

## Financial Statements

June 30, 2021 with summarized  
comparative totals for 2020

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To the Board of Directors  
Reading Partners

We have audited the accompanying financial statements of Reading Partners (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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.

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.

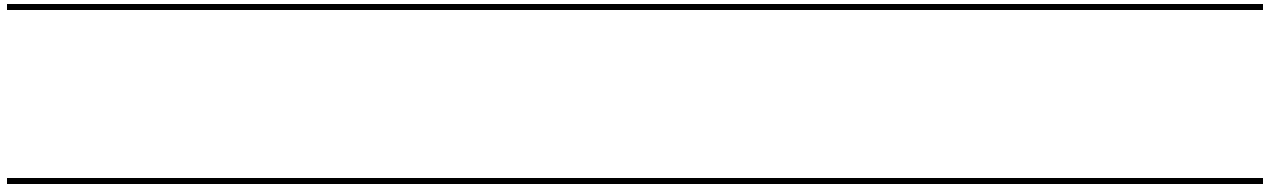
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading Partners 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.

*Report on Summarized Comparative Information*

We have previously audited the Reading Partners 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is



	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support				
Foundation grants	\$ 5,649,846	\$ 2,739,375	\$ 8,389,221	\$ 9,266,256
Government contracts and grants	7,374,776	30,875	7,405,651	6,446,891
Individual gifts	3,290,454	226,184	3,516,638	3,427,374
Corporate contributions	2,617,799	1,930,000	4,547,799	1,658,791
Special event income - net of costs of direct benefit to donors of \$85,874	502,643	-	502,643	265,856
Contributions in-kind	1,260,693	-	1,260,693	3,440,585
Total support	20,696,211	4,926,434	25,622,645	24,505,753
Revenue				
Tutoring service fees	2,928,083	-	2,928,083	3,752,367
Loan forgiveness income	3,070,000	-	3,070,000	-
Other income	320,249	-	320,249	356,742
Total revenue	6,318,332	-	6,318,332	4,109,109
Total support and revenue	27,014,543	4,926,434	31,940,977	28,614,862
Net assets released from restrictions	0	0	0	34,844

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Salaries and related expenses:

Salaries and wages	\$ 15,074,589	\$ 1,157,589	\$ 2,144,157	\$ 18,376,335	\$ 19,543,817
Employee benefits	2,089,758	269,604	353,559	2,712,921	2,893,657
Payroll taxes	1,150,165	87,920	157,716	1,395,801	1,447,266
Total salaries and related expenses	18,314,512	1,515,113	2,655,432	22,485,057	23,884,740
Occupancy	869,603	462,187	155,682	1,487,472	1,661,166
In-kind rent, services, and goods	1,331,193	-	-	1,331,193	3,509,075
Consultants and professional services	340,662	155,991	56,434	553,087	777,488
Membership, dues, and subscription	355,685	113,348	41,238	510,271	458,851
Books and supplies	443,668	30,114	20,493	494,275	524,909
Professional development	78,713	41,787	2,841	123,341	78,547
Travel	13,607	1,452	3,604	18,663	183,016
Other	737,223	123,850	110,992	972,065	1,240,311
Total expenses before depreciation	22,484,866	2,443,842	3,046,716	27,975,424	32,318,103
Depreciation	54,463	4,911	1,364	60,738	99,703
Total expenses by function	22,539,329	2,448,753	3,048,080	28,036,162	32,417,806
Less expenses netted against special event income on the statement of					

Change in net assets	\$ 3,990,689	\$ (3,694,030)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,738	99,703
Loan forgiveness	(3,070,000)	-
Changes in operating assets and liabilities		
Receivables	1,476,475	3,351,480
Prepaid expenses	(52,613)	(121,982)
Other assets	(47)	(2,315)
34 Total	(1,210,000)	(1,670,000)





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***One-on-One Reading Program (continued)***

In each school with which we partner, Reading Partners transforms a dedicated space into a reading center and recruits at least 50 volunteer tutors to serve 40 or more students. N

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***Cash and Cash Equivalents***

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

***Receivables***

***Accounts, Government Contracts and Grants***

The accounts, government contracts and grants receivable consist of amounts due from government agencies under various cost-reimbursement and fee for service agreements. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2021, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

***Pledges***



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*Revenue Recognition* (continued)

*Tutoring Service Fees* (continued)

Tutoring service fees revenue consists of contracts that the Organization enters into with various schools to operate a tutoring program for students.

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***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.

***Functional Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of the indirect salary expense allocation is based on estimated time spent by

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On August 18, 2016, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces



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Pledges receivable at June 30, 2021, consisted of the following:

Total pledges receivable	\$	4,549,699
Present value discount		<u>(1,283)</u>
		4,548,416
Less: current portion		<u>(4,179,699)</u>
Total pledges receivable - long-term - net	\$	<u><u>368,717</u></u>

Pledges receivable are expected to be collected as follows:

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The Organization has a \$4,000,000 line of credit with Union Bank of California that matures on January 30, 2022. The line of credit bears interest at the Wall Street Journal prime rate plus 0.5% per annum (3.75% at June 30, 2021). The line of credit agreement contains financial covenants that require, among other matters, that the Organization maintain a minimum current ratio and total net assets. At June 30, 2021, there was no outstanding balance on the line of credit. For the year ended June 30, 2021, interest expense amounted to \$6,375.

In May 2020, the Organization received loan proceeds in the amount of \$3,070,000 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce

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Annual maturities of the note payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 509,947
2023	515,070
2024	520,244
2025	<u>393,611</u>
	<u>\$ 1,938,872</u>

The Organization's net assets with donor restrictions as of June 30, 2021 consisted of the following:

Purpose restricted	\$ 4,974,745
Purpose and time restricted	<u>1,395,000</u>
Total net assets with donor restrictions	<u>\$ 6,369,745</u>
Time restriction accomplished	<u>\$ 5,822,367</u>
Total net assets released from restrictions	<u>\$ 5,822,367</u>

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

Time restriction accomplished	<u>\$ 5,822,367</u>
Total net assets released from restrictions	<u>\$ 5,822,367</u>

The fair value of donated books, services, supplies, and facilities are recorded as contributions. During the

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The Organization sponsors a defined contribution plan for eligible employees under Section 403(b) of the Internal Revenue Code (IRC)

