

READ WORKS

Audited Financial Statements

August 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ReadWorks, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of ReadWorks, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2021 and 2020, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReadWorks, Inc. as of August 31, 2021 and 2020, 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.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

May 12, 2022

READWORKS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>8/31/21</u>	<u>8/31/20</u>
Assets		
Cash and cash equivalents	\$1,014,230	\$816,933
Investments (Note 3)	235,773	232,158
Pledges receivable (Note 4)	544,866	312,626
Prepaid expenses	0	60
Fixed assets, net (Note 5)	<u>8,872</u>	<u>9,969</u>
Total assets	<u><u>\$1,803,741</u></u>	<u><u>\$1,371,746</u></u>
Liabilities:		
Accounts payable and accrued expenses	\$42,867	\$31,981
Deferred revenue	0	25,000
Paycheck Protection Program loan (Note 6)	<u>0</u>	<u>161,610</u>
Total liabilities	<u><u>42,867</u></u>	<u><u>218,591</u></u>
Net assets:		
Without donor restrictions (Note 7)		
Operations	1,060,101	675,997
Board designated	<u>235,773</u>	<u>232,158</u>
Total without donor restrictions	1,295,874	908,155
With donor restrictions (Note 8)	<u>465,000</u>	<u>245,000</u>
Total net assets	<u><u>1,760,874</u></u>	<u><u>1,153,155</u></u>
Total liabilities and net assets	<u><u>\$1,803,741</u></u>	<u><u>\$1,371,746</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	Without Donor Restrictions			With Donor Restrictions	Total 8/31/21	Total 8/31/20
	Operations	Board Designated	Total			
Public support and revenue:						
Contributions	\$2,164,615		\$2,164,615	\$365,000	\$2,529,615	\$2,537,597
Paycheck Protection Program grant (Note 6)	161,610		161,610		161,610	0
Contract services	217,048		217,048		217,048	38,700
Licensing income	110,118		110,118		110,118	24,750
Net investment income (Note 3)	1,468	\$3,615	5,083		5,083	12,353
Miscellaneous income	306		306		306	1,000
Net assets released from restrictions	145,000		145,000	(145,000)	0	0
Total public support and revenue	<u>2,800,165</u>	<u>3,615</u>	<u>2,803,780</u>	<u>220,000</u>	<u>3,023,780</u>	<u>2,614,400</u>
Expenses:						
Program services:						
Curriculum	460,855		460,855		460,855	355,224
Teacher training	311,002		311,002		311,002	280,451
Online delivery, assessment and evaluation	976,833		976,833		976,833	971,810
Client development	286,727		286,727		286,727	307,058
Total program services	<u>2,035,417</u>	<u>0</u>	<u>2,035,417</u>	<u>0</u>	<u>2,035,417</u>	<u>1,914,543</u>
Supporting services:						
Management and general	138,272		138,272		138,272	166,602
Fundraising	242,372		242,372		242,372	167,748
Total supporting services	<u>380,644</u>	<u>0</u>	<u>380,644</u>	<u>0</u>	<u>380,644</u>	<u>334,350</u>
Total expenses	<u>2,416,061</u>	<u>0</u>	<u>2,416,061</u>	<u>0</u>	<u>2,416,061</u>	<u>2,248,893</u>
Change in net assets	384,104	3,615	387,719	220,000	607,719	365,507
Net assets - beginning of year	675,997	232,158	908,155	245,000	1,153,155	787,648
Net assets - end of year	<u>\$1,060,101</u>	<u>\$235,773</u>	<u>\$1,295,874</u>	<u>\$465,000</u>	<u>\$1,760,874</u>	<u>\$1,153,155</u>

