



Accounting  
Tax | Advisory

EXPECT MORE

# READ WORKS

Audited Financial Statements

August 31, 2022 and 2021



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
ReadWorks, Inc.

### ***Opinion***

We have audited the accompanying financial statements of Readworks, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Organization as of August 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The financial statements of the Organization for the year ended August 31, 2021 were audited by another auditor, who expressed an unmodified opinion on those statements on May 12, 2022.

### ***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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Organization'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 Organization'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.

*Sax CPAs LLP*

New York, NY  
June 13, 2023

**READWORKS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

	<u>8/31/22</u>	<u>8/31/21</u>
<b>Assets</b>		
Cash and cash equivalents	\$660,412	\$1,014,230
Investments (Note 3)	249,188	235,773
Pledges receivable (Note 4)	201,349	544,866
Licensing income receivable	15,283	0
Fixed assets, net (Note 5)	<u>13,473</u>	<u>8,872</u>
Total assets	<u><u>\$1,139,705</u></u>	<u><u>\$1,803,741</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$126,064</u>	<u>\$42,867</u>
Total liabilities	<u>126,064</u>	<u>42,867</u>
Net assets:		
Without donor restrictions (Note 6)		
Operations	532,453	1,060,101
Board designated	<u>249,188</u>	<u>235,773</u>
Total without donor restrictions	781,641	1,295,874
With donor restrictions (Note 7)	<u>232,000</u>	<u>465,000</u>
Total net assets	<u>1,013,641</u>	<u>1,760,874</u>
Total liabilities and net assets	<u><u>\$1,139,705</u></u>	<u><u>\$1,803,741</u></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, 2022**  
(With comparative totals for the year ended August 31, 2021)

	Without Donor Restrictions		With Donor Restrictions	Total 8/31/22	Total 8/31/21
	Operations	Board Designated			
Public support and revenue:					
Contributions	\$1,699,169		\$1,699,169	\$32,000	\$1,731,169
Paycheck Protection Program grant (Note 8)			0	0	161,610
Contract services	37,984		37,984	37,984	217,048
Licensing income	110,028		110,028	110,028	110,118
Net investment return (Note 3)	(28,509)	\$13,415	(15,094)	(15,094)	5,083
Miscellaneous income	6,814		6,814	6,814	306
Net assets released from restrictions	265,000		265,000	(265,000)	0
Total public support and revenue	2,090,486	13,415	2,103,901	(233,000)	1,870,901
Expenses:					
Program services:					
Curriculum	533,881		533,881	533,881	460,855
Teacher training	284,599		284,599	284,599	311,002
Online delivery, assessment and evaluation	1,001,646		1,001,646	1,001,646	976,833
Client development	331,952		331,952	331,952	286,727
Total program services	2,152,078	0	2,152,078	0	2,035,417
Supporting services:					
Management and general	140,150		140,150	140,150	138,272
Fundraising	325,906		325,906	325,906	242,372
Total supporting services	466,056	0	466,056	0	380,644
Total expenses	2,618,134	0	2,618,134	0	2,416,061
Change in net assets	(527,648)	13,415	(514,233)	(233,000)	607,719
Net assets - beginning of year	1,060,101	235,773	1,295,874	465,000	1,760,874
Net assets - end of year	\$532,453	\$249,188	\$781,641	\$232,000	\$1,013,641

*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, 2021**

	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	Board Designated	Total		
Public support and revenue:					
Contributions	\$2,164,615		\$2,164,615	\$365,000	\$2,529,615
Paycheck Protection Program grant (Note 8)	161,610		161,610		161,610
Contract Services	217,048		217,048		217,048
Licensing income	110,118		110,118		110,118
Net investment income (Note 3)	1,468	\$3,615	5,083		5,083
Miscellaneous income	306		306		306
Net assets released from restrictions	145,000		145,000	(145,000)	0
<b>Total public support and revenue</b>	<b>2,800,165</b>	<b>3,615</b>	<b>2,803,780</b>	<b>220,000</b>	<b>3,023,780</b>
Expenses:					
Program services:					
Curriculum	460,855		460,855		460,855
Teacher training	311,002		311,002		311,002
Online delivery, assessment and evaluation	976,833		976,833		976,833
Client development	286,727		286,727		286,727
<b>Total program services</b>	<b>2,035,417</b>	<b>0</b>	<b>2,035,417</b>	<b>0</b>	<b>2,035,417</b>
Supporting services:					
Management and general	138,272		138,272		138,272
Fundraising	242,372		242,372		242,372
<b>Total supporting services</b>	<b>380,644</b>	<b>0</b>	<b>380,644</b>	<b>0</b>	<b>380,644</b>
<b>Total expenses</b>	<b>2,416,061</b>	<b>0</b>	<b>2,416,061</b>	<b>0</b>	<b>2,416,061</b>
Change in net assets	384,104	3,615	387,719	220,000	607,719
Net assets - beginning of year	675,997	232,158	908,155	245,000	1,153,155
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>

