

READY READERS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

Ready Readers

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ready Readers
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Ready Readers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 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. 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 Ready Readers 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.

Prior Period Financial Statements

The financial statements of Ready Readers as of June 30, 2022 were audited by other auditors whose report dated September 27, 2022, expressed an unmodified opinion on those statements.

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 Ready Readers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ready Readers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ready Readers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Schmersahl Treloar & Co.

St. Louis, Missouri
October 19, 2023

FINANCIAL STATEMENTS

Ready Readers
STATEMENTS OF FINANCIAL POSITION

ASSETS		June 30,	
		2023	2022
CURRENT ASSETS			
Cash and cash equivalents	\$	1,218,749	\$ 925,590
Pledges receivable, current portion		156,310	25,644
Book Inventory		104,620	124,577
Prepaid Expenses		7,429	15,120
Total Current Assets		1,487,108	1,090,931
INVESTMENTS			
LONG TERM PLEDGES RECEIVABLE		352,042	328,707
LEASED OFFICE EQUIPMENT		100,000	100,000
RIGHT-OF-USE ASSETS - OPERATING		-	44,430
PROPERTY AND EQUIPMENT, NET		207,875	-
		18,020	17,517
TOTAL ASSETS	\$	2,165,045	\$ 1,581,585
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	9,574	70,103
Accrued payroll and other expenses		15,019	24,857
Operating lease liabilities - current		63,827	8,129
Total Current Liabilities		88,420	103,089
OPERATING LONG TERM LEASE LIABILITIES			
		159,496	36,301
Total Liabilities		247,916	139,390
NET ASSETS			
Without donor restrictions			
Undesignated		1,068,773	950,502
Board designated endowment		352,042	328,707
Total Net Assets without Donor Restrictions		1,420,815	1,279,209
With donor restrictions			
Time restricted for future periods		341,314	125,644
Purpose restrictions		155,000	37,342
Total Net Assets with Donor Restrictions		496,314	162,986
Total Net Assets		1,917,129	1,442,195
TOTAL LIABILITIES AND NET ASSETS	\$	2,165,045	\$ 1,581,585

See accompanying notes to financial statements

Ready Readers
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 1,398,783	\$ 494,314	\$ 1,893,097	\$ 1,381,887	\$ 160,986	\$ 1,542,873
Contributions of non-financial assets	25,027	-	25,027	34,917	-	34,917
Dividend and interest income, net investment fees	5,990	-	5,990	3,120	-	3,120
Realized/unrealized gain/(loss) on endowment	17,345	-	17,345	(40,331)	-	(40,331)
Other Income, net	8,403	-	8,403	1,589	-	1,589
Net assets released from restrictions	160,986	(160,986)	-	36,800	(36,800)	-
Total Support and Revenue	1,616,534	333,328	1,949,862	1,417,982	124,186	1,542,168
EXPENSES						
Program	1,008,091	-	1,008,091	834,486	-	834,486
Management and general	179,010	-	179,010	118,699	-	118,699
Fundraising	287,827	-	287,827	357,479	-	357,479
Total Expenses	1,474,928	-	1,474,928	1,310,664	-	1,310,664
CHANGE IN NET ASSETS	141,606	333,328	474,934	107,318	124,186	231,504
NET ASSETS, Beginning of year	1,279,209	162,986	1,442,195	1,171,891	38,800	1,210,691
NET ASSETS, End of year	<u>\$ 1,420,815</u>	<u>\$ 496,314</u>	<u>\$ 1,917,129</u>	<u>\$ 1,279,209</u>	<u>\$ 162,986</u>	<u>\$ 1,442,195</u>

See accompanying notes to financial statements

Ready Readers
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program	Management and General	Fund- raising	Total
EXPENSES				
Salaries and wages	\$ 347,835	\$ 27,175	\$ 168,482	\$ 543,492
Other employee benefits	19,960	1,559	14,020	35,539
Payroll taxes	<u>30,123</u>	<u>2,354</u>	<u>10,238</u>	<u>42,715</u>
Total salaries and related expenses	397,918	31,088	192,740	621,746
Book to children - Storytime program	286,257	-	-	286,257
Book distribution supplies	1,371	-	-	1,371
Book donations to the community	55,495	-	-	55,495
Depreciation and amortization	-	3,599	-	3,599
Field Trips	5,269	-	-	5,269
Insurance	11,450	11,166	-	22,616
Interest	-	-	-	-
Marketing material - design and printing	588	-	21,530	22,118
Meetings	212	3,693	862	4,767
Mileage reimbursement	1,619	-	-	1,619
Miscellaneous	75	2,115	5,609	7,799
Office supplies and equipment	47,203	6,607	736	54,546
Printing, postage and shipping	-	3,962	10,342	14,304
Professional education	29,857	2,747	-	32,604
Professional fees	1,500	65,605	45,877	112,982
Program evaluation study	39,730	-	-	39,730
Rent and Maintenance	81,447	25,349	-	106,796
Software & Tech support	20,359	18,216	9,667	48,242
Telephone and internet	5,303	1,021	464	6,788
Utilities	15,473	3,842	-	19,315
Volunteer training, appreciation, recruitment	<u>6,965</u>	<u>-</u>	<u>-</u>	<u>6,965</u>
Total Expenses	<u>\$ 1,008,091</u>	<u>\$ 179,010</u>	<u>\$ 287,827</u>	<u>\$ 1,474,928</u>

