

READY READERS

Financial Statements

JUNE 30, 2021



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Independent Auditor's Report

Board of Directors
Ready Readers
St. Louis, Missouri

We have audited the accompanying financial statements of Ready Readers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 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

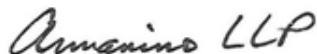
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ready Readers as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2020, were audited by Brown Smith Wallace, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2021, and whose report dated September 10, 2020, expressed an unmodified opinion on those statements.

Emphasis of Matter

In March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” As discussed in Note M to the financial statements, given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Armanino LLP".

Armanino^{LLP}
St. Louis, Missouri

September 17, 2021

READY READERS

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 718,568	\$ 591,803
Investments	365,918	234,244
Pledges receivable	46,104	20,000
Book inventory - program	101,920	163,433
Book inventory - other	-	6,606
Prepaid expenses	10,722	17,182
Total Current Assets	1,243,232	1,033,268
Fixed Assets, net	1,881	6,129
Total Assets	\$ 1,245,113	\$ 1,039,397
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued payroll expenses	\$ 25,181	\$ 23,171
Accrued other expenses	1,704	-
Accounts payable	7,253	-
Current portion of PPP forgivable loan and interest	-	55,682
Total Current Liabilities	34,138	78,853
Deferred Rent	284	2,861
PPP forgivable loan and interest	-	21,432
Total Liabilities	34,422	103,146
Net Assets		
Without donor restrictions		
Undesignated	805,973	649,407
Board designated endowment	365,918	234,244
With donor restrictions	38,800	52,600
Total Net Assets	1,210,691	936,251
Total Liabilities and Net Assets	\$ 1,245,113	\$ 1,039,397

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

READY READERS

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contribution revenue	\$ 1,126,024	\$ 31,800	\$ 1,157,824
Special events, less direct expenses of \$151	11,532	-	11,532
In-kind contributions	19,314	-	19,314
Dividend and interest income	5,118	-	5,118
Realized/unrealized gain on endowment	49,164	-	49,164
Gain on extinguishment of PPP Loan	81,856	-	81,856
Other income, net	1,000	-	1,000
Net assets released from restrictions	45,600	(45,600)	-
Total support and revenues	1,339,608	(13,800)	1,325,808
Expenses:			
Program services	710,840	-	710,840
Management and general	133,326	-	133,326
Fundraising	207,202	-	207,202
Total expenses	1,051,368	-	1,051,368
Change in Net Assets	288,240	(13,800)	274,440
Net Assets, beginning of year	883,651	52,600	936,251
Net Assets, end of year	\$ 1,171,891	\$ 38,800	\$ 1,210,691

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

READY READERS

Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contribution revenue	\$ 755,048	\$ 52,600	\$ 807,648
Special events, less direct expenses of \$6,200	58,044	-	58,044
In-kind contributions	23,051	-	23,051
Dividend and interest income	3,947	-	3,947
Realized/unrealized gain/(loss) on endowment	(8,742)	-	(8,742)
Other income, net	8,215	-	8,215
Net assets released from restrictions	82,700	(82,700)	-
Total support and revenues	922,263	(30,100)	892,163
Expenses:			
Program services	580,160	-	580,160
Management and general	121,244	-	121,244
Fundraising	136,759	-	136,759
Total expenses	838,163	-	838,163
Change in Net Assets	84,100	(30,100)	54,000
Net Assets, beginning of year	799,551	82,700	882,251
Net Assets, end of year	\$ 883,651	\$ 52,600	\$ 936,251