*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, 2022**  
(With comparative totals for the year ended August 31, 2021)

	Program Services					Supporting Services				
	Curriculum	Teacher Training	Online Delivery, Assessment & Evaluation	Client Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 8/31/22	Total Expenses 8/31/21
Salaries	\$355,012	\$236,136	\$569,016	\$194,206	\$1,354,370	\$37,181	\$81,141	\$118,322	\$1,472,692	\$1,581,092
Payroll taxes and benefits	50,058	33,297	80,236	27,385	190,976	5,243	11,442	16,685	207,661	229,216
Total personnel expenses	405,070	269,433	649,252	221,591	1,545,346	42,424	92,583	135,007	1,680,353	1,810,308
Professional fees and services	114,564	10,502	338,500	78,760	542,326	59,130	223,137	282,267	824,593	504,938
Occupancy	476	385	1,019	249	2,129	45	91	136	2,265	0
Curriculum materials	3,048				3,048			0	3,048	14,460
Insurance	2,552	2,066	5,468	1,337	11,423	243	486	729	12,152	6,605
Membership fees	1,451	100	155	27,840	29,546	4,007	49	4,056	33,602	42,081
Communications and IT	1,348	1,091	2,888	706	6,033	127	257	384	6,417	1,717
Printing					0	273	7,661	7,934	7,934	1,180
Office supplies and equipment	423	282	2,394	424	3,523	8,482	1,243	9,725	13,248	3,771
Conferences	905		186		1,091			0	1,091	7,335
Postage and shipping					0	2,429	23	2,452	2,452	1,253
Travel	2,158			338	2,496	7,337		7,337	9,833	683
Other expenses	773			98	871	13,148	122	13,270	14,141	7,103
Bank charges					0	2,388		2,388	2,388	10,975
Total expenses before depreciation and amortization	532,768	283,859	999,862	331,343	2,147,832	140,033	325,652	465,685	2,613,517	2,412,409
Depreciation and amortization	1,113	740	1,784	609	4,246	117	254	371	4,617	3,652
Total expenses	\$533,881	\$284,599	\$1,001,646	\$331,952	\$2,152,078	\$140,150	\$325,906	\$466,056	\$2,618,134	\$2,416,061

*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, 2021**

	Program Services				Supporting Services			Total Expenses 8/31/21	
	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
Payroll taxes and benefits	47,030	39,087	103,122	26,196	215,435	8,807	4,974	13,781	229,216
Total personnel expenses	371,429	308,705	814,440	206,892	1,701,466	69,557	39,285	108,842	1,810,308
Professional fees and services	29,845		151,896	73,031	254,772	48,917	201,249	250,166	504,938
Occupancy					0			0	0
Curriculum materials	14,460				14,460			0	14,460
Insurance	1,387	1,123	2,972	727	6,209	132	264	396	6,605
Membership fees	42,081				42,081			0	42,081
Communications and IT	360	292	773	189	1,614	34	69	103	1,717
Printing	247	201	531	130	1,109	24	47	71	1,180
Office supplies and equipment	8	8	2,020	5	2,041	1,134	596	1,730	3,771
Conferences			2,424	4,829	7,253		82	82	7,335
Postage and shipping				59	59	1,194		1,194	1,253
Travel				349	349	334		334	683
Other expenses	286	51	135	99	571	5,831	701	6,532	7,103
Bank charges						10,975		10,975	10,975
Total expenses before depreciation and amortization	460,103	310,380	975,191	286,310	2,031,984	138,132	242,293	380,425	2,412,409
Depreciation and amortization	752	622	1,642	417	3,433	140	79	219	3,652
Total expenses	\$460,855	\$311,002	\$976,833	\$286,727	\$2,035,417	\$138,272	\$242,372	\$380,644	\$2,416,061

