

THE READING LEAGUE, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022



grossman st. amour
CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Reading League, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Reading League, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Reading League, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 The Reading League, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 taken together, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 The Reading League, Inc.'s 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 The Reading League, Inc.'s 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.

Grossman St Amour CPAs

Syracuse, New York
July 15, 2024

THE READING LEAGUE, INC.
Statements of Financial Position

	December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,723,711	\$ 3,718,111
Accounts and subscriptions receivable	246,704	286,146
Prepaid expenses	224,659	140,112
Inventory	260,201	200,742
Funds held outside the organization	5,142	14,744
Total current assets	4,460,417	4,359,855
Digital asset, net of amortization	511,185	345,039
Certificates of deposit	2,074,104	1,002,581
Leasehold improvements and equipment, net of accumulated depreciation	1,022,948	512,587
Operating right-of-use assets	553,321	394,567
Total assets	\$ 8,621,975	\$ 6,614,629
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 121,376	\$ 40,745
Operating lease liabilities, current portion	92,394	64,709
Other accrued liabilities	73,476	75,692
Deferred revenue, current portion	984,598	450,548
Total current liabilities	1,271,844	631,694
Operating lease liabilities, net of current portion	448,929	338,768
Deferred revenue, net of current portion	1,741,682	2,734,394
Total liabilities	3,462,455	3,704,856
Net assets:		
Without donor restriction	5,154,020	2,908,598
With donor restriction	5,500	1,175
Total net assets	5,159,520	2,909,773
Total liabilities and net assets	\$ 8,621,975	\$ 6,614,629

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

THE READING LEAGUE, INC.

Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 1,128,684	\$ 5,100	\$ 1,133,784
Merchandise sales, net	779,013	-	779,013
Journal revenue	320,889	-	320,889
Grant revenue	2,188,978	-	2,188,978
Service fee revenue	2,050,000	-	2,050,000
Conference revenue	1,084,245	-	1,084,245
Miscellaneous revenue	176,679	-	176,679
Net asset released from restrictions	775	(775)	-
Total support and revenue	<u>7,729,263</u>	<u>4,325</u>	<u>7,733,588</u>
Expenses:			
Program services	4,710,804	-	4,710,804
Fundraising / development	152,076	-	152,076
Management and general	620,961	-	620,961
Total expenses	<u>5,483,841</u>	<u>-</u>	<u>5,483,841</u>
Change in net assets	2,245,422	4,325	2,249,747
Net assets at beginning of year	<u>2,908,598</u>	<u>1,175</u>	<u>2,909,773</u>
Net assets at end of year	<u>\$ 5,154,020</u>	<u>\$ 5,500</u>	<u>\$ 5,159,520</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 350,834	\$ 600	\$ 351,434
Merchandise sales, net	397,480	-	397,480
Journal revenue	365,876	-	365,876
Grant revenue	901,257	-	901,257
Service fee revenue	1,476,274	-	1,476,274
Conference revenue	645,640	-	645,640
Miscellaneous revenue	43,074	-	43,074
Net asset released from restrictions	150	(150)	-
Total support and revenue	<u>4,180,585</u>	<u>450</u>	<u>4,181,035</u>
Expenses:			
Program services	2,540,277	-	2,540,277
Fundraising / development	84,694	-	84,694
Management and general	477,469	-	477,469
Total expenses	<u>3,102,440</u>	<u>-</u>	<u>3,102,440</u>
Change in net assets	1,078,145	450	1,078,595
Net assets at beginning of year	<u>1,830,453</u>	<u>725</u>	<u>1,831,178</u>
Net assets at end of year	<u>\$ 2,908,598</u>	<u>\$ 1,175</u>	<u>\$ 2,909,773</u>

