



Financial Statements

June 30, 2023

Table of Contents
June 30, 2023

	<hr/> 1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

To the Board of Directors of
Reading Partners

Opinion

We have audited the financial statements of Reading Partners (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

Reading Partners

Statement of Financial Position

June 30, 2023

With Summarized Comparative Totals for 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,248,273	\$ 32,350,686
Investments	24,911,728	-
Receivables:		
Grants	1,606,790	421,248
Fee for service contracts	696,778	915,480
Government contracts	1,175,303	2,007,220
Pledges, net	5,407,333	1,156,190
Donated rent	42,540	71,173
Prepaid expenses	616,362	506,430
Other assets	8,700	206,647
	<u>38,713,807</u>	<u>37,635,074</u>
Total current assets	38,713,807	37,635,074
Pledges Receivable, Long-term, Net	1,882,623	888,000
Donated Rent Receivable, Long-Term	-	42,540
Property and Equipment, Net	184,693	185,312
Right-of-Use Assets, Operating Leases	885,455	-
Right-of-Use Assets, Finance Leases	52,813	-
Deposits	71,299	58,102
	<u>71,299</u>	<u>58,102</u>
Total assets	<u>\$ 41,790,690</u>	<u>\$ 38,809,028</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 455,361	\$ 597,665
Accrued expenses	724,305	472,929
Accrued payroll and related liabilities	1,515,189	1,249,762
Deferred revenue, fee for service	19,610	83,668
Deferred rent	-	53,512
Operating lease liability, current	474,584	-
Finance lease liability, current	13,364	-
	<u>3,202,413</u>	<u>2,457,536</u>
Total current liabilities	3,202,413	2,457,536
Operating Lease Obligation, Less Current Portion	448,480	-
Finance Lease Obligation, Less Current Portion	39,449	-
	<u>39,449</u>	<u>-</u>
Total liabilities	<u>3,690,342</u>	<u>2,457,536</u>
Net Assets		
Without donor restrictions	28,405,091	30,767,166
With donor restrictions	9,695,257	5,584,326
	<u>9,695,257</u>	<u>5,584,326</u>
Total net assets	<u>38,100,348</u>	<u>36,351,492</u>
Total liabilities and net assets	<u>\$ 41,790,690</u>	<u>\$ 38,809,028</u>

See notes to financial statements

With Summarized Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
Support and Revenue				
Support:				
Foundation grants	\$ 6,957,720	\$ 6,148,411	\$ 13,106,131	\$ 27,572,978
Government contracts and grants	10,603,921	-	10,603,921	9,428,563
Individual gifts	2,545,750	277,004	2,822,754	4,204,623
Corporate contributions	3,196,238	1,371,500	4,567,738	1,357,392
Special event income, net of costs of direct benefit to donors of \$731,543	395,688	794,369	1,190,057	1,943,755
Contributed nonfinancial assets	710,465	-	710,465	669,733
Total support	24,409,782	8,591,284	33,001,066	45,177,044
Revenue:				
Tutoring service fees	3,205,086	-	3,205,086	3,379,664
Loan forgiveness income	-	-	-	1,938,872
Investment income - net	1,829,141		1,829,141	-
Other income	46,800	20,000	66,800	119,370
Total revenue	5,081,027	20,000	5,101,027	5,437,906
Total support and revenue	29,490,809	8,611,284	38,102,093	50,614,950
Net assets released from restrictions	4,500,353	(4,500,353)	-	-
Total support and revenue	33,991,162	4,110,931	38,102,093	50,614,950
Expenses				
Program services	29,772,826	-	29,772,826	23,264,743
Supporting services:				

With Summarized Comparative Totals for the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total Expenses	2022 Total Expenses
Salaries and related expenses:					
Salaries and wages	\$ 18,572,844	1,844,828			

Reading Partners

Statement of Cash Flows

For the Year Ended June 30, 2023

With Summarized Comparative Totals for the Year Ended June 30, 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,748,856	\$ 22,416,806
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	56,520	31,496
Amortization of operating and finance lease right of use assets	594,576	-
Loan forgiveness income	-	(1,938,872)
Realized and unrealized gains on investments	(1,176,645)	-
Changes in operating assets and liabilities:		
Receivables	(5,309,516)	320,620
Prepaid expenses	(109,932)	32,140
Other assets	197,947	(197,583)
Deposits	(13,197)	22,307
Accounts payable	(142,304)	370,524
Accrued expenses	251,376	42,903
Accrued payroll and related liabilities	265,427	-
Deferred revenue	(64,058)	1,333
Deferred rent	(53,512)	11,427
Lease liabilities	(552,087)	-
Net cash (used in) provided by operating activities	<u>(4,306,549)</u>	<u>21,113,101</u>
Cash Flows From Investing Activities		
Purchase of investments	(23,768,211)	-
Proceeds from sale of investments	34,083	-
Purchase of property and equipment	(55,009)	(125,197)
Net cash used in investing activities	<u>(23,789,137)</u>	<u>(125,197)</u>
Cash Flows From Financing Activities		
Principal payments on finance lease liabilities	(6,727)	-
Net cash used in financing activities	<u>(6,727)</u>	<u>(125,197)</u>
Net (decrease) increase in cash and cash equivalents	(28,102,413)	20,987,904
Cash and Cash Equivalents, Beginning	<u>32,350,686</u>	<u>7,000,911</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,248,273</u>	<u>\$ 32,350,686</u>

