

READ ALLIANCE, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

READ ALLIANCE, INC.
AUGUST 31, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
READ Alliance, Inc.
New York, New York

I have audited the accompanying financial statements of READ Alliance, Inc., which comprise the statements of financial position as of August 31, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of READ Alliance, Inc. as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "C. Gayle" followed by "CPA PLLC". The signature is written in a cursive, flowing style.

New York, New York
December 30, 2021

READ ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,094,105	\$ 1,336,339
Certificates of deposit	740,000	-
Government contracts receivable	47,000	-
Contributions receivable	167,262	398,413
Contributions receivable - sites	62,499	12,500
Prepaid expenses and other receivable	<u>133,877</u>	<u>208,467</u>
Total Current Assets	2,244,743	1,955,719
Fixed Assets:		
Property and equipment - net	68,373	86,956
Other Assets:		
Security deposits	<u>78,115</u>	<u>79,410</u>
Total Assets	<u><u>\$ 2,391,231</u></u>	<u><u>\$ 2,122,085</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 82,279	\$ 71,754
Deferred revenue	<u>-</u>	<u>824,588</u>
Total Current Liabilities	82,279	896,342
Other Liabilities:		
Deferred Rent	66,386	53,391
Loan Payable	<u>-</u>	<u>274,235</u>
Total Other Liabilities	<u>66,386</u>	<u>327,626</u>
Total Liabilities	<u>148,665</u>	<u>1,223,968</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,449,566	218,441
Board Designated	<u>445,000</u>	<u>445,000</u>
Net assets without donor restrictions	1,894,566	663,441
With donor restrictions	<u>348,000</u>	<u>234,676</u>
Total Net Assets	<u>2,242,566</u>	<u>898,117</u>
Total Liabilities and Net Assets	<u><u>\$ 2,391,231</u></u>	<u><u>\$ 2,122,085</u></u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and support:			
Foundation and corporate contributions	\$ 1,084,316	\$ 348,000	\$ 1,432,316
Contributions from individuals	344,294	-	344,294
Government contracts/Grants	410,560	-	410,560
Contributions from sites	154,164	-	154,164
Special events revenue	1,186,907		
Direct costs of special events	<u>(30,958)</u>	-	1,155,949
Contributed services	110,457	-	110,457
Interest income	4,450	-	4,450
Net assets released from restrictions	<u>234,676</u>	<u>(234,676)</u>	<u>-</u>
 Total Revenues and Support	 <u>3,498,866</u>	 <u>113,324</u>	 <u>3,612,190</u>
Expenses:			
Program services			
Teen Leadership	649,409	-	649,409
Early Literacy	<u>997,119</u>	<u>-</u>	<u>997,119</u>
 Total Program Services	 <u>1,646,528</u>	 <u>-</u>	 <u>1,646,528</u>
Supporting Services			
Management and general	308,690	-	308,690
Fundraising	<u>312,523</u>	<u>-</u>	<u>312,523</u>
 Total Supporting Services	 <u>621,213</u>	 <u>-</u>	 <u>621,213</u>
 Total Expenses	 <u>2,267,741</u>	 <u>-</u>	 <u>2,267,741</u>
Changes in Net Assets	1,231,125	113,324	1,344,449
Net Assets - Beginning	<u>663,441</u>	<u>234,676</u>	<u>898,117</u>
Net Assets - Ending	<u>\$ 1,894,566</u>	<u>\$ 348,000</u>	<u>\$ 2,242,566</u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and support:			
Foundation and corporate contributions	\$ 1,183,837	\$ 219,676	\$ 1,403,513
Contributions from individuals	111,112	-	111,112
Government contracts	108,699	-	108,699
Contributions from sites	206,443	-	206,443
Contributed services	109,907	-	109,907
Interest income	6,107	-	6,107
Net assets released from restrictions	<u>147,750</u>	<u>(147,750)</u>	<u>-</u>
Total Revenues and Support	<u>1,873,855</u>	<u>71,926</u>	<u>1,945,781</u>
Expenses:			
Program services			
Teen Leadership	757,115	-	757,115
Early Literacy	<u>1,084,405</u>	<u>-</u>	<u>1,084,405</u>
Total Program Services	<u>1,841,520</u>	<u>-</u>	<u>1,841,520</u>
Supporting Services			
Management and general	232,163	-	232,163
Fundraising	<u>290,388</u>	<u>-</u>	<u>290,388</u>
Total Supporting Services	<u>522,551</u>	<u>-</u>	<u>522,551</u>
Total Expenses	<u>2,364,071</u>	<u>-</u>	<u>2,364,071</u>
Changes in Net Assets	(490,216)	71,926	(418,290)
Net Assets - Beginning	<u>1,153,657</u>	<u>162,750</u>	<u>1,316,407</u>
