

**THE READING LEAGUE, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2024 and 2023**



## 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, 2024 and 2023, 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, 2024 and 2023, 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 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 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  
June 18, 2025

**THE READING LEAGUE, INC.**  
**Statements of Financial Position**

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,095,530	\$ 3,723,711
Accounts and memberships receivable	545,691	246,704
Prepaid expenses	229,677	224,659
Inventory	485,550	260,201
Certificates of deposit	5,866,397	2,074,104
Funds held outside the organization	-	5,142
<b>Total current assets</b>	<b>10,222,845</b>	<b>6,534,521</b>
Digital asset, net of amortization	181,521	511,185
Leasehold improvements and equipment, net of accumulated depreciation	897,618	1,022,948
Operating right-of-use assets	544,416	553,321
<b>Total assets</b>	<b>\$ 11,846,400</b>	<b>\$ 8,621,975</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 330,854	\$ 121,376
Operating lease liabilities, current portion	104,231	92,394
Other accrued liabilities	450,811	73,476
Deferred revenue, current portion	2,495,412	984,598
<b>Total current liabilities</b>	<b>3,381,308</b>	<b>1,271,844</b>
Operating lease liabilities, net of current portion	457,223	448,929
Deferred revenue, net of current portion	2,391,690	1,741,682
<b>Total liabilities</b>	<b>6,230,221</b>	<b>3,462,455</b>
<b>Net assets:</b>		
Without donor restriction	5,607,147	5,154,020
With donor restriction	9,032	5,500
<b>Total net assets</b>	<b>5,616,179</b>	<b>5,159,520</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,846,400</b>	<b>\$ 8,621,975</b>

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

THE READING LEAGUE, INC.

Statement of Activities

For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions, including nonfinancial contributions of \$2,160	\$ 328,565	\$ 3,532	\$ 332,097
Merchandise sales, net of cost of goods sold of \$992,875	847,469	-	847,469
Journal revenue	280,095	-	280,095
Grant revenue	1,927,866	-	1,927,866
Service fee revenue	2,287,662	-	2,287,662
Conference revenue	2,196,857	-	2,196,857
Miscellaneous revenue	334,081	-	334,081
Total support and revenue	8,202,595	3,532	8,206,127
<b>Expenses:</b>			
Program services, including nonfinancial contributions of \$2,160	6,362,700	-	6,362,700
Fundraising/development	217,186	-	217,186
Management and general	1,169,582	-	1,169,582
Total expenses	7,749,468	-	7,749,468
<b>Change in net assets</b>	453,127	3,532	456,659
Net assets at beginning of year	5,154,020	5,500	5,159,520
<b>Net assets at end of year</b>	\$ 5,607,147	\$ 9,032	\$ 5,616,179

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
<b>Support and revenue:</b>			
Contributions	\$ 1,128,684	\$ 5,100	\$ 1,133,784
Merchandise sales, net of cost of goods sold of \$770,269	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>
<b>Expenses:</b>			
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>
<b>Change in net assets</b>	<b>2,245,422</b>	<b>4,325</b>	<b>2,249,747</b>
Net assets at beginning of year	<u>2,908,598</u>	<u>1,175</u>	<u>2,909,773</u>
<b>Net assets at end of year</b>	<u><u>\$ 5,154,020</u></u>	<u><u>\$ 5,500</u></u>	<u><u>\$ 5,159,520</u></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, 2024				For the year ended December 31, 2023			
	Program Services	Fundraising / Development	Management and General	Total	Program Services	Fundraising / Development	Management and General	Total
Salaries	\$ 1,814,420	\$ 103,353	\$ 651,835	\$ 2,569,608	\$ 1,266,919	\$ 84,141	\$ 334,092	\$ 1,685,152
Benefits	359,528	20,480	129,162	509,170	273,280	17,900	74,349	365,529
Total salaries and benefits	2,173,948	123,833	780,997	3,078,778	1,540,199	102,041	408,441	2,050,681
Contractors	1,219,324	40,385	113,893	1,373,602	1,327,324	6,591	40,484	1,374,399
Repairs and maintenance	76,939	2,410	22,186	101,535	64,716	2,173	18,317	85,206
Advertising and marketing	365,682	4,174	20,717	390,573	82,993	853	66,609	150,455
Office expenses	129,401	4,665	8,947	143,013	117,578	12,502	5,702	135,782
Chapter expenses	2,034	-	-	2,034	-	-	-	-
Conferences, meetings and event expenses	1,150,865	-	-	1,150,865	669,978	-	-	669,978
Meeting expenses	157,005	9,925	61,731	228,661	50,851	3,701	13,131	67,683
Insurance	9,843	561	3,535	13,939	6,039	361	1,434	7,834
Journal expenses	79,440	-	-	79,440	120,293	-	-	120,293
Trade shows and travel	349,245	2,543	12,742	364,530	125,478	2,099	5,438	133,015
Miscellaneous	61,279	1,586	5,331	68,196	38,870	1,481	2,778	43,129
Dues and subscriptions	12,620	15,906	68,876	97,402	1,875	12,610	28,196	42,681
Program costs	38,802	352	2,222	41,376	54,757	648	2,573	57,978
Rent and occupancy	105,007	5,059	31,904	141,970	51,566	2,240	8,895	62,701
Total expenses before depreciation and amortization	5,931,434	211,399	1,133,081	7,275,914	4,252,517	147,300	601,998	5,001,815
Amortization	329,664	-	-	329,664	378,420	-	-	378,420
Depreciation	101,602	5,787	36,501	143,890	79,867	4,776	18,963	103,606
Total expenses	<u>\$ 6,362,700</u>	<u>\$ 217,186</u>	<u>\$ 1,169,582</u>	<u>\$ 7,749,468</u>	<u>\$ 4,710,804</u>	<u>\$ 152,076</u>	<u>\$ 620,961</u>	<u>\$ 5,483,841</u>

