

2013
Audit

049753

LET'S GET READY, INC.

Financial Statements

For the years ended August 31, 2013 and 2012

LET'S GET READY, INC.
Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Let's Get Ready, Inc., which comprise the statement of financial position as of August 31, 2013 and 2012 and the related statements of financial position, statement 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 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 audit 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 the 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 Let's Get Ready, Inc. as of August 31, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

N. Cheng $\frac{1}{2}$ Co., P.C.

New York, New York
January 15, 2014

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

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash	\$ 1,703,810	\$ 1,416,770
Accounts receivable	105,366	138,613
Prepaid expenses	43,676	2,978
Property and equipment, net - Note 3	17,217	26,600
Security deposits - Note 7	<u>44,881</u>	<u>44,968</u>
Total assets	<u>\$ 1,914,950</u>	<u>\$ 1,629,929</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts and accrued expenses payable	\$ 97,343	\$ 95,808
Unearned revenue - Note 9	<u>62,100</u>	<u> </u>
Total liabilities	<u>159,443</u>	<u>95,808</u>
<u>Net assets</u>		
Unrestricted	994,523	576,654
Unrestricted board designated - Note 5	<u>550,000</u>	<u>500,000</u>
Total unrestricted	1,544,523	1,076,654
Temporarily restricted - Note 4	<u>210,984</u>	<u>457,467</u>
Total net assets	<u>1,755,507</u>	<u>1,534,121</u>
Total liabilities and net assets	<u>\$ 1,914,950</u>	<u>\$ 1,629,929</u>

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Activities
For the year ended August 31, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<u>Support and revenue</u>			
Contributions	\$ 1,063,590	\$ 60,000	\$ 1,123,590
Program service income	251,967		251,967
In-kind contributions - Note 6	754,402		754,402
Special event	1,130,238		1,130,238
Less: direct special event expenses	(239,170)		(239,170)
Interest	2,756		2,756
Other income	18,680		18,680
Total support and revenue	2,982,463	60,000	3,042,463
Net assets released from restrictions	306,483	(306,483)	
Total support and revenue	<u>3,288,946</u>	<u>(246,483)</u>	<u>3,042,463</u>
<u>Expenses</u>			
Program services	<u>2,383,036</u>		<u>2,383,036</u>
Supporting services			
Management and general	123,448		123,448
Fund raising	314,593		314,593
Total supporting services	<u>438,041</u>		<u>438,041</u>
Total expenses	<u>2,821,077</u>		<u>2,821,077</u>
Change in net assets	467,869	(246,483)	221,386
Net assets at beginning of the year	<u>1,076,654</u>	<u>457,467</u>	<u>1,534,121</u>
Net assets at end of the year	<u>\$ 1,544,523</u>	<u>\$ 210,984</u>	<u>\$ 1,755,507</u>

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Activities
For the year ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<u>Support and revenue</u>			
Contributions	\$ 633,295	\$ 699,000	\$ 1,332,295
Program service income	230,501		230,501
In-kind contributions - Note 6	626,696		626,696
Special event	879,328		879,328
Less: direct special event expenses	(205,808)		(205,808)
Interest	2,494		2,494
Other income	550		550
	<u>2,167,056</u>	<u>699,000</u>	<u>2,866,056</u>
Total support and revenue			
Net assets released from restrictions	<u>355,616</u>	<u>(355,616)</u>	
	<u>2,522,672</u>	<u>343,384</u>	<u>2,866,056</u>
<u>Expenses</u>			
Program services	<u>2,061,611</u>		<u>2,061,611</u>
<u>Supporting services</u>			
Management and general	131,432		131,432
Fund raising	<u>335,051</u>		<u>335,051</u>
Total supporting services	<u>466,483</u>		<u>466,483</u>
Total expenses	<u>2,528,094</u>		<u>2,528,094</u>
Change in net assets	(5,422)	343,384	337,962
Net assets at beginning of the year	<u>1,082,076</u>	<u>114,083</u>	<u>1,196,159</u>
Net assets at end of the year	<u>\$ 1,076,654</u>	<u>\$ 457,467</u>	<u>\$ 1,534,121</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, 2013

