
LET'S GET READY, INC.

Financial Statements

For the years ended August 31, 2009 and 2008

LET'S GET READY, INC.

Contents

| | Page |
|--|------|
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 2 |
| Statement of Activities and Change in Net Assets as of August 31, 2009 | 3 |
| Statement of Activities and Change in Net Assets as of August 31, 2008 | 4 |
| Statement of Functional Expenses for the fiscal year ended August 31, 2009 | 5 |
| Statement of Functional Expenses for the fiscal year ended August 31, 2008 | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements..... | 8-10 |

N. CHENG & CO. P.C.
Certified Public Accountants

40 Exchange Place
Suite 1206
New York, New York 10005
Voice (212) 785.0100
Fax (212) 785.9168
www.ncheng.com



Independent Auditors' Report

To the Board of Trustees
Let's Get Ready, Inc.
New York, New York

We have audited the accompanying statement of financial position of Let's Get Ready, Inc. as of August 31, 2009 and the related statements of activities and change in net assets, statement of functional expense, and cash flows for the year then ended. These financial statements are the responsibility of Let's Get Ready, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Let's Get Ready, Inc. as of August 31, 2008 were prepared by another auditor, whose report dated June 4, 2009 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Let's Get Ready, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

N. Cheng & Co., P.C.

New York, New York
November 30, 2009

LET'S GET READY, INC.
Statement of Financial Position
For the years ended August 31,

| | <u>2009</u> | <u>2008*</u> |
|--|---------------------|---------------------|
| <u>Assets</u> | | |
| Cash | \$ 967,249 | \$ 1,049,279 |
| Accounts receivable | 42,525 | 128,775 |
| Prepaid expenses | 13,922 | 8,402 |
| Property and equipment, net - Note 5 | <u>54,124</u> | <u>26,830</u> |
| Total assets | <u>\$ 1,077,820</u> | <u>\$ 1,213,286</u> |
| <u>Liabilities and net assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts and accrued expenses payable | <u>\$ 20,018</u> | <u>\$ 3,688</u> |
| Total liabilities | <u>20,018</u> | <u>3,688</u> |
| Contingencies - Note 6 | | |
| <u>Net assets</u> | | |
| Unrestricted | 397,849 | 666,598 |
| Unrestricted board designated - Note 7 | <u>350,000</u> | <u>-</u> |
| Total unrestricted | 747,849 | 666,598 |
| Temporarily restricted - Note 3 | <u>309,953</u> | <u>543,000</u> |
| Total net assets | <u>1,057,802</u> | <u>1,209,598</u> |
| Total liabilities and net assets | <u>\$ 1,077,820</u> | <u>\$ 1,213,286</u> |

*Restated for comparative purposes.

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Activities and Changes in Net Assets
For the year ended August 31, 2009

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| <u>Support and revenue</u> | | | |
| Contributions | \$ 330,219 | \$ 83,000 | \$ 413,219 |
| Program service income | 253,544 | | 253,544 |
| In-kind contributions – Note 4 | 201,162 | | 201,162 |
| Special event | 448,056 | | 448,056 |
| Less: direct special event expenses | (114,096) | | (114,096) |
| Interest | 13,342 | | 13,342 |
| | <u>1,132,227</u> | <u>83,000</u> | <u>1,215,227</u> |
| Total support and revenue | | | |
| Net assets released from restrictions | <u>316,047</u> | <u>(316,047)</u> | <u>-</u> |
| | <u>1,448,274</u> | <u>(233,047)</u> | <u>1,215,227</u> |
| Total support and revenue | | | |
| <u>Expenses</u> | | | |
| Program services | <u>1,103,399</u> | | <u>1,103,399</u> |
| Supporting services | | | |
| Management and general | 92,962 | | 92,962 |
| Fund raising | 170,662 | | 170,662 |
| | <u>263,624</u> | | <u>263,624</u> |
| Total supporting services | | | |
| Total expenses | <u>1,367,023</u> | | <u>1,367,023</u> |
| Change in net assets | 81,251 | (233,047) | (151,796) |
| Net assets at beginning of the year | <u>666,598</u> | <u>543,000</u> | <u>1,209,598</u> |
| Net assets at end of the year | <u>\$ 747,849</u> | <u>\$ 309,953</u> | <u>\$ 1,057,802</u> |