See accompanying notes to financial statements

Ready Readers
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program	Management and General	Fund- raising	Total
EXPENSES				
Salaries and wages	\$ 271,613	\$ 16,324	\$ 157,747	\$ 445,684
Employee Benefits	20,337	1,250	12,095	33,682
Payroll taxes	<u>24,645</u>	<u>1,514</u>	<u>14,657</u>	<u>40,816</u>
Total salaries and related expenses	316,595	19,088	184,499	520,182
Book to children - Storytime program	239,627	-	-	239,627
Book distribution supplies	5,007	-	-	5,007
Book donations to the community	64,705	-	-	64,705
Depreciation and amortization	-	2,541	-	2,541
Field Trips	1,708	-	-	1,708
Insurance	9,037	6,073	-	15,110
Interest	-	472	-	472
Marketing material - design and printing	42	-	93,045	93,087
Meetings	242	3,461	61	3,764
Mileage reimbursement	731	-	11	742
Miscellaneous	2,532	1,570	4,642	8,744
Office supplies and equipment	40,935	12,994	135	54,064
Printing, postage and shipping	4,258	1,459	5,154	10,871
Professional education	20,889	1,181	480	22,550
Professional fees	-	50,166	59,747	109,913
Program evaluation study	33,747	-	-	33,747
Rent and Maintenance	50,778	10,401	106	61,285
Software & Tech support	28,533	8,754	6,200	43,487
Telephone and internet	3,288	539	1,621	5,448
Utilities	7,114	-	1,778	8,892
Volunteer training, appreciation, recruitment	<u>4,718</u>	<u>-</u>	<u>-</u>	<u>4,718</u>
Total Expenses	<u>\$ 834,486</u>	<u>\$ 118,699</u>	<u>\$ 357,479</u>	<u>\$ 1,310,664</u>

See accompanying notes to financial statements

Ready Readers
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 474,934	\$ 231,504
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	3,599	2,541
Donated securities	(46,487)	-
Proceeds from sale of donated securities	46,487	-
Realized and unrealized (gain) loss on investments	(17,345)	40,331
Reduction in carrying amount of Operating lease right-of-use assets	58,139	-
(Increase) decrease in assets:		
Pledges receivable	(130,666)	(79,540)
Prepaid expenses	7,691	(4,398)
Book Inventory	19,957	(22,657)
Increase (decrease) in liabilities:		
Accounts payable	(60,529)	62,850
Accrued expenses	(9,838)	(2,028)
Operating lease liabilities	(42,691)	(284)
 Net Change in Cash and Cash Equivalents from Operating Activities	 303,251	 228,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,102)	(16,870)
Purchase of investments	(5,990)	(3,120)
 Net Change in Cash and Cash Equivalents from Investing Activities	 (10,092)	 (19,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	-	(1,307)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 293,159	 207,022
CASH AND CASH EQUIVALENTS, Beginning of year	925,590	718,568
CASH AND CASH EQUIVALENTS, End of year	\$ 1,218,749	\$ 925,590
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Equipment financed through capital leases	\$ -	\$ 45,737
Operating lease right-of-use assets obtained in exchange for operating lease liabilities upon adoption of ASC 842	\$ 266,014	\$ -

See accompanying notes to financial statements

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ready Readers (the “Organization”) began operations in September 1997 and incorporated in Missouri on January 11, 1999. The organization’s mission is to expand literacy for young 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, break the cycle of poverty, and 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 2022-23, Ready Readers engaged more than 14,700 children in 1,095 classrooms in story times 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 240+ volunteer readers who connected with early childhood centers and schools in low-income communities throughout the St. Louis metro region and distributed 131,000+ high quality new books to children and teachers.

Our volunteers read high-quality children's books every week for 30 minutes to a classroom of young children. The reader visits the same classroom at the same time each week, forming strong bonds with the children, the teachers, and the center. In addition to weekly reading sessions, each child receives 6-7 high-quality, new books throughout the year. Since 2020, programming has been offered virtually when needed, and delivery methods were modified for classrooms with limited technology access.