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	Board Designated	Total		
Public support and revenue:					
Contributions	\$2,292,597		\$2,292,597	\$245,000	\$2,537,597
Contract Services	38,700		38,700		38,700
Licensing income	24,750		24,750		24,750
Net investment income (Note 3)	1,619	\$10,734	12,353		12,353
Miscellaneous income	1,000		1,000		1,000
Net assets released from restrictions	592,321		592,321	(592,321)	0
Total public support and revenue	2,950,987	10,734	2,961,721	(347,321)	2,614,400
Expenses:					
Program services:					
Curriculum	355,224		355,224		355,224
Teacher training	280,451		280,451		280,451
Online delivery, assessment and evaluation	971,810		971,810		971,810
Client development	307,058		307,058		307,058
Total program services	1,914,543	0	1,914,543	0	1,914,543
Supporting services:					
Management and general	166,602		166,602		166,602
Fundraising	167,748		167,748		167,748
Total supporting services	334,350	0	334,350	0	334,350
Total expenses	2,248,893	0	2,248,893	0	2,248,893
Change in net assets	702,094	10,734	712,828	(347,321)	365,507
Net assets - beginning of year	(26,097)	221,424	195,327	592,321	787,648
Net assets - end of year	\$675,997	\$232,158	\$908,155	\$245,000	\$1,153,155

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	Program Services				Supporting Services			Total Expenses 8/31/21	Total Expenses 8/31/20	
	Curriculum	Teacher Training	Online Delivery, Assessment & Evaluation	Client Development	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$324,399	\$269,618	\$711,318	\$180,696	\$1,486,031	\$60,750	\$34,311	\$95,061	\$1,581,092	\$1,431,016
Payroll taxes and benefits	47,030	39,087	103,122	26,196	215,435	8,807	4,974	13,781	229,216	190,866
Total personnel expenses	371,429	308,705	814,440	206,892	1,701,466	69,557	39,285	108,842	1,810,308	1,621,882
Professional fees and services	29,845		151,896	73,031	254,772	48,917	201,249	250,166	504,938	452,649
Occupancy					0			0	0	66,786
Curriculum materials	14,460				14,460			0	14,460	2,265
Insurance	1,387	1,123	2,972	727	6,209	132	264	396	6,605	19,300
Membership fees	42,081				42,081			0	42,081	36,455
Miscellaneous	286	51	135	99	571	5,831	701	6,532	7,103	11,935
Communications and IT	360	292	773	189	1,614	34	69	103	1,717	2,902
Printing	247	201	531	130	1,109	24	47	71	1,180	3,851
Office supplies and equipment	8	8	2,020	5	2,041	1,134	596	1,730	3,771	3,686
Conferences			2,424	4,829	7,253		82	82	7,335	6,329
Postage and shipping				59	59	1,194		1,194	1,253	865
Travel				349	349	334		334	683	7,897
Bank charges					0	10,975		10,975	10,975	9,551
Total expenses before depreciation	460,103	310,380	975,191	286,310	2,031,984	138,132	242,293	380,425	2,412,409	2,246,353
Depreciation	752	622	1,642	417	3,433	140	79	219	3,652	2,540
Total expenses	<u>\$460,855</u>	<u>\$311,002</u>	<u>\$976,833</u>	<u>\$286,727</u>	<u>\$2,035,417</u>	<u>\$138,272</u>	<u>\$242,372</u>	<u>\$380,644</u>	<u>\$2,416,061</u>	<u>\$2,248,893</u>

