

THE READING LEAGUE, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Reading League, Inc.
Syracuse, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Reading League, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, where 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 The Reading League, Inc. as of December 31, 2020 and 2019, 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.

Grossman St. Amour CPA

Syracuse, New York
November 8, 2021

THE READING LEAGUE, INC.
Statements of Financial Position
December 31, 2020 and 2019

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	\$ 727,566	\$ 472,551
Accounts and memberships receivable	138,593	54,762
Prepaid expenses	125,519	46,838
Inventory	14,389	7,508
Funds held outside the organization	1,377,034	645,634
Total current assets	2,383,101	1,227,293
Leasehold improvements and equipment, net of accumulated depreciation	575,864	646,192
Total assets	\$ 2,958,965	\$ 1,873,485
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,416	\$ 1,942
Other accrued liabilities	24,875	52,676
Total current liabilities	39,291	54,618
Deferred revenue	1,634,913	787,259
Total liabilities	1,674,204	841,877
Net assets:		
Without donor restriction	1,284,651	1,031,608
With donor restrictions	110	-
Total net assets	1,284,761	1,031,608
Total liabilities and net assets	\$ 2,958,965	\$ 1,873,485

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

THE READING LEAGUE, INC.

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 173,209	\$ 110	\$ 173,319
Merchandise sales, net	29,100	-	29,100
Journal revenue	288,812	-	288,812
Grant income	760,889	-	760,889
Service fee revenue	364,239	-	364,239
Conference revenue	442,312	-	442,312
Forgiveness of Payroll Protection Loan funds	110,355	-	110,355
Total support and revenue	<u>2,168,916</u>	<u>110</u>	<u>2,169,026</u>
Expenses:			
Program services	1,635,712	-	1,635,712
Fundraising and Marketing	79,002	-	79,002
Management and general	201,159	-	201,159
Total expenses	<u>1,915,873</u>	<u>-</u>	<u>1,915,873</u>
Change in net assets	253,043	110	253,153
Net assets without donor restriction at beginning of year	<u>1,031,608</u>	<u>-</u>	<u>1,031,608</u>
Net assets without donor restriction at end of year	<u>\$ 1,284,651</u>	<u>\$ 110</u>	<u>\$ 1,284,761</u>

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

THE READING LEAGUE, INC.

Statement of Activities

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 28,043	\$ -	\$ 28,043
Merchandise sales, net	22,538	-	22,538
Grant income	2,212,664	-	2,212,664
Service fee revenue	234,807	-	234,807
Conference revenue	481,549	-	481,549
Total support and revenue	<u>2,979,601</u>	<u>-</u>	<u>2,979,601</u>
Expenses:			
Program services	1,768,611	-	1,768,611
Fundraising and Marketing	59,368	-	59,368
Management and general	172,856	-	172,856
Total expenses	<u>2,000,835</u>	<u>-</u>	<u>2,000,835</u>
Change in net assets	978,766	-	978,766
Net assets without donor restriction at beginning of year	<u>52,842</u>	<u>-</u>	<u>52,842</u>
Net assets without donor restriction at end of year	<u>\$ 1,031,608</u>	<u>\$ -</u>	<u>\$ 1,031,608</u>