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

**THE READING LEAGUE, INC.**

**Statements of Cash Flows**

	<b>Years ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 456,659	\$ 2,249,747
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	143,890	103,606
Gain on the sale of assets	(460)	(3,233)
Amortization	329,664	378,420
Changes in operating assets and liabilities:		
Accounts and memberships receivable	(298,987)	39,442
Prepaid expenses	(5,018)	(84,547)
Inventory	(225,349)	(59,459)
Accounts payable and accrued liabilities	586,813	78,415
Deferred revenue	2,160,822	(458,662)
Operating right-of-use assets	75,210	57,715
Operating lease liabilities	(46,174)	(78,620)
Net cash provided by operating activities	<u>3,177,070</u>	<u>2,222,824</u>
<b>Cash flows from investing activities:</b>		
Draws on funds held outside the organization	810,542	960,413
Contributions to funds held outside the organization	(805,400)	(950,811)
Purchase of leasehold improvements and equipment	(18,560)	(613,970)
Purchase of digital assets	-	(544,566)
Proceeds from the sale of assets	460	3,233
Purchase of certificates of deposits	(3,792,293)	(1,071,523)
Net cash used in investing activities	<u>(3,805,251)</u>	<u>(2,217,224)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(628,181)</b>	<b>5,600</b>
Cash and cash equivalents at beginning of year	\$ <u>3,723,711</u>	\$ <u>3,718,111</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>3,095,530</u></b>	<b>\$ <u>3,723,711</u></b>
<b>Supplemental disclosure of non-cash information:</b>		
Initial recognition of operating right-of-use assets	\$ <u>136,396</u>	\$ <u>508,045</u>
Initial recognition of operating lease liability	\$ <u>136,396</u>	\$ <u>508,045</u>

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



## THE READING LEAGUE, INC.

### Notes to the Financial Statements

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#### 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 use of 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 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 opportunities 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 statements of activities and are recognized equally throughout the affiliation agreement period. The Organization had 34 and 29 active Chapters as of December 31, 2024 and 2023, 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 statements 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 \$9,000 and \$5,500 at December 31, 2024 and 2023, respectively, representing scholarships.

# THE READING LEAGUE, INC.

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Liquidity and Availability of Resources

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, money markets or certificates of deposit accounts and an agency fund, as discussed further in Note 2.

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

	2024	2023
Cash and cash equivalents	\$ 3,095,530	\$ 3,723,711
Certificates of deposit	5,866,397	2,074,104
Funds held outside the Organization	-	5,142
Accounts and subscriptions receivable	545,691	246,704
Inventory	485,550	260,201
Total financial assets	9,993,168	6,309,862
Net assets with donor restrictions	(9,032)	(5,500)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,984,136</u>	<u>\$ 6,304,362</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 management's estimate of time spent on each program.

## THE READING LEAGUE, INC.

### Notes to the Financial Statements

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#### 1. Summary of Significant Accounting Policies (continued)

##### **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 follows FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which 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.

The Organization considers receivables to be fully collectible based on management's review of individual accounts outstanding. If collection becomes doubtful, an allowance for credit losses 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 credit loss for the years ended December 31, 2024 and 2023.

##### **Revenue Recognition and Contributions**

The Organization follows ASC 606, Revenue from Contracts with Customers, except for contributions and grants which follow ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, 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 the donor restricts 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 the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the 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 before the events are recorded in deferred revenue in the accompanying statements of financial position.