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Program Services				Supporting Services				Total Expenses 8/31/20
	Curriculum	Teacher Training	Online Delivery, Assessment & Evaluation	Client Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$253,199	\$229,157	\$682,183	\$177,222	\$1,341,761	\$34,000	\$55,255	\$89,255	\$1,431,016
Payroll taxes and benefits	33,771	30,564	90,988	23,638	178,961	4,535	7,370	11,905	190,866
Total personnel expenses	<u>286,970</u>	<u>259,721</u>	<u>773,171</u>	<u>200,860</u>	<u>1,520,722</u>	<u>38,535</u>	<u>62,625</u>	<u>101,160</u>	<u>1,621,882</u>
Professional fees and services	35,582	214	151,090	72,678	259,564	92,857	100,228	193,085	452,649
Occupancy	20,036	13,357	20,036	6,679	60,108	3,339	3,339	6,678	66,786
Curriculum materials	2,265				2,265			0	2,265
Insurance	5,790	3,860	5,790	1,930	17,370	965	965	1,930	19,300
Membership fees			13,633	19,227	32,860	3,595	0	3,595	36,455
Miscellaneous	477	413	972	253	2,115	9,741	79	9,820	11,935
Communications and IT	871	580	871	290	2,612	145	145	290	2,902
Printing	1,155	770	1,155	385	3,465	193	193	386	3,851
Office supplies and equipment	145	131	391	102	769	2,885	32	2,917	3,686
Conferences	1,000			3,921	4,921	1,408		1,408	6,329
Postage and shipping			59		59	763	43	806	865
Travel	480	995	3,420	416	5,311	2,586		2,586	7,897
Bank charges						9,551		9,551	9,551
Total expenses before depreciation	<u>354,771</u>	<u>280,041</u>	<u>970,588</u>	<u>306,741</u>	<u>1,912,141</u>	<u>166,563</u>	<u>167,649</u>	<u>334,212</u>	<u>2,246,353</u>
Depreciation	453	410	1,222	317	2,402	39	99	138	2,540
Total expenses	<u><u>\$355,224</u></u>	<u><u>\$280,451</u></u>	<u><u>\$971,810</u></u>	<u><u>\$307,058</u></u>	<u><u>\$1,914,543</u></u>	<u><u>\$166,602</u></u>	<u><u>\$167,748</u></u>	<u><u>\$334,350</u></u>	<u><u>\$2,248,893</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>8/31/21</u>	<u>8/31/20</u>
Cash flows from operating activities:		
Change in net assets	\$607,719	\$365,507
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,652	2,540
Realized and unrealized gain on investments	(1,721)	(6,084)
Changes in assets and liabilities:		
Pledges receivable	(232,240)	110,804
Prepaid expenses	60	5,737
Security deposits	0	8,800
Accounts payable and accrued expenses	10,886	(23,713)
Deferred revenue	(25,000)	25,000
Paycheck Protection Program loan	(161,610)	161,610
Total adjustments	<u>(405,973)</u>	<u>284,694</u>
Net cash flows provided by operating activities	<u>201,746</u>	<u>650,201</u>
Cash flows from investing activities:		
Purchases of fixed assets	(2,555)	(5,355)
Purchases of investments (dividends re-invested)	(1,894)	(4,650)
Net cash flows used for investing activities	<u>(4,449)</u>	<u>(10,005)</u>
Net increase in cash and cash equivalents	197,297	640,196
Cash and cash equivalents - beginning of year	<u>816,933</u>	<u>176,737</u>
Cash and cash equivalents - end of year	<u><u>\$1,014,230</u></u>	<u><u>\$816,933</u></u>
No interest or taxes were paid.		

The attached notes and auditor's report are an integral part of these financial statements.

READWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

Note 1 - Nature of Entity

ReadWorks, Inc. (the “Organization”) was formally introduced in November 2010.

ReadWorks, a Brooklyn-based edtech non-profit, is focused on improving reading comprehension through our digital platform, providing research-based content, curricular supports, and other features that integrate with core English Language Arts (ELA) curricula. In the 2020-2021 school year alone, ReadWorks was used by more than 1 million educators and 13.1 million students, including those in 93% of the highest-poverty K-8 schools—the population we are most focused on based on our mission.

Curriculum: At ReadWorks, we have a deep-seated belief that ALL students deserve a high-quality reading education, one that is based on research, in order to give them the best possible chance at success in school and in life. By providing reading content that reflects the diversity of our world—and that is freely accessible to all—we work to ensure that every child can see themselves reflected in their reading materials. By providing free materials to make all teachers more effective at teaching regardless of zip code, we are doing our part to move closer to a world of successful readers with bright futures ahead.

Teacher Training: With over 5,500 texts, ReadWorks offers one of the largest, highest-quality libraries of curated nonfiction texts in the country, with research-based curricular supports and formative assessments. Our products offer digital tools for differentiation to help teachers support English language learners, struggling students, and reluctant readers. Our digital supports include eBooks, human-voice audio, less complex texts to scaffold content (StepReads), and more. We also offer free training through webinars.

Of the over 18,000 educators surveyed nationally, 98% believe ReadWorks provides high quality reading curricula, 89% feel ReadWorks helps improve their students’ reading comprehension, and 96% have recommended ReadWorks to others.

Online Delivery, Assessment and Evaluation: It is this unique combination of high-quality content, an easy-to-use platform that includes numerous features and tools, and teacher guidance that has created our incredible community of educators and helped us grow to reach over 13.1 million students each year, enabling greater impact than other organizations.