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Activities and Changes in Net Assets
For the year ended August 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| <u>Support and revenue</u> | | | |
| Contributions | \$ 452,845 | \$ 450,000 | \$ 902,845 |
| Program service income | 185,904 | | 185,904 |
| In-kind contributions – Note 4 | 145,840 | | 145,840 |
| Special event | 433,170 | | 433,170 |
| Less: direct special event expenses | (111,659) | | (111,659) |
| Interest | 9,425 | | 9,425 |
| | | | |
| Total support and revenue | 1,115,525 | 450,000 | 1,565,525 |
| Net assets released from restrictions | 167,333 | (167,333) | - |
| | | | |
| Total support and revenue | <u>1,282,858</u> | <u>282,667</u> | <u>1,565,525</u> |
| | | | |
| <u>Expenses</u> | | | |
| Program services | <u>1,002,606</u> | | <u>1,002,606</u> |
| | | | |
| Supporting services | | | |
| Management and general | 71,912 | | 71,912 |
| Fund raising | 124,195 | | 124,195 |
| | | | |
| Total supporting services | <u>196,107</u> | | <u>196,107</u> |
| | | | |
| Total expenses | <u>1,198,713</u> | | <u>1,198,713</u> |
| | | | |
| Change in net assets | 84,145 | 282,667 | 366,812 |
| Net assets at beginning of the year | 582,453 | 260,333 | 842,786 |
| | | | |
| Net assets at end of the year | <u>\$ 666,598</u> | <u>\$ 543,000</u> | <u>\$ 1,209,598</u> |

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Functional Expenses
Fiscal year ended August 31, 2009

| | Program services | Supporting services | | | Total program and supporting services |
|-----------------------------------|-----------------------------|------------------------------|-------------------|-------------------|--|
| | | Management and general | Fund raising | Sub-total | |
| Staff | \$ 330,162 | \$ 42,117 | \$ 115,188 | \$ 157,305 | \$ 487,467 |
| College program directors | 180,173 | - | - | - | 180,173 |
| Coach labor | 193,662 | - | - | - | 193,662 |
| Payroll taxes | 47,394 | 5,936 | 5,031 | 10,967 | 58,361 |
| Employee benefits | 34,497 | 2,363 | 7,551 | 9,914 | 44,411 |
| Total personnel cost | 785,888 | 50,416 | 127,770 | 178,186 | 964,074 |
| Educational materials and expense | 138,278 | - | - | - | 138,278 |
| Rent and utilities - premises | 73,408 | 6,623 | 16,556 | 23,179 | 96,587 |
| Rent - office equipment | 4,668 | 515 | 1,286 | 1,801 | 6,469 |
| Printing and reproduction | 15,214 | - | 4,647 | 4,647 | 19,861 |
| Professional fees | 5,346 | 19,173 | 1,485 | 20,658 | 26,004 |
| Postage and delivery | 9,920 | 241 | 601 | 842 | 10,762 |
| Telephone | 14,415 | 719 | 1,799 | 2,518 | 16,933 |
| Travel, meals and lodging | 17,800 | - | 729 | 729 | 18,529 |
| Insurance | 1,335 | 4,212 | - | 4,212 | 5,547 |
| Gifts | 1,750 | - | - | - | 1,750 |
| Grant writing | - | - | 5,375 | 5,375 | 5,375 |
| Office and other | 12,916 | 1,256 | 3,588 | 4,844 | 17,760 |
| Staff recruitment | 356 | - | 5,212 | 5,212 | 5,568 |
| Payroll processing | - | 5,571 | - | 5,571 | 5,571 |
| Staff and board meetings | 957 | 411 | 383 | 794 | 1,751 |
| Professional development | 631 | 565 | 116 | 681 | 1,312 |
| Dues and subscriptions | - | 2,480 | - | 2,480 | 2,480 |
| Other expenses | 7,332 | 350 | - | 350 | 7,682 |
| Depreciation and amortization | 13,185 | 430 | 1,115 | 1,545 | 14,730 |
| Total expenses | \$ 1,103,399 | \$ 92,962 | \$ 170,662 | \$ 263,624 | \$ 1,367,023 |

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Functional Expenses
Fiscal year ended August 31, 2008