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

THE READING LEAGUE, INC.
Statements of Functional Expenses

	<u>For the year ended December 31, 2020</u>				<u>For the year ended December 31, 2019</u>			
	<u>Program Services</u>	<u>Fundraising / Marketing</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Fundraising / Marketing</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 774,876	\$ 34,063	\$ 107,866	\$ 916,805	\$ 546,358	\$ 31,386	\$ 97,296	\$ 675,040
Benefits	164,444	7,229	22,891	194,564	90,311	5,188	16,083	111,582
Total salaries and benefits	939,320	41,292	130,757	1,111,369	636,669	36,574	113,379	786,622
Contractors	104,507	14,797	6,869	126,173	444,400	5,335	12,225	461,960
Repairs and maintenance	19,596	3,500	2,573	25,669	22,235	1,662	3,810	27,707
Advertising and marketing	177,401	9,365	27,293	214,059	66,194	4,949	11,342	82,485
Office expenses	21,431	1,123	3,273	25,827	20,646	1,544	3,538	25,728
Chapter expenses	5,808	-	-	5,808	4,892	-	-	4,892
Conferences, meetings and event expenses	105,710	-	-	105,710	332,747	909	2,084	335,740
Meeting expenses	8,384	181	527	9,092	-	-	-	-
Insurance	4,107	217	632	4,956	1,281	96	220	1,597
Journal expenses	92,755	-	-	92,755	24,422	-	-	24,422
Trade shows and travel	27,209	1,063	3,097	31,369	37,208	2,246	5,147	44,601
Miscellaneous	9,600	384	7,850	17,834	7,549	499	8,332	16,380
Dues and subscriptions	11,131	588	1,712	13,431	2,013	151	345	2,509
Program costs	5,778	1,056	733	7,567	115,645	1,463	3,403	120,511
Rent and occupancy	44,691	2,359	6,876	53,926	24,790	1,853	4,247	30,890
Total expenses before depreciation	1,577,428	75,925	192,192	1,845,545	1,740,691	57,281	168,072	1,966,044
Depreciation	58,284	3,077	8,967	70,328	27,920	2,087	4,784	34,791
Total expenses	\$ 1,635,712	\$ 79,002	\$ 201,159	\$ 1,915,873	\$ 1,768,611	\$ 59,368	\$ 172,856	\$ 2,000,835

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

THE READING LEAGUE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 253,153	\$ 978,766
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	70,328	34,791
Changes in operating assets and liabilities:		
Accounts and memberships receivable	(83,831)	(54,762)
Prepaid expenses	(78,681)	(42,409)
Inventory	(6,881)	(7,508)
Accounts payable and accrued liabilities	(15,327)	40,200
Deferred revenue	847,654	(1,186,923)
Net cash provided by (used in) operating activities	<u>986,415</u>	<u>(237,845)</u>
Cash flows (used in) from investing activities:		
Draws on funds held outside the organization	261,731	1,865,738
Other contributions to funds held outside the organization	(993,131)	(792,494)
Purchase of leasehold improvements and equipment	-	(680,983)
Net cash provided by (used in) investing activities	<u>(731,400)</u>	<u>392,261</u>
Net increase in cash and cash equivalents	255,015	154,416
Cash and cash equivalents at beginning of year	<u>472,551</u>	<u>318,135</u>
Cash and cash equivalents at end of year	<u><u>\$ 727,566</u></u>	<u><u>\$ 472,551</u></u>

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

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The Reading League, Inc. (the Organization) is a not-for-profit organization focused on advancing the awareness, understanding, and using evidence-aligned reading instruction to improve student literacy in the United States. The Organization intends to bridge the gap between the research performed to improve literacy in students and educators teaching reading in order to achieve maximum instructional impact. The Organization offers live events, an annual conference, a social media presence, a journal, multiple web-based services, a compilation of resources for professional learning, and an opportunity to partner with individual schools and districts in order to accomplish their mission.

The Organization has set up Chapters throughout the United States and provides guidance and other assistance to such Chapters in executing the Organization's purpose. Chapter Agreements entered into between each Chapter and the Organization provide for common purposes and policy direction. The Chapter Agreement also provides the Organization with a monetary interest in the Chapters after the first year for support, website development and use of materials. Each Chapter is a separate not-for-profit organization. There is no common control between the Chapters and the Organization and therefore these financial statements do not include the results of the independent chapters. As of December 31, 2020, the Organization had 7 active Chapters. There were no active Chapters as of December 31, 2019.

Basis of Accounting

The Organization follows the guidelines and accounting policies outlined in the AICPA Audit and Accounting Guide, "Not-for-Profit Organizations." The accompanying financial statements have been prepared on the accrual basis of accounting.