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 \$992,875 and \$770,269 for the years ended December 31, 2024, and 2023, respectively.

# THE READING LEAGUE, INC.

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition and Contributions (continued)

The Organization sells subscriptions to The Reading League Journal; each subscription provides access to three journal editions, in addition to online access. As each edition is published, one-third of the subscription cost is recognized as revenue. The remaining 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.

#### 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 or when deliverable stipulations are satisfied. In addition, subscriptions received in advance are deferred and recognized equally over the journal subscription period.

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

	2024	2023
Accounts and subscriptions receivable as of January 1:	\$ 246,704	\$ 286,146
Accounts and subscriptions receivable as of December 31:	\$ 545,691	\$ 246,704
Deferred revenue as of January 1:	\$ 2,726,280	\$ 3,184,942
Deferred revenue as of December 31:	\$ 4,887,102	\$ 2,726,280

#### Contributed Non-Financial Assets

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 values of donated services are included in the statements of activities and in contractors program expense on the statements of functional expenses. The Organization received approximately \$2,200 in donated services for the year ended December 31, 2024. There were no donated services for the year ended December 31, 2023.

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.

## THE READING LEAGUE, INC.

### Notes to the Financial Statements

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#### 1. Summary of Significant Accounting Policies (continued)

##### **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 2024 or 2023.

##### **Advertising**

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense were approximately \$390,600 and \$150,500 for the years ended December 31, 2024 and 2023, 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.

##### **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, 2024, 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

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### 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 and interest ranging from 4.4% to 6% with a value of approximately \$5,866,400 and \$2,074,100, as of December 31, 2024 and 2023, 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 approximately \$1,719,100 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 2024, Grant proceeds of approximately \$805,000 were directed to the Fund by the Organization, and the Organization took distributions from the Fund of approximately \$810,500 to cover program expenses allocated to the Grant and transferred excess funds to a money market account for future investment and use in 2024. During 2024, the account was closed, and the remaining balance was transferred to the Organization's checking account. The agency fund held no assets as of December 31, 2024. The agency fund held \$5,142 as of December 31, 2023. 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 \$98,700 and \$70,000 for the years ended December 31, 2024 and 2023, 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:

	2024	2023
Building improvements	\$ 880,899	\$ 869,157
Furniture and equipment	518,458	511,640
	\$ 1,399,357	\$ 1,380,797
Accumulated depreciation	(501,739)	(357,849)
	\$ 897,618	\$ 1,022,948

Depreciation expense was approximately \$143,900 and \$103,600 for the years ended December 31, 2024 and 2023, 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 \$1,135,400 were incurred in association with developing and producing the digital television show, The Reading League's Reading Buddies™ (the show), and have been capitalized within digital assets on the statements of financial position. Amortization is calculated on a straight-line basis over the show's estimated useful life of 3 years. Amortization expense was approximately \$329,700 and \$378,400 for the year ended December 31, 2024 and 2023, 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. In April 2025, the rent was increased to \$2,400 per month. The Organization signed a one-year lease, and the lease remains in effect until either party decides to terminate.
- Various copier leases with a five-year term. Monthly payments are dependent on copier usage.

Lease expense of approximately \$142,000 and \$62,700 was recognized for the years ending December 31, 2024, and 2023, 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 4.45% and 4.33% for the years ended December 31, 2024 and 2023, respectively. The weighted average remaining lease term is approximately 56 and 64 months for the years ended December 31, 2024 and 2023, respectively.

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

	2024	2023
Right-of-use assets	\$ 544,416	\$ 553,321
Operating lease liabilities:		
Current portion	104,231	92,394
Non-current portion	457,223	448,929
	<u>\$ 561,454</u>	<u>\$ 541,323</u>



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:

	2025	\$	126,358
	2026		131,826
	2027		133,764
	2028		133,231
	2029		96,327
			<u>621,506</u>
Less: adjustment for present value			<u>(60,052)</u>
Present value of operating lease liabilities			561,454
Current portion of operating lease liabilities			<u>(104,231)</u>
Non-current portion of operating lease liabilities		\$	<u>457,223</u>

8. Economic Dependency and Concentration of Credit Risk

The Organization is a recipient of grants from the Pleasant Rowland Foundation (the Foundation) for a total of \$8,045,400 that was received from 2018 through 2024. The Organization derived approximately 12% and 22% of its revenues from the Pleasant Rowland Foundation for the years ended December 31, 2024 and 2023, respectively. The Organization has advances of approximately \$1,889,500 and \$1,829,700 at December 31, 2024 and 2023, respectively, from the Foundation 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 June 18, 2025, 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.