Ready Readers also gives the classroom teachers the same 6-7 books, with storytime activities to incorporate literacy throughout their curriculum. Ready Readers provides state-approved, professional development workshops for teachers participating in the 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 field trips to the classrooms in our Storytime Program. Ready Readers also partners with community organizations to reach parents and families more directly and to provide them with increased access to books and literacy resources.

In 2023, Ready Readers successfully piloted a Neighborhood Reading Captains program in the St. Louis West End neighborhood. Neighborhood Reading Captains are trained and compensated members of the community who provide trusted resources, opportunities, and events to strengthen the foundation of literacy in homes. By the end of FY24, we anticipate the program will recruit, train and employ Neighborhood Reading Captains and engage families in 3-4 neighborhoods. Areas of service will continue to be identified based on neighborhood need, assets, and in consultation with the Organization’s advisory council.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(Continued)

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Change in Accounting Principles

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 842, Leases. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the Statement of Financial Position for all leases and requires expanded qualitative and quantitative disclosures. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the statement of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized on the Statement of Activities on a straight-line basis over the lease term.

The Organization elected to adopt FASB ASC 842, Leases, using the effective date method that allows the Organization to initially apply the new lease standard at the effective date of July 1, 2022. As a result, the comparative period presented in the financial statements is in accordance with FASB ASC 840.

Net Assets without Donor Restrictions

Net assets 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 restrictions, net assets for an endowment fund.

Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization maintains a significant portion of its cash balances in a certain financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, bank deposits may be in excess of federally insured limits.

Pledges Receivable

Pledges receivable are recorded when an unconditional promise is made. The Organization distinguishes between pledges received for each net asset category in accordance with donor-imposed restrictions. Pledges receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023 and 2022, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Book Inventory

Book inventory 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, and donations to community partner organizations. Inventory is recorded at cost if purchased, and market value if donated.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property, Plant and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation. Contributed property and equipment is recorded at fair value at the date of the donation. If the donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as donations without donor restriction.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets which range from five to nine year. Renewals and betterments that extend the life of property are capitalized for expenditures of \$1,000 or more. Maintenance costs and repairs are expensed as incurred.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of cash and investments. The Organization places its cash and investments with high credit quality financial institutions.

Investments

Investments consist of mutual funds and exchange traded products (ETP's) and are reported at their fair value in the Statements of Financial Position. Investment income is reported in the Statements of Activities and consists of interest and dividend income, net of investment expenses and realized and unrealized gains and losses.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

Financial Instruments

The carrying amount of cash and cash equivalents, pledges receivable, prepaid expenses, accrued payroll and other expenses, and accounts payable reported in the Statements of Financial Position approximates fair value due to the short-term maturities of those instruments. In addition, the Organization believes the carrying amount of long-term obligations approximate fair value due to the relative similarity of the effective interest rates as compared to the current market rate.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Support and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Restricted contributions which are received and expended in the same fiscal year are reported as increases in net assets without donor restrictions. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions of Non-financial Assets

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are not included in the financial statements.

Contributions of non-financial assets for the years ended June 30, 2023 and 2022:

	2023	2022
New or used children's books	25,027	\$ 21,191
Specialty children's clothing items	-	13,726
Total	25,027	\$ 34,917

The Organization received services from volunteers that had an approximate value of \$280,363 and \$230,889 during fiscal years 2023 and 2022, 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 to total expenses would be approximately 73% and 69% for the years ended June 30, 2023 and 2022, respectively.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Functional Allocation of Expenses

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, benefits, rent, professional fees, and software and technical support which are allocated on the basis of time and effort and management estimates.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in the right-of-use (ROU) assets and lease liabilities on the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Variable lease costs are not included in the calculation. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term. The Organization does not have any financing leases as of June 30, 2023.

Income Taxes

The Organization qualifies as a nonprofit organization and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization does not have unrelated business income, excise taxes, or activities that would threaten the Organization's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 19, 2023, the date the financial statements were available to be issued.

B. **INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. GAAP establishes a hierarchy based on the quality of the inputs used to measure fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

B. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Unobservable inputs are inputs that reflect management's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access and does not entail a significant degree of judgment.