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, 2022 AND 2021**

	<u>8/31/22</u>	<u>8/31/21</u>
Cash flows from operating activities:		
Change in net assets	(\$747,233)	\$607,719
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation and amortization	4,617	3,652
Realized and unrealized loss/(gain) on investments	19,398	(1,721)
Paycheck Protection Program loan forgiveness	0	(161,610)
Changes in assets and liabilities:		
Pledges receivable	343,517	(232,240)
Licensing income receivable	(15,283)	0
Prepaid expenses	0	60
Accounts payable and accrued expenses	83,197	10,886
Deferred revenue	0	(25,000)
Total adjustments	<u>435,446</u>	<u>(405,973)</u>
Net cash flows (used for)/provided by operating activities	<u>(311,787)</u>	<u>201,746</u>
Cash flows from investing activities:		
Purchases of fixed assets	(9,218)	(2,555)
Purchases of investments (dividends re-invested)	<u>(32,813)</u>	<u>(1,894)</u>
Net cash flows used for investing activities	<u>(42,031)</u>	<u>(4,449)</u>
Net (decrease)/increase in cash and cash equivalents	(353,818)	197,297
Cash and cash equivalents - beginning of year	<u>1,014,230</u>	<u>816,933</u>
Cash and cash equivalents - end of year	<u><u>\$660,412</u></u>	<u><u>\$1,014,230</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, 2022 AND 2021**

**Note 1 - Organization**

ReadWorks, Inc. (the “Organization”) was formally introduced in November 2010. As a Brooklyn-based edtech non-profit, ReadWorks 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.

**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.

**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.

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

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 the 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 FASB 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 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, 2022 and 2021, 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 and amortization

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

k. Advertising Costs

Advertising costs are expensed as incurred.

l. 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, 2019 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement

FASB issued Accounting Standards Update (“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 this standard will have on future statements.

### **Note 3 - Investments and Fair Value Measurements**

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 return consists of the following:

	<u>8/31/22</u>	<u>8/31/21</u>
Interest and dividend income – investments	\$4,103	\$3,045
Interest income – money market	201	317
Realized gain on investments	850	1,790
Unrealized loss on investments	<u>(20,248)</u>	<u>(69)</u>
Total	<u>(\$15,094)</u>	<u>\$5,083</u>

**Note 4 - Pledges Receivable**

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

Year ending:		<u>8/31/22</u>	<u>8/31/21</u>
August 31, 2022		\$0	\$344,866
August 31, 2023		101,349	100,000
August 31, 2024		<u>100,000</u>	<u>100,000</u>
		<u>\$201,349</u>	<u>\$544,866</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>8/31/22</u>	<u>8/31/21</u>	<u>Estimated Useful Life</u>
Computers and software	\$79,687	\$70,469	3-5 years
Website	<u>608,825</u>	<u>608,825</u>	3 years
	688,512	679,294	
Less: accumulated depreciation and amortization	<u>(675,039)</u>	<u>(670,422)</u>	
Total fixed assets, net	<u>\$13,473</u>	<u>\$8,872</u>	

**Note 6 - Net Assets Without Donor Restrictions**

Net assets without donor restrictions consist of the following:

	<u>8/31/22</u>	<u>8/31/21</u>
Net investments in fixed assets	\$13,473	\$8,872
Undesignated funds	<u>518,980</u>	<u>1,051,229</u>
	532,453	1,060,101
Board designated	<u>249,188</u>	<u>235,773</u>
Net assets without donor restrictions	<u>\$781,641</u>	<u>\$1,295,874</u>

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions can be summarized as follows:

	<u>August 31, 2022</u>			
	<u>9/1/21</u>	<u>Contributions</u>	<u>Released</u>	<u>8/31/22</u>
Programs:				
Equipment	\$15,000	\$12,000	(\$15,000)	\$12,000
Fiction Passages for Website	150,000	0	(150,000)	0
Decodable Texts	<u>0</u>	<u>20,000</u>	<u>(0)</u>	<u>20,000</u>
Total program	165,000	32,000	(165,000)	32,000
Time periods	<u>300,000</u>	<u>0</u>	<u>(100,000)</u>	<u>200,000</u>
Total	<u>\$465,000</u>	<u>\$32,000</u>	<u>(\$265,000)</u>	<u>\$232,000</u>

	<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	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>	<u>0</u>
Total program	45,000	165,000	(45,000)	165,000
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>

**Note 8 - 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 indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. The Organization accounts for the PPP loan 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 9 - Commitments and Contingencies**

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 and 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 statements of financial position:

	<u>8/31/22</u>	<u>8/31/21</u>
Financial assets at year-end:		
Cash and cash equivalents	\$660,412	\$1,014,230
Investments	249,188	235,773
Pledges receivable – due in one year	101,349	344,866
Licensing income receivable	<u>15,283</u>	<u>0</u>
Total financial assets	<u>1,026,232</u>	<u>1,594,869</u>
Less amounts not available for general expenditures:		
Board designated fund	249,188	235,773
Net asset with donor restrictions - programs	<u>32,000</u>	<u>165,000</u>
Total amount not available for general expenditures:	<u>(281,188)</u>	<u>(400,773)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$745,044</u>	<u>\$1,194,096</u>

## Note 12 - Subsequent Events

Subsequent events have been evaluated through June 13, 2023, 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.