Net Assets - Ending	<u>\$ 663,441</u>	<u>\$ 234,676</u>	<u>\$ 898,117</u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Teen Leadership</u>	<u>Early Literacy</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 398,638	\$ 643,856	\$1,042,494	\$ 78,432	\$ 121,817	\$ 200,249	\$1,242,743
Payroll taxes and employee benefits	56,383	88,515	144,898	11,837	18,385	30,222	175,120
In-kind personnel costs	-	<u>30,267</u>	<u>30,267</u>	-	-	-	<u>30,267</u>
Total salaries and related expenses	<u>455,021</u>	<u>762,638</u>	<u>1,217,659</u>	<u>90,269</u>	<u>140,202</u>	<u>230,471</u>	<u>1,448,130</u>
Occupancy	63,335	63,335	126,670	15,834	15,834	31,668	158,338
Supplies and materials	11,324	4,678	16,002	286	445	731	16,733
Professional fees	53,851	67,766	121,617	184,487	129,471	313,958	435,575
Insurance	29,400	47,486	76,886	5,785	8,984	14,769	91,655
Telephone	3,858	5,361	9,219	1,013	1,573	2,586	11,805
Travel and entertainment	2,691	4,347	7,038	530	822	1,352	8,390
Program incentives	1,520	3,480	5,000	-	-	-	5,000
Printing and postage	6,033	9,531	15,564	1,482	2,174	3,656	19,220
Recruitment, retention and evaluation	3,019	1,756	4,775	332	515	847	5,622
Depreciation and amortization	8,275	11,498	19,773	2,173	3,374	5,547	25,320
Furniture, maintenance and equipment rental	6,580	8,153	14,733	1,061	1,646	2,707	17,440
Bad debts	-	-	-	4,500	-	4,500	4,500
Miscellaneous	<u>4,502</u>	<u>7,090</u>	<u>11,592</u>	<u>938</u>	<u>7,483</u>	<u>8,421</u>	<u>20,013</u>
Total Expenses	<u>\$ 649,409</u>	<u>\$ 997,119</u>	<u>\$1,646,528</u>	<u>\$ 308,690</u>	<u>\$ 312,523</u>	<u>\$ 621,213</u>	<u>\$2,267,741</u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Teen Leadership</u>	<u>Early Literacy</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 503,099	\$ 688,285	\$1,191,384	\$ 77,570	\$ 141,070	\$ 218,640	\$1,410,024
Payroll taxes and employee benefits	65,861	88,444	154,305	11,938	21,713	33,651	187,956
In-kind personnel costs	<u>-</u>	<u>97,112</u>	<u>97,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,112</u>
Total salaries and related expenses	568,960	873,841	1,442,801	89,508	162,783	252,291	1,695,092
Occupancy	77,021	77,021	154,042	19,255	19,255	38,510	192,552
Supplies and materials	12,669	13,275	25,944	627	1,140	1,767	27,711
Professional fees	34,827	37,581	72,408	111,325	83,699	195,024	267,432
Insurance	32,746	44,799	77,545	5,049	9,182	14,231	91,776
Telephone	3,263	4,161	7,424	829	1,509	2,338	9,762
Travel and entertainment	3,629	4,963	8,592	559	1,017	1,576	10,168
Tutor transportation	1,047	1,432	2,479	162	293	455	2,934
Printing and postage	1,994	2,684	4,678	439	729	1,168	5,846
Recruitment, retention and evaluation	2,523	1,839	4,362	367	667	1,034	5,396
Depreciation and amortization	8,294	10,576	18,870	2,108	3,835	5,943	24,813
Furniture, maintenance and equipment rental	6,966	8,183	15,149	1,126	2,046	3,172	18,321
Miscellaneous	<u>3,176</u>	<u>4,050</u>	<u>7,226</u>	<u>809</u>	<u>4,233</u>	<u>5,042</u>	<u>12,268</u>
Total Expenses	<u>\$ 757,115</u>	<u>\$1,084,405</u>	<u>\$1,841,520</u>	<u>\$ 232,163</u>	<u>\$ 290,388</u>	<u>\$ 522,551</u>	<u>\$2,364,071</u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities:</u>		
Changes in net assets	\$ 1,344,449	\$ (418,290)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	25,320	24,814
Bad debts	4,500	-
Forgiveness of loan Payable	(274,235)	-
(Increase) Decrease in operating assets:		
Government contracts receivable	(47,000)	149,127
Contributions receivable	226,651	(307,863)
Contributions receivable - sites	(49,999)	96,250
Prepaid expenses and other receivable	74,590	68,119
Security deposits	1,295	-
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,525	(163,481)
Deferred rent	12,995	28,976
Deferred revenue	<u>(824,588)</u>	<u>824,588</u>
Net cash provided by operating activities	504,503	302,240
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(6,737)	-
Purchase of certificates of deposit	<u>(740,000)</u>	<u>-</u>
Net cash used in investing activities	(746,737)	-
<u>Cash flows from financing activities:</u>		
Proceeds from loan Payable	<u>-</u>	<u>274,235</u>
Net cash provided by financing activities	<u>-</u>	<u>274,235</u>
(Decrease) Increase in Cash and Cash Equivalents	(242,234)	576,475
Cash and Cash Equivalents - Beginning of Year	<u>1,336,339</u>	<u>759,864</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,094,105</u>	<u>\$ 1,336,339</u>