Classification of Net Assets

The net assets of the Organization have been classified as without donor restrictions or with donor restrictions on the basis of the existence and/or nature of any donor imposed restrictions. When the donor restriction expires, that is, when a 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions and net assets without donor restrictions. Net assets with donor restrictions were approximately \$110 at December 31, 2020 and are available for teacher educational services. There were no donor restricted assets as of December 31, 2019.

Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in a savings account and an agency fund as discussed further in Note 2.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Availability of Resources

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 727,566	\$ 472,551
Funds held outside the Organization	1,377,034	645,634
Accounts and memberships receivable	<u>138,593</u>	<u>54,762</u>
Total financial assets	2,243,193	1,172,947
Net assets with donor restrictions	<u>(110)</u>	<u>-</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 2,104,490</u>	<u>\$ 1,118,131</u>

Risks and Uncertainties

The Organization is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the Organization is located.

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The spread of this virus globally throughout 2020 and 2021 has caused business disruption domestically in the United States, the area in which the Organization primarily operates. Therefore, while the Organization expects this matter to have an impact on its financial condition, results of operations and cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Methods Used for Allocation of Expenses among Program and Supporting Services

The financial statements present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Certain categories of expenses that are attributable to one or more program or administrative services of the Organization are allocated based on estimates based on management's estimate of time spent on each program.

Cash and Cash Equivalents

The Organization considers all short-term investments purchased with a maturity of three months or less to be considered cash and cash equivalents. The Organization has cash balances in various financial institutions, which may, at times, exceed federally insured limits.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Organization considers receivables to be fully collectible based on management's review of individual accounts outstanding. If collection becomes doubtful, an allowance for doubtful accounts will be established when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. There was no bad debt expense recognized by the Organization for the years ended December 31, 2020 and 2019.

Revenue Recognition and Contributions

The Organization has adopted FASB ASU 2014-09, Revenue from Contracts with Customers. This ASU requires the recognition of revenue related to the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization's significant revenue streams are as follows:

Contributions and grants received are recorded as without donor restrictions or with donor restrictions support based on the nature of donor restriction. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as in an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a 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 statement of activities as net assets released from restrictions.

Conference and service fee revenue is recognized at the time the associated event occurs. Any payments of deposits or tickets sold prior to the events are recorded in deferred revenue in the accompanying statement of financial position at the end of the year.

Sale of merchandise primarily consists of sales of inventory throughout the year. Revenue is recognized at the time the sale is made. Sales of merchandise are recorded net of cost of sales of \$35,874 and \$30,408 for the year ended December 31, 2020 and 2019, respectively.

The Organization sells subscriptions for The Reading League Journal and each subscription provides access to three editions of the journal. As each edition is made available to the customer, one third of the subscription cost is recognized as revenue. The remaining amount of the subscription cost is recorded in deferred revenue. Journal advertising is paid in advance and recorded as deferred revenue until the journal is published, and the corresponding revenue is recognized.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue consists of amounts received in advance from grants and contributions for upcoming conferences and events, and is recognized during the period of the respective event. In addition, subscriptions received in advance are deferred and recognized over equally over the journal subscription period.

Inventory

Inventory consists of merchandise for sale, stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Leasehold Improvements and Equipment

It is the policy of the Organization to capitalize assets over \$2,500. Property and equipment are stated at cost and depreciated using the straight-line method. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the assets using the straight-line method. The useful lives of property and equipment range from five to ten years.

The Organization reviews its investment in property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by comparison of the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized in 2020 or 2019.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense was approximately \$214,100 and \$82,500 for the years ended December 31, 2020 and 2019, respectively.

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.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Donated Services and Supplies

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received donated services valued at \$560 for the year ended December 31, 2020. There were no donated services for the year ended December 31, 2019. The values of the donated services are included as contributions in the statements of activities and the corresponding program expenses for the year ended December 31, 2020.

The Organization also received donated services from a variety of unpaid volunteers throughout the year. No amounts have been reflected for the donated services by volunteers since an objective basis to measure the value of such services is not available.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private Organization within the meaning of Section 509(a) of the Code.

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2020, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

The Organization's tax returns are generally open for examination by federal and local taxing authorities for a period of three years from the date they are filed. It is the Organization's policy to recognize any interest and penalties as expenses in the year assessed.