Client Development: ReadWorks content and learning partnerships include the American Museum of Natural History, the New-York Historical Society, the Schomburg Center, the International Quilt Museum of Lincoln, Nebraska, the National Fish and Wildlife Foundation, the New York Philharmonic, and more. Research partnerships include New York University’s BetaEd and STERN, Harvard’s Opportunity Insights, Digital Promise, TNTP, Chapman University, and others. ReadWorks has been supported by the Brooke Astor Fund for NY City Education, the Bill and Melinda Gates Foundation, the William R. Kenan, Jr. Charitable Trust, Robin Hood, Travelers Foundation, GEICO Foundation, and the Robert and Ardis James Foundation.

ReadWorks also provides unrivaled efficiency and return-on-investment, providing an entire year's worth of ReadWorks at a cost of approximately \$2.08 per teacher per year or 15 cents per student per year.

The primary sources of revenue for the organization are contributions and content sub-licensing agreements.

The Organization has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501 (c) 3 of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

As a not-for-profit organization, the Organization reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. The Board of Directors has designated the investment account as a board designated fund, to serve as a reserve for operating contingencies. Any portion of these funds may be expended upon approval of the Board of Directors, with any such use including a formally adopted and realistic plan to replenish the funds in a reasonable timeframe.
- *Net Assets With Donor Restrictions* – relates to contributions of cash or other assets with donor stipulations that make clear the assets' restriction, either due to a program nature or by the passage of time.

c. Revenue Recognition

The Organization follows the requirements of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 606 for recognizing revenue from contracts with customers. Licensing income and contract services income fall under ASC 606. The Organization analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is completed. Payments received in advance of the completion of the earnings process are reported as deferred revenue.

The Organization receives licensing income in exchange for the right of a third party to access the Organization's educational materials. Licensing income is recognized as performance obligations are met by the Organization by making the materials available to third parties over the course of the fiscal year.

Contract services are recognized as revenue when the performance obligation is met at the time the Organization provides services as detailed in the contract to the third party.

The Organization follows FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that contain donor restrictions are recorded in the class of net assets with donor restrictions. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Outstanding receivables from fees, contributions, and grants are reviewed on an annual basis and an allowance for doubtful accounts is maintained based on historical trends and past collection data to assess the likelihood of future payments. As of August 31, 2021 and 2020, no allowance was deemed necessary.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. At times and at year end, balances may exceed federally insured limits. A portion of the funds is not insured; however, the Organization has not experienced any losses from these accounts.

The market value of investments is subject to fluctuation; however, management believes the investment policy is prudent for the long-term welfare of the Organization.

f. Investments

Investments with readily available market prices are carried at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities. See Note 3 for additional information.

g. Fixed Assets

Fixed assets over \$1,000 to which the Organization retains title and capital items purchased, which benefit future periods, are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of furniture, equipment, computers, computer software, and website costs, which are carried at cost and depreciated over their estimated useful lives using the straight-line method.

h. In-Kind Contributions

Organizations are required to recognize contributions of services at fair value if they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions.

i. Management Estimates

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

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following costs are allocated by time and effort:

- Salaries
- Payroll taxes and benefits
- Occupancy
- Insurance
- Communications and IT
- Office supplies and equipment
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

k. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending August 31, 2018 and later are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the August 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the combining statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the August 31, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All investments consist of a fixed income securities mutual fund which was measured using Level 1 inputs.

Net investment income consists of the following:

	<u>8/31/21</u>	<u>8/31/20</u>
Interest and dividend income – investments	\$3,045	\$5,894
Interest income – money market	317	375
Realized gain on investments	1,790	8,770
Unrealized loss on investments	<u>(69)</u>	<u>(2,686)</u>
Total	<u>\$5,083</u>	<u>\$12,353</u>

Note 4 - Pledges Receivable

Pledges receivable are expected to be collected in the following periods:

		<u>8/31/21</u>	<u>8/31/20</u>
Year ending:	August 31, 2021	\$0	\$212,626
	August 31, 2022	344,866	100,000
	August 31, 2023	100,000	0
	August 31, 2024	<u>100,000</u>	<u>0</u>
		<u>\$544,866</u>	<u>\$312,626</u>

Due to its immaterial nature, a discount to present value has not been recorded.