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

THE READING LEAGUE
Statements of Functional Expenses

	For the year ended December 31, 2023				For the year ended December 31, 2022			
	Program Services	Fundraising / Development	Management and General	Total	Program Services	Fundraising / Development	Management and General	Total
Salaries	\$ 1,266,919	\$ 84,141	\$ 334,092	\$ 1,685,152	\$ 1,002,979	\$ 47,044	\$ 314,021	\$ 1,364,044
Benefits	273,280	17,900	74,349	365,529	217,224	9,573	63,898	290,695
Total salaries and benefits	1,540,199	102,041	408,441	2,050,681	1,220,203	56,617	377,919	1,654,739
Contractors	1,327,324	6,591	40,484	1,374,399	428,250	3,428	18,458	450,136
Repairs and maintenance	64,716	2,173	18,317	85,206	42,503	4,423	26,777	73,703
Advertising and marketing	82,993	853	66,609	150,455	6,765	283	1,890	8,938
Office expenses	117,578	12,502	5,702	135,782	24,004	2,421	5,995	32,420
Chapter expenses	-	-	-	-	6,592	-	-	6,592
Conferences, meetings and event expenses	669,978	-	-	669,978	272,605	-	-	272,605
Meeting expenses	50,851	3,701	13,131	67,683	7,169	658	1,053	8,880
Insurance	6,039	361	1,434	7,834	4,204	176	1,174	5,554
Journal expenses	120,293	-	-	120,293	121,530	-	-	121,530
Trade shows and travel	125,478	2,099	5,438	133,015	64,251	1,106	7,385	72,742
Miscellaneous	38,870	1,481	2,778	43,129	11,619	486	4,119	16,224
Dues and subscriptions	1,875	12,610	28,196	42,681	2,188	10,266	455	12,909
Program costs	54,757	648	2,573	57,978	15,725	290	1,935	17,950
Rent and occupancy	51,566	2,240	8,895	62,701	56,762	2,074	13,847	72,683
Total expenses before depreciation and amortization	4,252,517	147,300	601,998	5,001,815	2,284,370	82,228	461,007	2,827,605
	378,420	-	-	378,420	196,988	-	-	196,988
Amortization	79,867	4,776	18,963	103,606	58,919	2,466	16,462	77,847
Depreciation								
Total expenses	\$ 4,710,804	\$ 152,076	\$ 620,961	\$ 5,483,841	\$ 2,540,277	\$ 84,694	\$ 477,469	\$ 3,102,440

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

THE READING LEAGUE, INC.

Statements of Cash Flows

	Years ended December 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,249,747	\$ 1,078,595
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	103,606	77,847
Gain on the sale of assets	(3,233)	-
Amortization	378,420	196,988
Changes in operating assets and liabilities:		
Accounts and subscriptions receivable	39,442	(96,826)
Prepaid expenses	(84,547)	26,845
Inventory	(59,459)	(155,345)
Accounts payable and accrued liabilities	78,415	14,745
Deferred revenue	(458,662)	309,356
Operating right-of-use assets	57,715	66,776
Operating lease liabilities	(78,620)	(57,866)
Net cash provided by operating activities	<u>2,222,824</u>	<u>1,461,115</u>
Cash flows from investing activities:		
Draws on funds held outside the organization	960,413	1,165,000
Contributions to funds held outside the organization	(950,811)	(1,087,381)
Purchase of leasehold improvements and equipment	(613,970)	(34,882)
Purchase of digital assets	(544,566)	(444,426)
Proceeds from the sale of assets	3,233	-
Purchase of certificates of deposits	(1,071,523)	(1,002,581)
Net cash used in investing activities	<u>(2,217,224)</u>	<u>(1,404,270)</u>
Net increase in cash and cash equivalents	5,600	56,845
Cash and cash equivalents at beginning of year	<u>\$ 3,718,111</u>	<u>\$ 3,661,266</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,723,711</u></u>	<u><u>\$ 3,718,111</u></u>
Supplemental disclosure of non-cash information:		
Initial recognition of operating right-of-use assets	<u>\$ 508,045</u>	<u>\$ 461,343</u>
Initial recognition of operating lease liability	<u>\$ 508,045</u>	<u>\$ 461,343</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 and beyond. 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 educational events, conferences, a social media presence, a peer-reviewed journal, multiple web-based services, a television show, a compilation of resources for professional learning, and an opportunity to partner with individual school districts in order to accomplish their mission.

The Organization has Chapters and licensing agreements with Chapter Organizations ("Chapters") throughout the United States. These chapters are separate nonprofit entities unrelated to the Organization. The Chapters pay the Organization an annual affiliation fee which provides access to Organization branded materials and processes as well as assistance in developing Chapter activities and events. The Chapter fees range from ten to twenty percent of Chapter revenue based on the number of years the Chapter has been in the affiliation agreement. Affiliation fees are recorded in miscellaneous income on the accompanying statement of activities and is recognized equally throughout the affiliation agreement period. Affiliation fee revenue amounted to approximately \$35,700 and \$4,100 for the years ended December 31, 2023 and 2022, respectively. The Organization had 29 and 24 active Chapters as of December 31, 2023 and 2022, respectively.