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

READY READERS

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 247,227	\$ 39,214	\$ 103,753	\$ 390,194
Employee benefits	8,505	1,471	3,893	13,869
Payroll taxes	18,156	2,880	7,620	28,656
	273,888	43,565	115,266	432,719
Book gifts to children	190,402	-	-	190,402
Book distribution supplies	4,907	-	-	4,907
Book donations to the community	51,380	-	-	51,380
Books used in Book-a-Day	-	-	-	-
Books and supplies during Covid	4,930	-	-	4,930
Depreciation	-	4,248	-	4,248
Field trips	-	-	-	-
Insurance	9,210	2,303	-	11,513
Marketing materials- design and printing	21,983	3,148	10,589	35,720
Meetings	-	792	136	928
Mileage reimbursement	183	-	-	183
Miscellaneous	1,151	2,216	1,704	5,071
Office supplies and equipment	21,291	6,145	-	27,436
PPP forgivable loan interest	-	4,742	-	4,742
Printing, postage and shipping	3,034	637	13,636	17,307
Professional education	878	627	150	1,655
Professional fees	28,948	45,006	54,995	128,949
Program evaluation study	12,603	-	-	12,603
Rent	43,172	10,733	-	53,905
Tech support	31,306	7,294	10,726	49,326
Telephone, internet, website	3,688	672	-	4,360
Utilities	4,835	1,198	-	6,033
Volunteer training, appreciation, recruitment	3,051	-	-	3,051
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	\$ 710,840	\$ 133,326	\$ 207,202	\$1,051,368
Direct cost of special events	-	-	151	151
TOTAL EXPENSES	\$ 710,840	\$ 133,326	\$ 207,353	\$1,051,519

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

READY READERS

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 216,779	\$ 26,931	\$ 94,670	\$ 338,380
Employee benefits	21,056	1,223	4,367	26,646
Payroll taxes	16,130	7,030	2,000	25,160
	253,965	35,184	101,037	390,186
Book gifts to children	106,806	-	-	106,806
Book distribution supplies	1,573	-	-	1,573
Book donations to the community	41,803	-	-	41,803
Books used in Book-a-Day	1,510	-	-	1,510
Books and supplies during Covid	48,879	-	-	48,879
Depreciation	-	6,545	-	6,545
Field trips	5,819	-	-	5,819
Insurance	-	728	-	728
Marketing materials- design and printing	6,303	5,131	10,012	21,446
Meetings	-	1,767	67	1,834
Mileage reimbursement	1,806	-	-	1,806
Miscellaneous	-	4,056	-	4,056
Office supplies and equipment	10,351	2,573	-	12,924
PPP forgivable loan interest	-	1,004	-	1,004
Printing, postage and shipping	3,326	987	13,491	17,804
Professional education	2,970	498	226	3,694
Professional fees	-	43,982	5,453	49,435
Program evaluation study	17,739	-	-	17,739
Rent	43,054	10,920	-	53,974
Tech support	21,422	6,162	6,473	34,057
Telephone, internet, website	3,190	553	-	3,743
Utilities	4,615	1,154	-	5,769
Volunteer training, appreciation, recruitment	5,029	-	-	5,029
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES	\$ 580,160	\$ 121,244	\$ 136,759	\$ 838,163
Direct cost of special events	-	-	6,200	6,200
TOTAL EXPENSES	\$ 580,160	\$ 121,244	\$ 142,959	\$ 844,363

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

READY READERS

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 274,440	\$ 54,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,248	6,545
Forgiveness of PPP loan	(77,114)	-
Realized/unrealized (gain) loss on investments	(49,164)	8,742
Changes in operating assets:		
Pledges receivable	(26,104)	3,000
Prepaid expenses	6,460	(13,006)
Book inventory	68,119	(36,625)
Changes in operating liabilities:		
Other accrued liabilities	3,714	8,154
Accounts payable	7,253	-
Accrued interest	-	1,004
Deferred rent	(2,577)	(2,407)
Net cash provided by (used in) operating activities	209,275	29,407
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(1,178)
Purchases of investments	(82,510)	(239,347)
Dividends and interest reinvested	-	(3,639)
Net cash provided by (used in) investing activities	(82,510)	(244,164)
Cash flows from financing activities:		
Proceeds from PPP loan	-	76,110
Net cash provided by financing activities	-	76,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,765	(138,647)
Cash and cash equivalents at beginning of year	591,803	730,450
Cash and cash equivalents at end of year	\$ 718,568	\$ 591,803

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

READY READERS

Notes to Financial Statements

June 30, 2021

Note A – Nature of Activities

Ready Readers (the “Organization”) began operations in September 1997. It incorporated in Missouri on January 11, 1999. The Organization’s mission is to expand literacy for children in low-income communities through high-quality books, strong relationships, and literacy-related experiences. The program works to close the equity gap in education; to break the cycle of poverty; and to prepare children to be ready to learn to read when they enter kindergarten.