The accompanying notes are an integral part of these financial statements.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 1 - Organization

READ Alliance, Inc. (READ) works to accelerate the educational trajectory of early elementary students through the power of teen leaders who provide one-to-one literacy tutoring in under-resourced communities. Our unique, dual-impact model of literacy and leadership addresses the achievement gap for our younger students while engaging young people in serving their communities. Since 2000, READ has engaged more than 13,000 high school youth to provide more than 15,000 kindergarten through second grade students with one-to-one foundational reading tutoring in communities throughout the five boroughs of NYC and in FY21 in Berks County, Pennsylvania as well.

READ's unique Early Literacy Program provides 90 minutes of programming a day in two parts: 1) a 45-minute session of one-to-one, individualized literacy intervention using a phonics-based curriculum delivered to the younger READ students by paid READ Teen Leaders, earning minimum wage and 2) a 45-minute group work session led by a READ teacher, either homework help or complementary literacy activities. During the one-to-one tutoring session, students read out loud to their Teen Leaders a book they have already mastered, and then the Teen Leader provides explicit one-to-one reading instruction and practice. At the end of each session, students are given a book from our Lending Library for continued practice at home. More than 85 percent of students in our program improve more than a grade level in reading. Read Alliance targets its early literacy program to Kindergarten, first and second graders who are reading at least half a grade level behind. The individualized, phonics-based instruction uses a leveled curriculum to advance reading skill improvement of an average of at least one reading level in just 30 sessions.