See notes to financial statements

An evidence-based and community driven literacy organization, Reading Partners (the Organization) recruits, trains and supports community volunteers as they work one-on-one with students for 45 minutes twice a week, using a structured, easy-to-follow, curriculum based on the science of reading. Reading Partners' program helps K-5 students in under-resourced schools who struggle with reading, gain foundational literacy skills, such as alphabet knowledge, letter-sound correspondence, phonics, fluency, and vocabulary, and make the all-important shift from learning to read to reading to learn. With the vision

A summary of significant accounting policies is as follows:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The net assets of the Organization are reported in groups as follows:

- Net assets that are not subject to donor-imposed stipulations.

- Net assets received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Organization has defined cash and cash equivalents as cash in bank, petty cash on hand, and funds held in a money market account.

Property and equipment with an original purchase price in excess of \$2,500 are recorded at cost or fair value for donated items. Costs of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the lesser of the estimated useful lives or the duration of the lease term. Depreciation and amortization are charged to the activity benefiting from the use of the property or equipment.

The accounts, government contracts and grants receivable consist of amounts due from government agencies under various cost-reimbursement and fee for service agreements. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2023, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

Donated products and supplies are recorded at their fair value based on published prices as of the date of the donation.

Revenue recognition for contract income is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Tutoring service fees revenue consists of contracts that the Organization enters into with various schools to operate a tutoring program for students. The Organization's performance obligation generally consists of the promise to provide a service of tutoring. Revenue for tutoring services is recognized over time as the services are completed.

Revenue is based on the consideration specified in



- x The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

- x The Organization elected to account for its leases using the portfolio approach; as such, leases that have similar commencement dates, length of te

At June 30, 2023, financial assets available to meet general operating expenditures within one year consist of the following:

Financial assets at June 30, 2023:	
Cash and cash equivalents	\$ 4,248,273
Investments	24,911,728
Receivables:	
Grants	1,606,790
Fee for service contracts	696,778
Government contracts	1,175,303
Pledges	<u>7,289,956</u>
Total financial assets	39,928,828
Less long term receivables not available to be used within one year	(1,997,623)
Less restricted amounts not available to be used within one year	<u>(2,249,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 35,682,205</u>

The Organization has a \$4,000,000 line of credit with Union Bank of California that matures on April 30, 2024. The line of credit bears interest at reference rate plus 0.5% per annum (8% at June 30, 2023). The line of credit agreement contains financial covenants that require, among other matters, that the Organization maintain a minimum current ratio and total net assets. At June 30, 2023, there was no outstanding balance on the line of credit.

The Organization's net assets with donor restrictions as of June 30, 2023 consisted of the following:

Purpose and time restricted	\$ 9,434,715
Purpose restricted	<u>260,542</u>
Total net assets with donor restrictions	<u>\$ 9,695,257</u>

Net assets were released from restrictions during the year ended June 30, 2023 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Purpose restriction accomplished	\$ 4,380,353
Time restriction accomplished	<u>120,000</u>
Total net assets released from restrictions	<u>\$ 4,500,353</u>

The fair value of donated books, services, supplies and facilities are recorded as contributed nonfinancial assets. During the year ended June 30, 2023, the following contributed nonfinancial assets were received by the Organization:

Facilities	\$ 641,546
Services	<u>68,919</u>
Total contributed nonfinancial assets	<u>\$ 710,465</u>

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- x Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- x Determined whether contracts contain embedded leases;
- x Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- x Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

The Organization does not have any material leasing transactions with related-parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2023:

Right-of-use assets:		
Operating leases	\$	885,455
Finance leases		<u>52,813</u>
Total right-of-use assets	\$	<u><u>938,268</u></u>
Lease liabilities:		
Current operating lease liabilities	\$	474,585
Current finance lease liabilities		13,364
Long		

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2023:

Year ending June 30:		
2024	\$ 496,180	\$ 14,988
2025	311,674	14,988
2026	93,944	14,988
2027	33,265	9,466
2028	19,136	2,241
Total lease payments	954,199	56,671
Less present value discount	(31,134)	(3,858)
Total lease liabilities	923,064	52,813
Less current portion	(474,585)	(13,364)
Long-term lease liabilities	\$ 448,479	\$ 39,449

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating leases	\$ 552,087
Finance leases	6,727
Right-of-use assets obtained in exchange for lease liabilities:	
Operatin	