The Ready Readers program serves sites/schools where at least 70% of their students/families are eligible for federal free and reduced lunch benefits.

In 2020-21, Ready Readers engaged more than 11,800 children in 867 classrooms in storytimes, pen pal activities, and other early literacy programming designed to build and strengthen early literacy foundations, engage children in valuable discussion experiences, and develop strong, trusting relationships with trauma-informed adults. We trained and supported 200+ volunteer readers who connected with early childhood centers and schools in low-income communities throughout the St. Louis metro region—distributing 95,000+ high-quality, new books to children and teachers annually.

Our readers read high-quality children’s books every week for 30 minutes to a classroom of preschool children. The same reader always reads to the same children at the same time each week, forming strong bonds between the reader, the children, the teachers, and the center. In addition to weekly reading sessions, each child receives at least seven high-quality, new books throughout the year. Since March 2020, the programming has been offered virtually, where possible. Program delivery methods were modified for classrooms with limited technology access.

Ready Readers also gives the classroom teachers the same seven books, with extension activities. Ready Readers provides state-approved, professional development workshops for teachers participating in the weekly Storytime program, as well as other centers and locations (ex: community colleges, educational conferences, etc). Additionally, Ready Readers works with community partners to offer free, literacy-based fieldtrips.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

Basis of Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205-05, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restriction net assets.

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note B – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets Without Donor Restrictions – Net assets and contributions not subject to donor-imposed stipulations and available for general operations. These net assets may include funds available for general use, net investments in property and equipment, and assets designated by the Board for a specific purpose.

Net Assets with Donor Restrictions – Net assets and contributions subject to donor-imposed stipulations include assets that are perpetual in nature and time restricted assets. Restrictions that are perpetual in nature include donor-imposed stipulations requiring that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for specific purposes. Donor restrictions include those that will be met by actions of the Organization and/or the passage of time. Net assets with donor restrictions are released to net assets without donor restrictions once restrictions are satisfied.

Change in Accounting Principle

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, permitting private entities that have not yet issued their financial statements as of June 3, 2020, to adopt ASU 2014-09 Revenue from Contracts with Customers for annual reporting periods beginning after December 15, 2019. The Organization adopted and implemented ASU 2014-09 Revenue from Contracts with Customers for the year ended June 30, 2021. The adoption and implementation of this standard had no significant impact on the recognition of revenue during the year ended June 30, 2021.

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 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.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents are on deposit with a major domestic financial institution. At times, bank deposits may be in excess of federally insured limits.

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note B – Summary of Significant Accounting Policies (Continued)

Investments

The Organization carries investments in money market funds and exchange traded products, including exchange-traded funds and exchange-traded bonds. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Book Inventory

“Book inventory – program” consists of books on hand that are used in the Organization’s programs as well as those provided to program participants, including professional development training for teachers. Inventory is recorded at cost if purchased, and market value if donated. “Book inventory – other” consists of books on hand for the Lending Library and the Book-A-Day program.

Property and Equipment

Property and equipment are recorded at cost or estimated value at the time of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments of \$1,000 or more and that extend the lives of property and equipment are capitalized. Depreciation is computed on a straight-line basis over various useful lives.

Restricted and Unrestricted Revenues and Support

Management has determined that pledges receivable are considered fully collectible; accordingly, no allowance for doubtful accounts has been established.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When the satisfaction of a 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. Contributions with donor restrictions whose restrictions are met in the same reporting period are shown as contributions without donor restrictions.

Functional Allocation of Expenses

Expenses are charged to each program based on the direct costs incurred. Shared costs, such as salaries and wages, payroll taxes, professional fees, and technical support, are distributed proportionally and equitably to program and supporting services based upon time spent and management estimates.

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note B – Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

The Organization records in-kind contributions in accordance with FASB ASC 958-605, *Revenue Recognition*. Donated materials, books, stock, equipment, and other in-kind gifts are recorded as support at their estimated values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. During the years ended June 30, 2021 and 2020, the Organization received donated books in the amount of \$18,014 and \$17,651, respectively.

The Organization received services from volunteers that had an approximate value of \$186,937 and \$306,849 during fiscal years 2021 and 2020, respectively.