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fair values of assets measured on a recurring basis for the years ended June 30 are as follows:

	Fair Value Measurements Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments at June 30, 2023</u>				
Mutual Funds and ETP's	\$352,042	\$352,042	\$ -	\$ -
Total	<u>\$352,042</u>	<u>\$352,042</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investments at June 30, 2022</u>				
Mutual Funds and ETP's	\$328,707	\$328,707	\$ -	\$ -
Total	<u>\$328,707</u>	<u>\$328,707</u>	<u>\$ -</u>	<u>\$ -</u>

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Software and website	\$73,823	\$73,823
Leasehold Improvements	12,420	12,420
Furniture and Equipment	1,750	1,750
Computers	11,455	7,352
Total Cost	<u>\$99,448</u>	<u>\$95,345</u>
Less: accumulated depreciation	<u>(81,428)</u>	<u>(77,828)</u>
Property and Equipment, Net	<u>\$18,020</u>	<u>\$17,517</u>

Depreciation and amortization expense was \$3,599 and \$2,541 for the years ended June 30, 2023 and 2022, respectively.

D. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following periods or purposes for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose		
Book purchases	\$ 3,000	\$ 10,342
Dental health education	-	25,000
Reading Captain program	20,000	-
Development/Volunteers	130,000	-
Other	<u>2,000</u>	<u>2,000</u>
	155,000	37,342
Subject to expiration of time	<u>341,314</u>	<u>125,644</u>
Total Net Assets with Donor Restrictions	<u>\$496,314</u>	<u>\$162,986</u>

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the time restriction expires or the funds are utilized for the restricted purpose.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

E. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by passage of time or by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Time restrictions expired	\$125,644	\$ -
Book purchases	10,342	31,800
Dental health education	25,000	-
Other	<u>-</u>	<u>5,000</u>
Total Net Assets Released from Restrictions	<u>\$160,986</u>	<u>\$ 36,800</u>

F. 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 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 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.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
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F. BOARD DESIGNATED ENDOWMENT FUND (Continued)

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

	2023	2022
Board designated endowment, Beg. of year	\$328,707	\$ 365,918
Contributions	-	-
Investment Income (loss)	23,335	(37,211)
Board designated endowment, End of year	<u>\$352,042</u>	<u>\$ 328,707</u>

G. LINE OF CREDIT

The Organization has a \$75,000 unsecured line-of-credit with a 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%. The interest rate is 9.74% and 6.24% as of June 30, 2023, and 2022, respectively. There was no outstanding balance as of June 30, 2023, and 2022.

H. OPERATING LEASES

The Organization has leases for office space and equipment under operating leases that expire at times through 2027. The office lease requires base monthly payments of \$4,786 to \$5,080 and the equipment lease requires monthly payments of \$889. Additionally, the office lease requires variable payments for taxes, insurance, and common area maintenance. The operating lease right-of-use asset and operating lease liability are recorded at the present value of the lease payments.

The Organization had operating right-of-use assets obtained in exchange for operating lease liabilities of \$266,014 for the year ended June 30, 2023. The total lease cost for all leases for the year ended June 30, 2023, was \$65,518. Variable costs added to lease costs were \$28,387. In addition, prior period unrecorded deferred rent of \$17,810 is also included in lease cost for the year ended June 30, 2023.

The total lease cost for all leases was \$61,904 for the year ended June 30, 2022, as recorded under ASC 840.

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

H. OPERATING LEASES (Continued)

The following summarizes the line items in the balance sheet which includes amount for operating leases as of June 30, 2023:

Operating lease right-of-use assets	<u>\$ 207,875</u>
Current portion-operating lease liabilities	63,827
Long-term lease liabilities	<u>159,496</u>
Total Operating lease liabilities	<u>\$ 223,323</u>

As of June 30, 2023, the Organization's operating leases had weighted-average remained lease terms of 3.35 years and a weighted-average discount rate of 2.88%. The following table summarized future operating lease payments as of June 30, 2023:

<u>Year ending June 30,</u>	
2024	\$ 69,451
2025	69,866
2026	71,192
2027	<u>25,223</u>
	\$ 235,732
Less present value discount	<u>(12,409)</u>
Operating lease liability	<u>\$ 223,323</u>

Ready Readers
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022
(Continued)

I. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization receives revenue from contributions with and without donor restrictions and considers these, which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization maintains financial assets, consisting of cash and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted, as necessary.

The Organization's financial assets available within one year of the Statements of Financial Position date for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	\$1,218,749	\$ 925,590
Investments	352,042	328,707
Pledges receivable	156,310	25,644
Total financial assets	<u>1,727,101</u>	<u>1,279,941</u>
Less amounts not available to be used within one year:		
Board designated endowment	352,042	328,707
Donor restricted	155,000	162,986
	<u>507,042</u>	<u>491,693</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,220,059</u>	<u>\$788,248</u>

Although the Organization does not intend to spend from its board designated funds, these funds could be made available if the need arises for cash flow purposes.