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>8/31/21</u>	<u>8/31/20</u>	<u>Estimated Useful Life</u>
Computers and software	\$70,469	\$67,914	3-5 years
Website	<u>608,825</u>	<u>608,825</u>	3 years
	679,294	676,739	
Less: accumulated depreciation	<u>(670,422)</u>	<u>(666,770)</u>	
Total fixed assets, net	<u>\$8,872</u>	<u>\$9,969</u>	

Note 6 - Paycheck Protection Program Loan

During the year ended August 31, 2020, the Organization obtained a loan from the Small Business Administration ("SBA") in the amount of \$161,610 through the Paycheck Protection Program ("PPP"). Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. The Organization accounts for the PPP loans as a conditional contribution in accordance with FASB ASC 958-605. The conditions for forgiveness of this loan were met during the year ended August 31, 2021 and the full amount was recognized as revenue during the year then ended. On August 18, 2021, full forgiveness was approved by the SBA.

Note 7 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

	<u>8/31/21</u>	<u>8/31/20</u>
Net investments in fixed assets	\$8,872	\$9,969
Undesignated funds	<u>1,051,229</u>	<u>666,028</u>
	1,060,101	675,997
Board designated	<u>235,773</u>	<u>232,158</u>
Net assets without donor restrictions	<u>\$1,295,874</u>	<u>\$908,155</u>

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>August 31, 2021</u>			
	<u>9/1/20</u>	<u>Contributions</u>	<u>Released</u>	<u>8/31/21</u>
Programs				
Equipment	\$0	\$15,000	\$0	\$15,000
Staff Salaries	40,000	0	(40,000)	0
Fiction Passages for Website	0	150,000	0	150,000
Early Literacy Project	5,000	0	(5,000)	0
Time periods	<u>200,000</u>	<u>200,000</u>	<u>(100,000)</u>	<u>300,000</u>
Total	<u>\$245,000</u>	<u>\$365,000</u>	<u>(\$145,000)</u>	<u>\$465,000</u>

	August 31, 2020			
	<u>9/1/19</u>	<u>Contributions</u>	<u>Released</u>	<u>8/31/20</u>
Programs				
Article for a Day	\$237,534	\$0	(\$237,534)	\$0
Staff Salaries	0	40,000	0	40,000
NC Pilot Project	254,787	0	(254,787)	0
Early Literacy Project	0	5,000	0	5,000
Time periods	<u>100,000</u>	<u>200,000</u>	<u>(100,000)</u>	<u>200,000</u>
Total	<u>\$592,321</u>	<u>\$245,000</u>	<u>(\$592,321)</u>	<u>\$245,000</u>

Note 9 - Commitments and Contingencies

The Organization's previously leased a facility on a month-to-month lease. During the year ended August 31, 2020, the Organization vacated the facility.

In the normal course of business, the Organization could be subject to claims, lawsuits, and other matters that are subject to uncertain future events. Management has not been advised by legal counsel that there are any matters that are probable of future payouts and no reserves have been established.

Note 10 - Retirement Plan

The Organization has a retirement plan under IRS Section 403(b). Eligible employees may contribute pre-tax amounts of their salary up to IRS maximum limits. No employer contributions are required to be made.

Note 11 - Liquidity and Availability of Financial Resources

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget, relies on contributions, and earned income to fund its operations and program activities.

The following reflects the Organization's financial assets that are available to meet cash needs for general expenditures within one year of the date of the statement of financial position:

	<u>8/31/21</u>	<u>8/31/20</u>
Financial assets at year-end:		
Cash and cash equivalents	\$1,014,230	\$816,933
Investments	235,773	232,158
Pledge receivables – due in one year	<u>344,866</u>	<u>212,626</u>
Total financial assets	<u>1,594,869</u>	<u>1,261,717</u>
Less amounts not available for general expenditures:		
Board designated fund	235,773	232,158
Net asset with donor restrictions - programs	<u>165,000</u>	<u>45,000</u>
Total amount not available for general expenditures:	<u>(400,773)</u>	<u>(277,158)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,194,096</u>	<u>\$984,559</u>

Note 12 - Subsequent Events

Subsequent events have been evaluated through May 12, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

Note 13 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.