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, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

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 \$5,500 and \$1,175 at December 31, 2023 and 2022, respectively, and represent amounts for scholarships.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Liquidity

As part of the Organization's liquidity management, it has a policy of structuring 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 or money market account and an agency fund, as discussed further in Note 2.

Availability of Resources

The following represents the Organization's financial assets at December 31 available to meet cash needs for general expenditure within one year:

	2023	2022
Cash and cash equivalents	\$ 3,723,711	\$ 3,718,111
Certificates of deposit	2,074,104	1,002,581
Funds held outside the Organization	5,142	14,744
Accounts and subscriptions receivable	246,704	286,146
Inventory	260,201	200,742
Total financial assets	6,309,862	5,222,324
Net assets with donor restrictions	(5,500)	(1,175)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,304,362</u>	<u>\$ 5,221,149</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.

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.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

The Organization adopted the Financial Accounting Standard Board's Accounting Standards Update (FASB ASU) 2016-13 *Financial Instruments – Credit Losses* (Topic 326) for the year ended December 31, 2023. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of the new standard did not have a material impact on the Organization's financial statements.

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.

Accounts and Subscriptions 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. The Organization recognized no bad debt expense for the years ended December 31, 2023 and 2022.

Revenue Recognition and Contributions

The Organization follows ASC 606, Revenue from Contracts with Customers, which 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 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 statements of financial position.

THE READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Contributions (continued)

The 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 \$770,269 and \$452,607 for the years ended December 31, 2023, and 2022, respectively.

The Organization sells subscriptions to The Reading League Journal and each subscription provides access to three editions of the journal, in addition to online access. As each edition is published, 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 in the accompanying statements of financial position until the journal is published and the corresponding revenue is recognized.

The following table presents the opening and closing account balances for accounts and subscriptions receivable and deferred income:

	2023	2022
Accounts and subscriptions receivable as of January 1:	\$ 286,146	\$ 189,320
Accounts and subscriptions receivable as of December 31:	\$ 246,704	\$ 286,146
Deferred revenue as of January 1:	\$ 3,184,942	\$ 2,875,586
Deferred revenue as of December 31:	\$ 2,726,280	\$ 3,184,942

Deferred Revenue

Deferred revenue consists of amounts received in advance from grants and contributions, sponsorship and advertising for upcoming conferences and events, and for upcoming professional development, 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 READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Leasehold Improvements and Equipment (continued)

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 2023 or 2022.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense were approximately \$150,500 and \$8,900 for the years ended December 31, 2023 and 2022, 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.

Donated Services and Supplies

The Organization follows FASB ASU 2020-07 Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-For-Profit Entities for Contribution Nonfinancial Assets. 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 no donated services for the year ended December 31, 2023 and 2022.

The Organization 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, 2023, 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 READING LEAGUE, INC.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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. Certificates of Deposit

The Organization holds various certificates of Deposit with various maturities ranging from 3% to 4.65% with a total value of approximately \$2,074,100 and \$1,002,600, as of December 31, 2023 and 2022, respectively.

3. 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 2023, Grant proceeds of \$950,811 were directed to the Fund by the Organization, and the Organization took distributions from the Fund of \$960,413 to cover program expenses allocated to the Grant and transferred excess funds to a money market account for future investment and use in 2023. The agency fund held \$5,142 and \$14,744 at December 31, 2023 and 2022, respectively. The assets are recorded in the assets and liabilities of the Foundation and are reflected in the accompanying statements of financial position.

4. 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 was approximately \$70,000 and \$47,000 for the years ended December 31, 2023 and 2022, respectively, and is included within benefits on the statements of functional expenses.

THE READING LEAGUE, INC.

Notes to the Financial Statements

5. Leasehold Improvements and Equipment

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

	2023	2022
Building improvements	\$ 869,157	\$ 479,148
Furniture and Equipment	511,640	287,682
	\$ 1,380,797	\$ 766,830
Accumulated Depreciation	(357,849)	(254,243)
	<u>\$ 1,022,948</u>	<u>\$ 512,587</u>

Depreciation expense was approximately \$103,600 and \$77,900 for the years ended December 31, 2023 and 2022, respectively.