	<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>	
Salaries	\$ 883,349	\$ 36,064	\$ 133,938	\$ 170,002	\$ 1,053,351
Coach labor - Note 6	720,160				720,160
Fringe benefits	115,385	7,252	21,389	28,641	144,026
Total personnel cost	1,718,894	43,316	155,327	198,643	1,917,537
Educational materials and expense	260,208				260,208
Rent and utilities - premises	158,497	12,242	6,496	18,738	177,235
Printing and reproduction	1,378	519	2,724	3,243	4,621
Professional fees – (In-kind \$17,547) - Note 6	53,787	38,047	114,917	152,964	206,751
Postage and delivery	14,076	1,592	1,574	3,166	17,242
Telephone	18,620	1,652	1,833	3,485	22,105
Travel, meals and lodging	57,331	1,850	4,872	6,722	64,053
Insurance		3,439		3,439	3,439
Office and other	69,917	16,689	24,678	41,367	111,284
Website and logo	19,327	1,074	1,074	2,148	21,475
Professional development	4,328	645	622	1,267	5,595
Depreciation and amortization	6,673	2,383	476	2,859	9,532
Total expenses	\$ 2,383,036	\$ 123,448	\$ 314,593	\$ 438,041	\$ 2,821,077

The accompanying notes are an integral part of this statement.

LET'S GET READY, INC.
Statement of Functional Expenses
 Fiscal year ended August 31, 2012

	<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>	
Salaries	\$ 786,656	\$ 54,239	\$ 115,257	\$ 169,496	\$ 956,152
Coach labor - Note 6	591,696				591,696
Fringe benefits	<u>107,903</u>	<u>8,456</u>	<u>19,562</u>	<u>28,018</u>	<u>135,921</u>
Total personnel cost	1,486,255	62,695	134,819	197,514	1,683,769
Educational materials and expense	238,126				238,126
Rent and utilities - premises	78,235	30,560	13,447	44,007	122,242
Printing and reproduction	6,994	874	874	1,748	8,742
Professional fees - (In-kind \$13,200) - Note 6	57,850	15,162	158,384	173,546	231,396
Postage and delivery	11,745	785	3,132	3,917	15,662
Telephone	19,532	1,929	2,653	4,582	24,114
Travel, meals and lodging	49,285	2,899	5,798	8,697	57,982
Insurance		2,682		2,682	2,682
Office and other	63,244	7,937	12,984	20,921	84,165
Website and logo	32,510	1,806	1,806	3,612	36,122
Professional development	7,514	417	417	834	8,348
Depreciation and amortization	<u>10,321</u>	<u>3,686</u>	<u>737</u>	<u>4,423</u>	<u>14,744</u>
Total expenses	<u>\$ 2,061,611</u>	<u>\$ 131,432</u>	<u>\$ 335,051</u>	<u>\$ 466,483</u>	<u>\$ 2,528,094</u>

The accompanying notes are an integral part of this statement.

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

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 221,386	\$ 337,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,683	14,744
Change in prepaid expenses	(40,698)	8,244
Change in accounts receivable	33,247	(60,967)
Change in security deposit	(513)	(15,483)
Change in rent deposit	600	
Change in unearned revenue	62,100	
Change in accounts payable	<u>1,535</u>	<u>60,035</u>
Net cash provided by operating activities	287,340	344,535
Cash flows from investing activities		
Purchase of property and equipment	(<u>300</u>)	(<u>16,851</u>)
Net increase in cash	287,040	327,684
Cash at beginning of the year	<u>1,416,770</u>	<u>1,089,086</u>
Cash at end of the year	<u>\$ 1,703,810</u>	<u>\$ 1,416,770</u>

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, 2013 and 2012

Note 1 Organization

Let's Get Ready, Inc. ("LGR") provides low-income high school students with SAT preparation, admissions counseling and other support services needed to gain admission to and graduate from college. Trained college student volunteers deliver these services while providing the inspiration and encouragement students need to succeed. LGR was incorporated in the State of New York in 1999.