In response to the COVID-19 pandemic which interrupted in-person programming, READ moved its unique dual-impact program model online. READ stayed true to the program model of pairing trained teen leaders one-on-one with struggling early readers, supervised by licensed teachers and professional READ staff in a virtual setting. In FY20, READ conducted a 3 week test of this virtual model in June, and implemented a 5 week pilot serving 106 children and employing 74 teens in July and August. In FY21, READ implemented programming virtually or in a hybrid format throughout the entire year, serving a total of 576 striving readers and employing 189 unduplicated teen leaders throughout the 5 boroughs of NYC and in Berks County, Pennsylvania during the school year and summer.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 1 - Organization (Continued)

Young people employed by READ's Teen Leadership Program receive leadership development, job readiness, professional skills, and economic empowerment programming. Through their involvement, Teen Leaders are engaged in meaningful after school employment for 90 minutes a day, for a minimum of three days a week, at a nearby elementary school. Teen Leaders are not only trained to deliver the research-based reading curriculum one-on-one to young children, but they are also trained in behavior management and data collection that is crucial to program implementation, reflection and analysis. Teen Leaders have the opportunity to advance to Senior Teen Leader, a position with additional responsibility providing support and guidance for the Teen Leaders, peer to peer development, and supervision. READ works in isolated communities with some of the highest poverty levels in the city, and nearly all of our Teen Leaders are low-income young people of color. Earning minimum wage allows our teens to develop their financial independence, build economic empowerment, contribute to their household income and save for the future. Through READ training, work experience and wraparound supports our Teen Leaders also build social, emotional and job readiness skills that will prepare them for success beyond high school.

READ is supported primarily by contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of READ are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

READ considers all liquid investments with original maturities of three months or less to be cash equivalents. At August 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Certificates of Deposit

Certificates of deposit with a maturity date of more than three months are considered investments for purposes of cash flow reporting.

Government Contracts Receivable and Revenue

Government contracts are recorded as receivable and revenue to the extent that expenses have been incurred for the purposes specified by the grantors. Interest income is not accrued or recorded on accounts receivable.

Allowance for Doubtful Accounts

READ determines whether an allowance for uncollectibles should be provided for government contracts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivable, current economic conditions, subsequent receipts and historical information. Government contracts and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. READ has determined that no allowance for doubtful accounts is necessary as of August 31, 2021 and 2020.

Property and Equipment

Property and equipment acquisitions over \$1,000 with an estimated useful life of greater than one year are stated at cost, less accumulated depreciation. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and computer equipment	2-5 years
Software and database	3 years
Leasehold improvements	5 years

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a fund for program growth and certain nonbudgeted expenditures, upon the approval of the board.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Operating Leases

Long-term lease costs are recorded on the straight-line basis over the term of the lease. Deferred rent is recorded for the difference between the fixed payment and the rent expense.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are provided to READ either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on READ overcoming a donor-imposed barrier to be entitled to the funds.	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the risk-adjusted interest rates applicable to the years in which the promises are received.

When a donor 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 statements of activities as net assets released from restrictions.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Income Taxes

READ is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, READ is subject to federal income tax on any unrelated business taxable income.

READ files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on ratio values and other methods.

The functional expenses are divided into two program categories starting fiscal year 2020, reflecting the true dual impact program effort of early literacy and teen leadership. In previous years, audited reports divided functional expenses into the program categories of school year and summer program.

After school buildings closed and New York City shut down in March 2020, in-person programming for READ's early literacy instruction was impossible. Schools were scrambling to find a way to navigate basic remote instruction, and for safety reasons everyone was required to stay home. Read Alliance felt a responsibility to continue providing the paid jobs that the teens who were already hired were counting on especially as their families and communities were hardest hit by the economic shutdown. In so doing, Read Alliance engaged teen leaders in paid virtual engagements to complement their virtual work experience as tutors throughout FY21.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

These programs are part of the Teen Leadership Program which is designed to advance their development in leadership, civic engagement, arts activities, college readiness, career exposure, and to promote social and emotional learning. Program staff dedicated time to planning, coordinating, recruiting and executing these workshops which attributed to the additional costs allocated to teen leadership programming during an all virtual year.

Fair Values of Financial Instruments

READ's financial instruments consist primarily of cash, accounts receivable and accounts payable. The carrying values of cash, accounts receivable, and accounts payable are considered to be representative of their respective fair values.