6. Digital Assets

The Organization accounts for expenditures incurred to develop and produce a television series and digital content according to FASB ASU 2019-02. Total costs of approximately \$544,600 were incurred in association with developing and producing season three of the digital television show, The Reading League's Reading Buddies™ (the show), and costs of \$590,900 were incurred in developing and producing the first two seasons and have been previously capitalized within digital assets on the statements of financial position at December 31, 2023 and 2022, respectively. Amortization is calculated on a straight-line basis over the show's estimated useful life of 3 years. Amortization expense was approximately \$378,400 and \$197,000 for the year ended December 31, 2023 and 2022, respectively.

7. Leases

The Organization follows ASU No. 2016-02, *Leases* (Topic 842), which increases transparency and comparability among organizations by requiring the recognition of assets and liabilities on the statements of financial position for the rights and obligations created by long-term leases. This ASU also requires additional qualitative and quantitative disclosures about leasing arrangements, and provides clarifications surrounding the presentation of the effects of leases in the statements of activities and cash flows. Most prominent among the standard is the recognition of the right-of-use (ROU) assets and liabilities by the lessee for those leases classified as operating leases under current U.S. GAAP.

The Organization has entered into several operating leases as follows:

- Ten-year operating lease for office space with the Near Westside Initiative beginning June 1, 2019, through May 31, 2029, with an initial rent of \$4,384 per month. The rental expense increases approximately 2% in years two through ten. In September 2023, the lease was amended to include an additional 4,600 square feet per month, with an initial rent of \$7,653 per month. The rental expense increases approximately 2% each year.

THE READING LEAGUE, INC.

Notes to the Financial Statements

7. Leases (continued)

- Storage space is also rented from the Near Westside Initiative for \$100 per month. The agreement is a month-to-month lease.
- Distribution room space is leased from Near Westside Initiative beginning September 2021 for \$600 per month, increasing to \$1,200 per month in January 2023. The lease remains in effect until either party gives notice to terminate.
- Copier leases with a five-year term. Monthly payments are dependent on copier usage.

Lease expense of \$62,701 and \$72,683 was recognized for the years ending December 31, 2023 and 2022, respectively, within rent and occupancy expense on the statements of functional expenses.

For accounting purposes, the Organization’s leases commence on the earlier of (i) the date upon which the Organization obtains control for the underlying asset and (ii) the contractual effective date of the lease. At lease commencement, the Organization recognizes a lease liability measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any lease credits or incentives. The Organization has elected and applied the practical expedients available to lessees, and remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or if there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

The Organization determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is not readily determinable, the Organization utilized the risk-free interest rate at lease adoption.

The weighted average discount rate for the Organization’s operating leases is approximately 4.33% and 1.74% for the years ended December 31, 2023 and 2022, respectively. The weighted average remaining lease term is approximately 64 and 73 months for the years ended December 31, 2023 and 2022, respectively.

The following provides financial information about the Organization's operating right-of-use assets and lease liabilities as of December 31:

	2023	2022
Right-of-use assets	\$ 553,321	\$ 394,567
Operating Lease Liabilities:		
Current portion	92,394	64,709
Non-Current portion	448,929	338,768
	\$ 541,323	\$ 403,477

THE READING LEAGUE, INC.

Notes to the Financial Statements

7. Leases (continued)

Future minimum lease payments on operating lease obligations are as follows for the years ending December 31:

	2024	\$	127,240
	2025		115,558
	2026		103,026
	2027		113,244
	2028		104,431
	Thereafter		<u>67,526</u>
			631,025
Less: adjustment for present value			<u>(89,702)</u>
Present value of operating lease liability			541,323
Current portion of operating lease liability			<u>(92,394)</u>
Non-current portion of operating lease liability		\$	<u>448,929</u>

8. Economic Dependency and Concentration of Credit Risk

The Organization is a recipient of a grant from the Pleasant Rowland Foundation (the Foundations) for a total of \$7,243,000 that was received from 2018 through 2023. The Organization derived approximately 21.5% and 14% of its revenues from the Pleasant Rowland Foundation for the years ended December 31, 2023 and 2022, respectively. The Organization has advances of approximately \$1,829,700 and \$2,540,900 at December 31, 2023 and 2022, respectively, from the Foundations for various grants included within deferred revenue on the statements of financial position, to be used for future operations.

9. Subsequent Events

Management has evaluated subsequent events through July 15, 2024, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.