2. Funds Held Outside the Organization

The Organization made a gift to the Central New York Community Foundation (the Foundation) to establish the Reading League Fund (the Fund). The Organization originally deposited advance funding received from a multi-year grant from the Pleasant Rowland Foundation (the Grant) of \$1,719,054 in the Fund during 2018. In addition, donors may contribute directly to the Fund for the benefit of the Organization. In accordance with the agreement, the Organization may request funds as deemed necessary. During 2020, Grant proceeds of \$993,131 were directed to the Fund by the Organization, and the Organization took distributions from the Fund of \$255,000 to cover program expenses allocated to the Grant. The agency fund held \$1,377,034 and \$645,634 at December 31, 2020 and 2019, respectively. The assets are recorded in the assets and liabilities of the Foundation and are reflected in the accompanying statement of financial position.

THE READING LEAGUE, INC.

Notes to the Financial Statements

3. Pension Plan

The Organization has a 403(b) retirement plan. The retirement plan is available to all employees upon employment with the Organization. The Organization matches the employee's contribution up to a maximum of 5% of the employee's gross salary, after the employee completes 6 months of service. Retirement plan expense amounted to approximately \$41,504 and 9,043 for the years ended December 31, 2020 and 2019, respectively.

4. Leasehold Improvements and Equipment

Property and equipment consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 479,148	\$ 479,148
Furniture and equipment	<u>201,835</u>	<u>201,835</u>
	680,983	680,983
Accumulated depreciation	<u>(105,119)</u>	<u>(34,791)</u>
	<u>\$ 575,864</u>	<u>\$ 646,192</u>

Depreciation expense was approximately \$70,300 and \$34,800 for the years ended December 31, 2020 and 2019, respectively.

5. Commitments

The Organization has entered into several operating leases as follows:

- Ten-year operating lease for office space with the Near West Side Initiative beginning June 1, 2019 through May 31, 2029 with initial rent for \$4,384 per month. The rental expense increases approximately 2% in years two through ten.
- Storage spaces are also rented from the Near West Side Initiative beginning in September 2019 for \$50 per month and increasing to \$100 per month in November 2020. The agreement is a month to month lease.
- A copier lease with a five-year term. Monthly payments are dependent on copier usage.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31 are:

2021	\$ 56,462
2022	57,558
2023	57,593
2024	57,629
2025	58,756
Thereafter	<u>209,571</u>
Total future minimum lease payments	<u>\$ 497,569</u>

THE READING LEAGUE, INC.

Notes to the Financial Statements

6. Economic Dependency and Concentration of Credit Risk

The Organization derived approximately 32% and 73% of its revenues from the Pleasant Rowland Foundation for the years ended December 31, 2020, and 2019, respectively. The loss of such funding would have a significant impact on the Organization.

7. Paycheck Protection Program Loan

On April 7, 2020, the Organization was granted \$110,355 from Chase Bank through the Small Business Association (SBA), pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the loan balance can be forgiven, in full or part, based on the use of the funds for qualifying expenses in accordance with the requirements of the CARES Act. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of principal and interest payments for up to one year from the date of first disbursement. The Organizations received notification from Chase Bank on March 22, 2021 that the SBA has approved its application for loan forgiveness in full. The balance forgiven of \$110,355 has been recognized as revenue within the statement of activities for the year ended December 31, 2020.

8. Subsequent Events

Management has evaluated subsequent events through November 8, 2021, which is the date the financial statements were available to be issued.

In February 2021, the Organization received relief funding through the U.S. Small Business Administration's Payroll Protection Program in the form of a second loan of approximately \$165,525 to lessen the financial burden of the crisis. This loan may be forgiven if used for qualifying expenses as described in the CARES Act and further clarified through legislation. Amounts not forgiven will mature five years from the date of the first disbursement. The rate of interest will be fixed at one percent per year. Interest payments are deferred for a period up to one year from the date of the first disbursement. Interest will accrue during the determined deferment period.