| | <u>Program services</u> | <u>Supporting services</u> | | | <u>Total program and supporting services</u> |
|-----------------------------------|-------------------------|-------------------------------|---------------------|-------------------|--|
| | | <u>Management and general</u> | <u>Fund raising</u> | <u>Sub-total</u> | |
| Staff | \$ 347,210 | \$ 26,708 | \$ 78,623 | \$ 105,331 | \$ 452,541 |
| College program directors | 136,240 | - | - | - | 136,240 |
| Coach labor | 134,400 | - | - | - | 134,400 |
| Payroll taxes | 37,013 | 2,847 | 7,592 | 10,439 | 47,452 |
| Employee benefits | 26,134 | 2,010 | 5,361 | 7,371 | 33,505 |
| Total personnel cost | 680,997 | 31,565 | 91,576 | 123,141 | 804,138 |
| SAT trainers | 8,697 | - | - | - | 8,697 |
| Educational materials and expense | 143,230 | - | - | - | 143,230 |
| Rent and utilities - premises | 67,412 | 5,186 | 13,828 | 19,014 | 86,426 |
| Printing and reproduction | 11,177 | 860 | 2,293 | 3,153 | 14,330 |
| Tech support | 5,067 | 390 | 1,039 | 1,429 | 6,496 |
| Professional fees | - | 19,500 | - | 19,500 | 19,500 |
| Postage and delivery | 13,008 | 1,001 | 2,668 | 3,669 | 16,677 |
| Graphic design | 10,235 | 787 | 2,100 | 2,887 | 13,122 |
| Telephone | 13,110 | 1,008 | 2,689 | 3,697 | 16,807 |
| Travel, meals and lodging | 26,275 | 381 | 1,135 | 1,516 | 27,791 |
| Insurance | - | 7,040 | - | 7,040 | 7,040 |
| Grant writing | - | - | 1,648 | 1,648 | 1,648 |
| Office and other | 12,034 | 928 | 2,468 | 3,396 | 15,430 |
| Staff recruitment | 887 | - | - | - | 887 |
| Payroll processing | 4,043 | 311 | 829 | 1,140 | 5,183 |
| Staff and board meetings | 1,483 | 114 | 304 | 418 | 1,901 |
| Professional development | 801 | 365 | 195 | 560 | 1,361 |
| Dues and subscriptions | - | 2,157 | 572 | 2,729 | 2,729 |
| Depreciation and amortization | 4,150 | 319 | 851 | 1,170 | 5,320 |
| Total expenses | <u>\$ 1,002,606</u> | <u>\$ 71,912</u> | <u>\$ 124,195</u> | <u>\$ 196,107</u> | <u>\$ 1,198,713</u> |

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.**Statement of Cash Flows**

For the year ended August 31, 2009 and 2008

| | <u>2009</u> | <u>2008*</u> |
|--|-------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | (\$ 151,796) | \$ 366,812 |
| Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities: | | |
| Depreciation and amortization | 14,729 | 5,320 |
| Change in prepaid expenses | (5,520) | (144) |
| Change in accounts receivable | 86,596 | 199,476 |
| Change in other receivable | (346) | - |
| Change in accounts payable | <u>16,330</u> | <u>(7,600)</u> |
| Net cash (used in)/provided by operating activities | <u>(40,007)</u> | <u>563,864</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | <u>(42,023)</u> | <u>(10,821)</u> |
| Net (decrease)/increase in cash | (82,030) | 553,043 |
| Cash at beginning of the year | <u>1,049,279</u> | <u>496,236</u> |
| Cash at end of the year | <u>\$ 967,249</u> | <u>\$ 1,049,279</u> |

*Restated for comparative purposes.

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.

Notes to Financial Statements

For the years ended August 31, 2009 and 2008

Note 1 Organization

Let's Get Ready, Inc. ("LGR") was incorporated in the State of New York in 1999 to mobilize, equip and empower talented college students to help the next generation step up to college. LGR expands access to college for low-income high school students. Using volunteer college students as tutors, mentors, and role-models, LGR provides SAT preparation and critical assistance with all aspects of the college admissions process. LGR's support comes primarily through donor contributions.

Note 2 Summary of significant accounting policies

Financial statements. LGR's financial statements have been prepared in accordance with FASB Statements 116 and 117 which established accounting standards for not-for-profit organizations. These standards require that resources be classified for accounting and reporting purposes into three classes of net assets - permanently restricted, temporarily restricted, and unrestricted.

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

Fixed assets. Acquired fixed assets are capitalized and depreciated over their estimated useful lives using the straight-line method as follows:

| | |
|-------------------------|---------|
| Furniture and equipment | 7 years |
| Software | 3 years |

Support/revenue. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. LGR has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets. Program service income is recognized when earned.

Functional allocation of expenses. The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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.

LET'S GET READY, INC.**Notes to Financial Statements**

For the years ended August 31, 2009 and 2008

Note 2 Summary of significant accounting policies – (continued)

Provision for uncollected pledges. Management has written off pledges from prior periods that were not collected and has made a provision for uncollectible contributions receivable based on management's assessments of the aged basis of its receivables, current economic conditions and historical information.

Concentrations of credit and market risk. Cash is maintained at a number of the nation's largest commercial banks. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 250,000 for each bank effective through December 31, 2013. At August 31, 2009, LGR is not exposed to credit risk for amounts held in excess of the FDIC limit.

New accounting pronouncements. In fiscal year 2010, LGR will adopt Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement of No. 109" (FIN 48). Due to LGR's general tax exempt status, FIN 48 is not expected to have a material effect on its financial statements.

