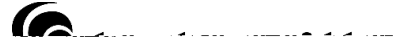


Financial Statements

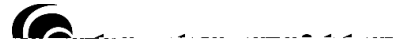
June 30, 2022 with summarized
comparative totals for 2021



To the Board of Directors
Reading Partners

Opinion

We have audited the financial statements of Reading Partners (the "Organization"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.



Auditors' Responsibilities for the Audit of the Financial Statements

Cash and cash equivalents	\$	32,350,686	\$	11,362,782
Receivables				
Grants		421,248		255,000
Fee for service contracts		915,480		438,195
Government contracts		2,007,220		537,104
Pledges - net		1,156,190		4,179,699
Donated rent		71,173		43,756
Prepaid expenses		506,430		538,570
Other assets		206,647		9,064
Total current assets		37,635,074		17,364,170
Pledges receivable - long-term		888,000		368,717
Donated rent receivable - long-term		42,540		-
Property and equipment - net		185,312		91,611
Deposits		58,102		80,409
Total assets	\$	38,809,028	\$	17,904,907
Accounts payable	\$	597,665	\$	227,141
Accrued liabilities		1,722,691		1,679,788
Deferred revenue - event income		-		24,166
Deferred revenue - fee for service		83,668		58,169
Deferred rent		53,512		42,085
Paycheck Protection Program loan - current		-		509,947
Total current liabilities		2,457,536		2,541,296
Paycheck Protection Program loan - net of current portion		-		1,428,925
Total liabilities		2,457,536		3,970,221
Without donor restrictions		30,767,166		7,564,941
With donor restrictions		5,584,326		6,369,745
Total net assets		36,351,492		13,934,686
Total liabilities and net assets	\$	38,809,028	\$	17,904,907

Change in net assets	\$ 22,416,806	\$ 3,990,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,496	60,738
Loan forgiveness income	(1,938,872)	(3,070,000)
Changes in operating assets and liabilities		
Receivables	320,620	1,476,475
Prepaid expenses	32,140	(52,613)
Other assets	(197,583)	(47)
Deposits	22,307	61,445
Accounts payable	370,524	(12,084)
Accrued liabilities	42,903	160,819
Deferred revenue	1,333	(33,384)
Deferred rent	11,427	(145,539)
	<u>21,113,101</u>	<u>2,436,499</u>
Purchase of property and equipment	<u>(125,197)</u>	<u>(13,500)</u>
Proceeds from note payable - Paycheck Protection Program Loan	<u>-</u>	<u>1,938,872</u>
	20,987,904	4,361,871
- beginning of year	<u>11,362,782</u>	<u>7,000,911</u>
- end of year	<u>\$ 32,350,686</u>	<u>\$ 11,362,782</u>
Interest paid	<u>\$ -</u>	<u>\$ 6,375</u>

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(continued)

Cash and Cash Equivalents

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

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 3 to 10 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.

Deferred Rent

The Organization has certain lease agreements that provide for rent escalations during the lease terms. The Organization records rent expense on a straight-line basis over the term of the respective lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments.

Receivables

Government Contracts and Grants

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, 2022, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

Pledges

Unconditional promises to give are recognized as support in the period the pledge is made. Pledges receivable are recorded at their cash value if expected to be collected in one year and at their net realizable value if expected to be collected in more than one year. Management has discounted these promises to give to the anticipated net present value of the future cash flows if there is material change reflected in the rates. For the year ended June 30, 2022, any discount was considered insignificant to the financial statements. At June 30, 2022, management believes all pledges receivable are collectible, therefore, no allowance for doubtful pledges has been provided. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(continued)

Receivables (continued)

Donated Rent

The Organization received a contribution for the use of office space through January 31, 2024. The fair value of the donated rent, adjusted for consumer price index increases, is recorded as donated rent receivable and net assets with donor restrictions. Donated rent is amortized as in-kind rent expense on a straight-line basis and sh2 (e)TJ.2 (- Tc 0.001 Tw -33.174 -1.217 Tnt)-4.9 aTJ.2 (.3 (s)-1)-1.3 (e)-iRe Or Jane (o)-9.-3.4 (B00

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Revenue Recognition (continued)

Materials

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

Tutoring Service Fees

Revenue recognition for contract income is evaluated under Accounting Standards Codification ("ASC") 606 through ()1 Tm{RE)-5 (io)-6.2lc.2.3 ()-3 (in)2.3 (g)27-6.61fi(m)4.5 (eo)-6.6 (rd)51.3 (u)2.3tw 9 -0 -3.2 (d)2.3sTw 0.8: Tw



Pledges receivable are expected to be collected as follows:

2023	\$ 1,156,190
2024	<u>888,000</u>
	<u>\$ 2,044,190</u>

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2022 consisted of the following:

Curriculum	\$ 1,162,517
Furniture and equipment	162,904
Equipment	29,898
Website	16,281
Software	116,271
Leasehold improvements	<u>20,358</u>
	1,508,229
Less: accumulated depreciation and amortization	<u>(1,322,917)</u>
Total property and equipment - net	<u>\$ 185,312</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.

In March 2021, the Organization received the second draw of loan proceeds in the amount of \$1,938,872 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven

The fair value of donated books, services, supplies, and facilities are recorded as contributed nonfinancial assets. During the year ended June 30, 2022, the following contributed nonfinancial assets were received by the Organization:

Facilities	\$	570,618
Services		90,672
Materials		<u>8,443</u>
Total contributed nonfinancial assets	\$	<u><u>669,733</u></u>

The Organization sponsors a defined contribution plan for eligible employees under Section 403(b) of the Internal Revenue Code (IRC). All full time employees are eligible to participate in the plan. Employer contributions to the plan were \$133,703 for the year ended June 30, 2022.

The Organization also sponsors a defined contribution plan for management and highly compensated employees under Section 457(b) of the IRC. Members of management and highly compensated employees as defined by IRC Section 414(q) are eligible to participate in the plan if they are approved by the Retirement Committee. Employer contributions to the plan were \$21,365 for the year ended June 30, 2022.

The Organization leases office space in various cities throughout the United States. The leases expire at various dates through October 2025 with monthly rental payments ranging from \$1,069 to \$9,525. The Organization also subleases office space at its headquarters. Sublease rental income was \$76,759 for the year ended June 30, 2022. Rent expense for the year ended June 30, 2022 was \$655,624.

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