	125,564	1,145,769	156,954	266,823	1,569,546
Bank processing fees	3,762	1,559	-	642	734	6,697	917	1,559	9,173
Depreciation expense	11,032	4,574	-	1,884	2,153	19,643	2,691	4,574	26,908
Donor and staff recognition	1,646	683	-	281	321	2,931	402	683	4,016
Dues and subscriptions	4,073	1,689	275	695	795	7,527	718	1,690	9,935
Insurance	10,090	4,184	-	1,723	1,969	17,966	2,461	4,184	24,611
Meals & entertainment	10,609	4,400	690	1,812	2,070	19,581	1,898	4,400	25,879
Meeting expense	351	146	-	60	69	626	86	146	858
Office supplies and equipment	3,339	1,384	53	570	651	5,997	761	1,384	8,142
Postage expense	1,383	573	37	236	270	2,499	300	574	3,373
Printing expense	5,629	2,334	-	961	1,098	10,022	1,373	2,334	13,729
Professional fees	-	-	16,010	12,411	117,019	145,440	1,720	30,141	177,301
Program supplies and materials	55,545	33,153	-	518	361	89,577	7,170	1,024	97,771
Promotion expense	169	70	-	29	33	301	41	70	412
Rent and utilities	45,285	18,777	-	7,732	8,836	80,630	11,045	18,777	110,452
Repairs and maintenance expense	240	100	-	41	47	428	58	100	586
Telephone	8,710	3,611	-	1,487	1,699	15,507	2,124	3,612	21,243
Training expense	1,076	446	-	184	210	1,916	263	446	2,625
Travel and transportation expense	8,982	3,725	3,186	1,534	1,753	19,180	2,191	539	21,910
Warehouse and processing expense	23,237	13,869	-	217	151	37,474	2,999	429	40,902
Total	$ 838,672	$ 362,100	$ 20,251	$ 142,885	$ 265,803	$ 1,629,711	$ 196,172	$ 343,489	$ 2,169,372