Adoption of Accounting Pronouncement

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, which changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents in the statement of cash flows. The ASU requires that restricted cash and equivalents be included in the total cash and cash equivalents at the beginning and end of the period for which changes are shown in the statement of cash flows. It also requires that the face of the statement of cash flows or the notes to the financial statements present a reconciliation when cash and cash equivalents (restricted or unrestricted) are shown in more than one line on the statement of financial position. The standard does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made. ASU 2018-08 clarifies and improves guidance for contributions concerning 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contributions, and 2) whether a contribution received is conditional.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 3 - Contributions Receivable

Contributions receivable consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within 1 year	\$ 154,761	\$ 75,000	\$ 229,761
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within 1 year	\$ 298,413	\$ 112,500	\$ 410,913

Note 4 - Property and Equipment

Property and equipment at August 31, 2021 and 2020 consists of:

	2021	2020
Furniture and computer equipment	\$ 55,841	\$ 49,104
Leasehold improvements	112,542	112,542
Total Fixed Assets	168,383	161,646
Less accumulated depreciation and amortization	(100,010)	(74,690)
Net Fixed Assets	\$ 68,373	\$ 86,956

Note 5 - Operating Leases

READ entered into a lease agreement for office space effective March 1, 2019 through February 28, 2029. Under the terms of the agreement, READ received two months free rent in the first year of the lease. During 2021, READ received total \$28,271 Covid relief rent credit which is reflected in occupancy expense on the accompanying financial statements.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 5 - Operating Leases (Continued)

Rent is being expensed on the straight-line method over the term of the lease. Deferred rent at August 31, 2021 and 2020 was \$66,386 and \$53,391 respectively.

Rent expense for the years ended August 31, 2021 and 2020 was \$145,932 and \$185,489 respectively.

Future minimum lease payments at August 31, 2021 were:

2022	\$ 166,045
2023	171,026
2024	176,157
2025	181,441
2026	186,885
Thereafter	<u>491,355</u>
Total	<u>\$ 1,372,909</u>

READ leases two copier/scanner/printers under a lease agreement which expires in March 2024. Future minimum lease payments at August 31, 2021 were:

2022	\$ 7,500
2023	7,500
2024	<u>4,375</u>
Total	<u>\$ 19,375</u>

Lease expenses was \$7,767 for the years ended August 31, 2021 and 2020.

Note 6 - Contributions from Sites

READ receives contributions from many of its program partners, including the schools served. These contributions are used to help defray program costs.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 7 - Contributed Services

READ received in-kind assistance from some of its program sites in the form of professional READ teachers. The total value of in-kind services based on the actual cost was \$30,267 and \$97,112 in 2021 and 2020, respectively, for the Early Literacy Program, which has been reflected as revenues and expenses in the accompanying statement of activities.

Unlike in 2020, READ was unable to utilize the services of students as volunteer teens in 2021. READ utilized the services of 30 students as volunteer teens in 2020. This yielded a total estimated 773 volunteer hours in 2020. The value of these services is not recognized in these financial statements, since the services provided do not meet the criteria for recognition under generally accepted accounting principles.

READ also utilizes the services of students through a partnership with two other not-for-profit organizations through contracts with New York City's Summer Youth Employment Program. READ received the service of 43 students, providing approximately 2,526 hours of service in 2021. READ was unable to utilize the services of teens in 2020. The rollout of the NYC program was delayed 4 weeks due to the COVID-19 pandemic which made it impossible to partner in 2020, as READ implemented its virtual summer program during the first week of summer. The value of these services is not recognized in these financial statements, since the services provided do not meet the criteria for recognition under generally accepted accounting principles.

For the years ended August 31, 2021, and 2020, READ received contributed legal services of \$80,190 and \$12,795, respectively.

Note 8 - Pension Plan

READ sponsors a 401(k) retirement plan covering all full-time employees 21 years and older with at least one year of employment. No discretionary contributions were made to the plan by READ for the years ended August 31, 2021 and 2020.

