

**FINANCIAL STATEMENTS**

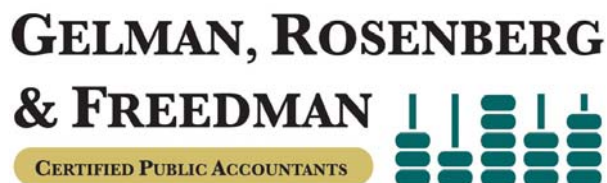


**FOR THE YEAR ENDED DECEMBER 31, 2012**

# WORLDREADER

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	2
EXHIBIT A – Statement of Financial Position, as of December 31, 2012	3
EXHIBIT B – Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2012	4
EXHIBIT C – Statement of Functional Expenses, for the Year Ended December 31, 2012	5 - 6
EXHIBIT D – Statement of Cash Flows, for the Year Ended December 31, 2012	7
NOTES TO FINANCIAL STATEMENTS	8 - 10



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Worldreader  
San Francisco, California

We have reviewed the accompanying statement of financial position of Worldreader as of December 31, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company personnel. A review is substantially less in scope than an audit, 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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, 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.

*Gelman Rosenberg & Freedman*

October 12, 2013

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**WORLDREADER**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012**

**ASSETS**

Cash and cash equivalents	\$ 333,793
Advance to affiliate (Note 7)	106,800
Grants and pledges receivable (Note 2)	<u>880,941</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$1,321,534</u></u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	<u>\$ 3,063</u>
Total current liabilities	<u>3,063</u>

**NET ASSETS**

Unrestricted	474,956
Temporarily restricted (Note 3)	<u>843,515</u>
Total net assets	<u>1,318,471</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$1,321,534</u></u></b>

See accompanying notes to financial statements.

## WORLDREADER

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions and grants	\$ 813,036	\$1,228,734	\$ 2,041,770
In-kind contributions (Note 5)	1,457,573	-	1,457,573
Program income	199,499	-	199,499
Interest income	284	-	284
Net assets released from restrictions (Note 4)	385,219	(385,219)	-
Total revenue	<u>2,855,611</u>	<u>843,515</u>	<u>3,699,126</u>
<b>EXPENSES</b>			
Program Services:			
Direct Partner and KIT Programs	539,932	-	539,932
Grants to Affiliates (Note 7)	620,861	-	620,861
Publishing, Technology and Research	1,336,373	-	1,336,373
Total program services	<u>2,497,166</u>	<u>-</u>	<u>2,497,166</u>
Supporting Services:			
Management and General	77,988	-	77,988
Development and Communications	126,421	-	126,421
Fundraising	112,253	-	112,253
Total supporting services	<u>316,662</u>	<u>-</u>	<u>316,662</u>
Total expenses	<u>2,813,828</u>	<u>-</u>	<u>2,813,828</u>
Change in net assets	41,783	843,515	885,298
Net assets at beginning of year	433,173	-	433,173
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 474,956</u></b>	<b><u>\$ 843,515</u></b>	<b><u>\$1,318,471</u></b>

See accompanying notes to financial statements.

**WORLDREADER**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Direct Partner and KIT Programs</b>	<b>Grants to Affiliates (Note 7)</b>	<b>Publishing, Technology and Research</b>	<b>Total Program Services</b>
Salaries and benefits	\$ 10,971	\$400,113	\$ 99,326	\$ 510,410
Legal and consultants	11,450	7,486	8,700	27,636
Travel and meetings	13,437	76,664	14,811	104,912
Facilities and equipment	7,377	42,858	3,519	53,754
Media and technology	1,238	10,710	-	11,948
Printing and communication	2,802	-	11,437	14,239
Reading devices and content	491,096	2,604	1,198,274	1,691,974
Grants	-	48,233	-	48,233
Insurance and other	1,561	32,193	306	34,060
<b>TOTAL</b>	<b>\$539,932</b>	<b>\$620,861</b>	<b>\$1,336,373</b>	<b>\$2,497,166</b>

See accompanying notes to financial statements.

<u>Management and General</u>	<u>Development and Communications</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 18,851	\$ 33,226	\$ 89,995	\$ 142,072	\$ 652,482
31,958	20,140	-	52,098	79,734
16,924	7,382	17,694	42,000	146,912
468	223	-	691	54,445
-	58,631	903	59,534	71,482
3,694	3,361	3,183	10,238	24,477
133	314	-	447	1,692,421
-	-	-	-	48,233
5,960	3,144	478	9,582	43,642
<b>\$ 77,988</b>	<b>\$ 126,421</b>	<b>\$ 112,253</b>	<b>\$ 316,662</b>	<b>\$2,813,828</b>

See accompanying notes to financial statements.

**WORLDREADER**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 885,298
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Increase in:	
Advance to affiliate	(38,034)
Grants and pledges receivable	(880,941)
Increase in:	
Accounts payable	<u>3,063</u>
Net cash used by operating activities	<u>(30,614)</u>
Net decrease in cash and cash equivalents	(30,614)
Cash and cash equivalents at beginning of year	<u>364,407</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 333,793</u></u></b>

See accompanying notes to financial statements.



## WORLDREADER

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Worldreader.org (Worldreader) is a non-profit organization supported by individuals and private institutions. Worldreader is devoted to educational outreach to improve literacy and access to knowledge through the distribution of educational materials to those who would otherwise not have access to them.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with FASB ASC 958, *Not-For-Profit-Entities*.

##### Cash and cash equivalents -

Worldreader considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). Worldreader maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

##### Income taxes -

Worldreader is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Worldreader is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2012, Worldreader has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Grants and pledges receivable -

Worldreader reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the Statement of Activities and Change in Net Assets. Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

**WORLDREADER**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

In-kind contributions –

Contributed services and materials consist primarily of donated content and devices. Contributed services and materials are recorded at their fair market value as of the date of the gift.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**2. GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable consisted of the following at December 31, 2012:

Foundations	\$ 532,122
Individuals	<u>348,819</u>
<b>TOTAL GRANTS AND PLEDGES RECEIVABLE</b>	<b><u>\$ 880,941</u></b>

Following is a schedule, by maturity year, of grants and pledges receivable at December 31, 2012:

<b>Year Ending December 31, 2013</b>	<b><u>\$ 880,941</u></b>
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**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2012:

Grants and Programs	\$ 327,747
Time Restricted	<u>515,768</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 843,515</u></b>

## WORLDREADER

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2012, by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Grants and Programs	\$ 335,219
Passage of Time	<u>50,000</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 385,219</u></b>

#### 5. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2012, Worldreader was the beneficiary of donated services and content, which allow Worldreader to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2012:

<b>Included in Program Services:</b>	
Donated professional services	\$ 3,750
Donated content and devices	1,410,455
<b>Included in Supporting Services:</b>	
Donated professional services	<u>43,368</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$1,457,573</u></b>

#### 6. SUBSEQUENT EVENTS

In preparing these financial statements, Worldreader has evaluated events and transactions for potential recognition or disclosure through October 12, 2013, the date the financial statements were issued.

#### 7. AFFILIATE TRANSACTIONS

Worldreader is a network organization with offices in the USA, Spain and Ghana. The organizations work together to coordinate worldwide activities and communications.

During the year, Worldreader entered into four formal grant agreements with its Spanish affiliate, Fundacion Worldreader.org, for a total of \$655,000. Worldreader's policy is to advance funds to the Fundacion. The grant expenditures are reflected as grants to affiliates in the accompanying financial statements and include actual expenditures as reported to Worldreader by the Fundacion. Any unspent funds at the fiscal year end are reported as an advance to affiliate in the accompanying financial statements.