The nature of these volunteer services does not meet the requirements under GAAP to recognize them in the financial statements as revenue and expense. These services are essential to the Organization to fulfill its mission. If these services were allowed to be included in the financial statements, the percent of program expenses would be approximately 73% and 77% for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

The Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Paycheck Protection Program Loan Payable

The Small Business Administration Paycheck Protection Program (“PPP”) loan obtained by the Organization was presented as a liability until forgiven. As of June 30, 2021, the full amount of the loan was forgiven and legal release was received, therefore the Organization reduced the liability by the amounts forgiven and recorded a forgiveness of debt in the statement of activities.

Subsequent Events

Ready Readers has evaluated subsequent events through September 17, 2021, the date which the financial statements were available to be issued.

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note C – Investments and Fair Value Measurements

The Organization determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual funds: Valued at the net asset value (“NAV”) of shares held at year end.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Directors’ assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurement are still appropriate. During the years ended June 30, 2021 and 2020, there were no changes in the methods or assumptions utilized to derive the fair value of the Organization’s assets and liabilities.

The Organization’s portfolio investments based on fair values as of June 30, 2021 and 2020, are classified as follows:

<u>6/30/2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ <u>365,918</u>	\$ <u>365,918</u>	\$ <u>-</u>	\$ <u>-</u>
<u>6/30/2020</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ <u>234,244</u>	\$ <u>234,244</u>	\$ <u>-</u>	\$ <u>-</u>

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note D – Board Designated Endowment Fund

On January 31, 2020, the Board-designated endowment fund became professionally managed, utilizing the overall investment objective of a total return approach. This strategy seeks to preserve and grow the real purchasing power of the principal and to provide a stable source of funds for Ready Readers. The assets of the Ready Readers are managed in a prudent manner solely and exclusively putting forth the organization's interests.

Under this policy, the endowment assets are to be managed so as to preserve and grow the funds consistent with the objectives of the policy and is governed by the Endowment Committee. Funds are to not to be used for operating or expenses ordinarily included in the annual budget unless otherwise specified by the Board of Directors.

Pursuant to the Missouri Uniform Prudent Management of Institutional Funds Act (the "Act"), the Endowment Committee invests endowment assets in a manner consistent with total return principles reflected in the Act.

Recognizing that many charitable endowment funds establish their spending rate within a defined range, the Organization has adopted a spending policy that calls for the spending rate to be recommended and approved by the Board of Directors annually.

All endowment fund investments are in accordance with and subject to the restrictions imposed by the Act as well as invested in only instruments defined in the Endowment Fund Policy.

These policies act in accordance with accounting principles generally accepted in the United States of America and applicable laws in the state of Missouri.

Change in Board designated endowment net assets for the years then ended June 30:

	<u>2021</u>	<u>2020</u>
Beginning of year – Board designated endowment	\$ 234,244	\$ 236,032
Contributions	80,000	5,000
Investment income (loss)	<u>51,674</u>	<u>(6,788)</u>
End of year – Board designated endowment	<u>\$ 365,918</u>	<u>\$ 234,244</u>

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note E – Property and Equipment

Property and equipment consist of:

	<u>2021</u>	<u>2020</u>
Technology and website	\$ 73,823	\$ 73,823
Furniture and equipment	<u>4,651</u>	<u>17,221</u>
Total cost	78,474	91,044
Less – accumulated depreciation	<u>(76,593)</u>	<u>(84,915)</u>
Total property and equipment, net	\$ <u>1,881</u>	\$ <u>6,129</u>

Depreciation expense was \$4,248 and \$6,545 for the years ended June 30, 2021 and 2020, respectively.

Note F – Line-of Credit

The Organization has a \$75,000 unsecured line-of-credit with PNC Bank. The line-of-credit does not expire until it is either converted to a term loan or terminated. Interest is payable on outstanding balances at the prime rate plus 1.49% for a total rate of 4.74% at June 30, 2021 and 2020, respectively. There was no outstanding balance on the line of credit at June 30, 2021 and 2020.