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Net Assets

Net assets with donor restrictions

Net assets with donor restrictions at August 31, 2021 and 2020 are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose Specific school and Early Literacy programs	\$ 348,000	\$ 234,676
Net assets with donor restrictions	<u>\$ 348,000</u>	<u>\$ 234,676</u>

Net assets without donor restrictions

Net assets without donor restrictions at August 31, 2021 and 2020 has been designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,449,566	\$ 218,441
Designated by the board for operating reserve	<u>445,000</u>	<u>445,000</u>
Net assets without donor restrictions	<u>\$ 1,894,566</u>	<u>\$ 663,441</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Satisfaction or purpose restrictions		
Specific school and Early Literacy programs	\$ 234,676	\$ 147,750
Net assets released from restrictions	<u>\$ 234,676</u>	<u>\$ 147,750</u>

READ ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 10 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 1,094,105	\$ 1,336,339
Certificates of deposit	740,000	-
Government contracts receivable	47,000	-
Contributions receivable - current	167,262	398,413
Contributions receivable - sites - current	<u>62,499</u>	<u>12,500</u>
Total financial assets	2,110,866	1,747,252
Donor-imposed restrictions		
Restricted funds	<u>(348,000)</u>	<u>(234,676)</u>
Net financial assets after donor-imposed restrictions	1,762,866	1,512,576
Internal designations		
Board-advised funds	<u>(445,000)</u>	<u>(445,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,317,866</u>	<u>\$ 1,067,576</u>

READ manages its liquidity and reserves following three guiding principles: operating within prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 11 - Board-Designated Fund

In 2016, the board established a \$500,000 board designated fund for program growth and certain non-budgeted expenditures upon the approval of the board. Interest earned on the balance may be used for general operating expenses. During 2017, there were appropriations of \$55,000 made from this fund. There were no appropriations 2021 and 2020. At August 31, 2021 and 2020, the balance of the fund was \$445,000.

READ ALLIANCE, INC.
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Note 12 - Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contingencies

READ is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of READ. Events could occur that would change this estimate materially in the near term. Management also believes it carries adequate insurance to cover any possible judgement or settlement.

Regulatory Environment

READ is subject to audits by funding sources. Management believes that the results of such audits, if any, will not have an adverse effect on the financial statements.

Concentration of Credit Risk

READ maintains its cash and cash equivalents with various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. At times, these balances may exceed the FDIC limits. At August 31, 2021 and 2020, cash exceeding the FDIC limits was \$824,041 and \$1,076,294, respectively. READ has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 13 - Note Payable

In May 2020, READ borrowed \$274,235 under the Payroll Protection Program (PPP). Under this program, the loan may be forgiven if certain payroll and non-payroll costs are spent in accordance with the terms of the loan. READ received full forgiveness on the PPP loan in July 2021. This is included in government contracts/grants on the accompanying 2021 financial statements.

READ ALLIANCE, INC.
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Note 14 - COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result, READ has temporarily suspended its in person reading tutoring program and implemented a virtual program. While the disruption is currently expected to be temporary, there is uncertainty around the duration. READ has taken several steps to strengthen its financial position and maintain financial liquidity and flexibility by reviewing operating expenses and preparing for long term stability.

Due to the COVID-19 outbreak, Read Alliance postponed its fiscal year 2020 annual fundraising gala to the following fiscal year, deferring revenue raised for this event to the following fiscal year. Because this revenue is not reflected as income in the fiscal year 2020, the report reflects a loss for fiscal year 2020.

Note 15 - Special Event - Prepaid Expense/Deferred Revenue

READ usually holds an annual special fundraising event each year in the spring, but due to Covid-19, the fiscal year 2020 annual special fundraising event was delayed until November 2020. Since November 2020 was after the fiscal year end, the expenses that were incurred for the special event was recorded as prepaid expenses and any contributions for the special event were recorded as deferred revenue. As of August 31, 2020, the costs incurred for the special event were \$119,861 and were included in prepaid expenses in the 2020 accompanying financial statements. As of August 31, 2020, the revenue of \$824,588 for the special event was received which was included in deferred revenue in the 2020 accompanying financial statement.

Note 16 - Subsequent Events

Management has evaluated subsequent events or transactions occurring through December 30, 2021, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.