Note 3 Temporarily restricted net assets

Temporarily restricted net assets as of August 31, 2009 consist of the following:

| | <u>Balances</u> 9/1/2008 | <u>Additions</u> | <u>Releases</u> | <u>Balances</u> 8/31/2009 |
|------------------------------|-----------------------------|------------------|-----------------------|------------------------------|
| Time restricted: | | | | |
| Goldman Sachs Foundation | \$ 468,000 | | (\$ 201,333) | \$ 266,667 |
| Purpose restricted: | | | | |
| Time Warner | 50,000 | | (50,000) | - |
| JP Morgan Foundation | 25,000 | | (25,000) | - |
| NBC Universal | - | \$ 60,000 | (25,714) | 34,286 |
| The Epiphany School | - | 15,000 | (10,000) | 5,000 |
| Greater Worcester Foundation | - | 8,000 | (4,000) | 4,000 |
| | <u>\$ 543,000</u> | <u>\$ 83,000</u> | <u>(\$ 316,047)</u> | <u>\$ 309,953</u> |

The ending balance of \$ 309,953 consists of \$ 309,953 in cash, on the Statement of Financial Position.

LET'S GET READY, INC.**Notes to Financial Statements**

For the years ended August 31, 2009 and 2008

Note 3 Temporarily restricted net assets – (continued)

Temporarily restricted net assets as of August 31, 2008 consist of the following:

| | <u>Balances</u> <u>9/1/2007</u> | <u>Additions</u> | <u>Releases</u> | <u>Balances</u> <u>8/31/2008</u> |
|--------------------------|------------------------------------|-------------------|---------------------|-------------------------------------|
| Time restricted: | | | | |
| Goldman Sachs Foundation | \$ 50,333 | \$ 450,000 | (\$ 32,333) | \$ 468,000 |
| Purpose restricted: | | | | |
| Time Warner | 100,000 | - | (50,000) | 50,000 |
| JP Morgan Foundation | 50,000 | - | (25,000) | 25,000 |
| Lucerne Foundation | 60,000 | - | (60,000) | - |
| | <u>\$ 260,333</u> | <u>\$ 450,000</u> | <u>(\$ 167,333)</u> | <u>\$ 543,000</u> |

The ending balance of \$ 543,000 consists of \$ 433,000 in cash and \$ 110,000 in contributions and grants receivable, on the Statement of Financial Position.

Note 4 In-kind contributions

In-kind contributions consisted of:

| | <u>2009</u> | <u>2008</u> |
|----------------|-------------------|-------------------|
| Coach labor | \$ 193,662 | \$ 134,400 |
| Legal services | 7,500 | 11,200 |
| Web site | - | 240 |
| Total | <u>\$ 201,162</u> | <u>\$ 145,840</u> |

For the fiscal year ended August 31, 2009, LGR had a total of 636 coaches. In-kind contributions for coach labor are valued based on average of 21 hours per program for 53 programs at a rate of \$ 14.50 per hour.

Note 5 Property and equipment

Property and equipment consisted of:

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Computer equipment | \$ 16,230 | \$ 16,230 |
| Furniture and fixtures | 23,080 | 23,080 |
| Software | 42,023 | - |
| Less: accumulated depreciation and amortization | (27,209) | (12,480) |
| | <u>\$ 54,124</u> | <u>\$ 26,830</u> |

LET'S GET READY, INC.**Notes to Financial Statements**

For the years ended August 31, 2009 and 2008

Note 6 Commitments

LGR leases office space for the New York Central Office under a long term operating lease that expires on April 30, 2012. At August 31, 2009, future minimum annual lease obligations are:

| | <u>2009</u> | <u>2008</u> |
|-----------------|-------------------|-------------------|
| August 31, 2009 | | \$ 79,084 |
| August 31, 2010 | \$ 84,230 | 84,230 |
| August 31, 2011 | 86,549 | 86,549 |
| April 30, 2012 | <u>43,965</u> | <u>43,965</u> |
| | <u>\$ 214,744</u> | <u>\$ 293,828</u> |

This lease is secured by an irrevocable standby letter of credit that was issued by a bank. The letter of credit is collateralized by \$ 21,616 of cash on deposit with the bank.

LGR leases office space for the Boston Office under a one-year operating lease that expires on September 30, 2009. At August 31, 2009, the future minimum annual lease obligation is \$ 1,155. At August 31, 2008, the future minimum lease obligation was \$ 1,100

Note 7 Board designated net assets

The Board of Directors elected to restrict \$ 350,000 (an estimated 3 months of expenses) as operating funds reserve. Changes in this balance are subject to Board approval.

The cash balance at year-end of \$ 967,249 is sufficient to cover both this designation of \$ 350,000 and the restricted net assets of \$ 309,953.