Note G – Net Assets with Donor Restrictions

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions are restricted for the following at June 30:		
Other restrictions	\$ 7,000	\$ 12,000
Book purchases	<u>31,800</u>	<u>40,600</u>
	\$ <u>38,800</u>	\$ <u>52,600</u>
Net assets released as of June 30:		
Other restrictions	\$ 5,000	\$ 7,100
Book purchases	<u>40,600</u>	<u>75,600</u>
	\$ <u>45,600</u>	\$ <u>82,700</u>

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note H – Commitments

In February 2016, the Organization entered into a lease for office space in St. Louis, Missouri that expires July 31, 2021. The lease agreement contains escalating rent increases over the life of the lease. The Organization recognizes the rent expense for these leases on a straight-line basis. Based upon this accounting policy, rent expense was \$2,577 and \$2,407 less than actual rent paid for in 2021 and 2020, respectfully. The accumulated amount is \$284 and \$2,861 which is reported on the statements of financial position as deferred rent as of June 30, 2021 and 2020, respectively. Rent expense related to this commitment was \$31,762, for each year ended June 30, 2021 and 2020, respectively.

Lease commitments for the next two years:

<u>Years ending June 30,</u>	<u>Amount</u>
2022	\$ 2,933

Note I – Conditional Promises to Give

In July 2019, the Organization received a \$144,000 conditional promise to give in support of the Organization's programs. The commitment was part of a multi-year promise, with the first disbursement being made up-front in the amount of \$72,000 and the second disbursement to be received after conditions had been met. Payment in the amount of \$72,000 was received and conditions were met during the fiscal year ending June 30, 2020, and as result, was recorded as revenue in fiscal year 2020.

In November 2020, the Organization received a three-year, \$75,000 conditional promise to give in support of its programs. The gift is considered conditional because 1). the grant agreement includes a right-of-return and 2). the award can be rescinded or modified based on conditional metrics or decisions of the grantor's governing body. For these reasons, revenue is only recognized when received.

Note J – Foundation Grant

In September 2017, the Organization, in conjunction with St. Louis Public Schools Foundation, entered into a grant agreement with a Foundation that calls for the Organization to administer \$390,000 of funding to create literacy spaces in St. Louis Public School Pre-k classrooms. The funding would be received over a 3-year period in annual installments. The Organization's responsibility related to the funding is limited to serving in an agency capacity on behalf of St. Louis Public Schools by disbursing and reporting on the use of the grant funds. The Organization is paid a \$7,500 fee each year for these services. During the year ended June 30, 2020, the Organization passed through \$140,000 and recognized fees earned in the amount of \$7,500, which is included in other income.

READY READERS

Notes to Financial Statements - Continued

June 30, 2021

Note K – PPP Loan Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration’s 7(a) Loan Program to support the new PPP. The Organization applied and was awarded a loan in the amount of \$76,110 under the PPP. The loan bore interest at 1% with any accrued interest being forgiven along with the principal balance. The loan was forgiven in April 2021. As of June 30, 2021, the notes payable and accrued interest balance was \$0.

Note L – Availability and Liquidity

At June 30, 2021, the Organization had financial assets available consisting of:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 718,568	\$ 591,803
Investments	365,918	234,244
Pledges receivable	46,104	20,000
Less amounts restricted by donor	(38,800)	(52,600)
Less Board designated endowment	<u>(365,918)</u>	<u>(234,244)</u>
	<u>\$ 725,872</u>	<u>\$ 559,203</u>

Should the Organization need to draw on additional resources, access to a line-of-credit in the amount of \$75,000 is available. See Note F for more information on the line-of-credit.

The Organization had a Board designated endowment in the amount of \$365,918 and \$234,244 as described in Note D for each year ended June 30, 2021 and 2020, respectively. Although the Organization does not intend to spend endowment funds, these amounts could be made available by the Board, if necessary.

Note M – Risk and Uncertainties

The Organization’s financial performance, estimates, reserves, contracts, and operations in the next 12 months may be affected by the ongoing outbreak of the coronavirus disease (“COVID-19”), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Organization’s operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.

The Organization has nimbly and creatively pivoted to bring revised and expanded program delivery options to serve the children during the 2020-2021 school year, under the constraints of COVID-19. Educational equity for the youngest and poorest children in the region served by the Organization will continue through these initiatives.