Note 2 Summary of significant accounting policies

Accounting basis. The accompanying financial statements are prepared on the accrual basis of accounting.

Support. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Unconditional and conditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, LGR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Program service income is recognized when earned.

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

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

For the years ended August 31, 2013 and 2012

Note 2 Summary of significant accounting policies – (continued)

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.

Provision for uncollected pledges. Management reviews and writes off pledges from prior periods that are deemed uncollectible and will make a provision for uncollectible contributions receivable based on management's assessments of the aged basis of its receivables, current economic conditions and historical information. As of August 31, 2013 and 2012, there is no provision for uncollectible pledges.

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, 2013, LGR is exposed to \$755,938 credit risk for amounts held in excess of the FDIC limit.

Uncertainty in income taxes. The organization had no uncertain tax positions as of August 31, 2013 and 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provision for uncertain tax positions. The organization is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended August 30, 2009 and prior years.

Subsequent events. LGR evaluated its August 31, 2013 financial statements for subsequent events through January 15, 2014 the date the financial statements were available to be issued.

Note 3 Property and equipment

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 33,796	\$ 33,496
Computer equipment	21,510	21,510
Software	55,487	55,487
Less: accumulated depreciation and amortization	(93,576)	(83,893)
	<u>\$ 17,217</u>	<u>\$ 26,600</u>

LET'S GET READY, INC.
Notes to Financial Statements
For the years ended August 31, 2013 and 2012

Note 4 Temporarily restricted net assets

Temporarily restricted net assets as of August 31, 2013 consist of the following:

	<u>Balances</u> 9/1/2012	<u>Additions</u>	<u>Releases</u>	<u>Balances</u> 8/31/2013
Time restricted				
Chase Community Giving	\$ 325,000		(\$ 153,000)	\$ 172,000
Purpose restricted				
Amelia Peabody Foundation	6,667		(6,667)	-
Dorothy and Edward Perkins Family Foundation	2,500		(2,500)	-
Fordham Street Foundation	26,400	\$ 20,000	(40,400)	6,000
Ludcke Foundation	10,500		(10,500)	-
S&L Marx Foundation	12,500		(12,500)	-
Poorvu Fam Foundation	5,000		(5,000)	-
Robert and Dorothy Goldberg Foundation	4,000		(4,000)	-
Libra Foundation	9,900		(9,900)	-
V&L Marx Foundation	50,000		(50,000)	-
Francis Hollis Brain Westchester Community Foundation	5,000	15,000	(4,516)	10,484
Lomax Family Foundation		5,000	(2,500)	2,500
Couch Family Foundation		5,000		5,000
Betterment Fund		15,000		15,000
	<u>\$ 457,467</u>	<u>\$ 60,000</u>	<u>(\$ 306,483)</u>	<u>\$ 210,984</u>

On March 20, 2012, Let's Get Ready was awarded a three year \$500,000 grant from Chase Community Giving for program expansion and enhancement. As of August 31, 2013, a total of \$153,000 was released leaving a balance of \$172,000.

LET'S GET READY, INC.
Notes to Financial Statements
For the years ended August 31, 2013 and 2012

Note 4 Temporarily restricted net assets – (continued)

Temporarily restricted net assets as of August 31, 2012 consist of the following:

	<u>Balances</u> <u>9/1/2011</u>	<u>Additions</u>	<u>Releases</u>	<u>Balances</u> <u>8/31/2012</u>
Time restricted				
Chase Community Giving		\$ 500,000	(\$ 175,000)	\$ 325,000
Purpose restricted				
Amelia Peabody Foundation	\$ 6,667	20,000	(20,000)	6,667
Babson Foundation	2,333		(2,333)	-
Community Foundation of Western MA	10,000		(10,000)	-
Dorothy and Edward Perkins Family Foundation	2,500	5,000	(5,000)	2,500
Fordham Street Foundation	13,333	40,000	(26,933)	26,400
Greater Worcester Community Foundation	5,000		(5,000)	-
JPMorgan Chase Foundation	20,000		(20,000)	-
Ludcke Foundation	15,000	25,000	(29,500)	10,500
Maine Community Foundation	10,000		(10,000)	-
S&L Marx Foundation	12,500	25,000	(25,000)	12,500
Poorvu Fam Foundation	3,750	10,000	(8,750)	5,000
Robert and Dorothy Goldberg Foundation	3,000	4,000	(3,000)	4,000
Libra Foundation		15,000	(5,100)	9,900
V&L Marx Foundation		50,000		50,000
Francis Hollis Brain Unum Corporation	10,000		(10,000)	-
	<u>\$ 114,083</u>	<u>\$ 699,000</u>	<u>(\$ 355,616)</u>	<u>\$ 457,467</u>

Note 5 Board designated net assets

As of August 31, 2013 and 2012 the Board of Directors elected to restrict \$550,000 and \$500,000 (an estimated 3 months of expenses excluding in-kind contributions) as board designated reserves, respectively. Changes in this balance are subject to Board approval.

The cash balance at August 31, 2013 year-end of \$ 1,703,810 is sufficient to cover both this designation of \$550,000 and the temporarily restricted net assets of \$210,984.

LET'S GET READY, INC.
Notes to Financial Statements
For the years ended August 31, 2013 and 2012

Note 6 In-kind contributions

In-kind contributions consisted of:

	<u>2013</u>	<u>2012</u>
Coach labor	\$ 720,160	\$ 591,696
Legal services	17,547	35,000
Rent abatement- two months	<u>16,695</u>	<u>-</u>
Total	<u>\$ 754,402</u>	<u>\$ 626,696</u>

Volunteer college coaches function as tutors providing intensive SAT preparation and assistance with the college application process to LGR's high school students. For the fiscal year ended August 31, 2013 and 2012, LGR had a total of 1,286 and 1,174 coaches, respectively. In-kind contributions for coach labor are valued based on average of 28 hours per coach at a rate of \$20 and \$18 per hour for the years ended 2013 and 2012, respectively.

Note 7 Commitments

LGR leases office space for the New York central office under a long term operating lease agreement. On February 24, 2012, LGR signed an amendment to the lease which extended the lease for a period of six years for a new suite within the same building. The lease amendment commenced July 5, 2012 and expires on May 31, 2018. At August 31, 2013, future minimum annual lease obligations are:

As of December 31,	<u>Term of lease</u>		<u>Deferred rent payable</u>	
	<u>Payments</u>	<u>Expense</u>	<u>Annual</u>	<u>Accumulated</u>
2012		\$ 9,955	\$ 9,955	\$ 9,955
2013	\$ 83,725	119,457	35,732	45,687
2014	106,012	119,457	13,445	59,132
2015	129,598	119,457	(10,141)	48,991
2016	135,341	119,458	(15,883)	33,108
Thereafter	<u>262,068</u>	<u>228,960</u>	<u>(33,108)</u>	
Total	<u>\$ 716,744</u>	<u>\$ 716,744</u>	<u>\$ -</u>	

This lease is secured by an irrevocable standby letter of credit collateralized by \$ 45,481 of cash on deposit with the bank. For its Boston office, LGR has a three-year operating lease that expires on January 1, 2016. At August 31, 2013 and 2012, the future minimum monthly lease obligation was \$2,500 and \$1,500, respectively.

LET'S GET READY, INC.
Notes to Financial Statements
For the years ended August 31, 2013 and 2012

Note 8 Related party transactions

LGR received contributions of \$412,833 and \$341,073 from the Board of Directors for the year ended August 31, 2013 and 2012 respectively.

Note 9 Unearned revenue

As of August 31, 2013, LGR has received a total of \$62,100 for the Boston Gala 2013 that took place on October 9, 2013 at the Boston Harbor Hotel. There was no unearned revenue for the year ended August 31, 2012.