

**Reading and Education for  
Adult Development, Inc.  
(The Read Center)**

***Report on Financial Statements***

***For the year ended June 30, 2020  
(with comparative totals for year ended June 30, 2019)***

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# Reading and Education for Adult Development, Inc. (The Read Center)

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## Independent Auditor's Report

Board of Directors  
Reading and Education for Adult Development, Inc.  
(The READ Center)  
Richmond, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Reading and Education for Adult Development, Inc. (The READ Center, a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 The READ Center as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited The READ Center's 2019 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Kimbee". The signature is written in a cursive, flowing style.

Richmond, Virginia  
September 21, 2020

**Reading and Education for Adult Development, Inc. (The Read Center)****Statement of Financial Position****As of June 30, 2020 (with comparative totals as of June 30, 2019)**

	2020			2019 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 217,583	\$ 108,039	\$ 325,622	\$ 253,863
Investments	634,137	363,578	997,715	584,357
Pledges receivable	-	12,500	12,500	10,000
Prepaid expenses	4,736	-	4,736	4,445
Total current assets	<u>856,456</u>	<u>484,117</u>	<u>1,340,573</u>	<u>852,665</u>
<b>Furniture, fixtures and equipment</b>				
Furniture, fixtures and equipment, net of accumulated depreciation of \$63,925 in 2019 and \$58,554 in 2019	12,934	-	12,934	18,305
Total assets	<u>\$ 869,390</u>	<u>\$ 484,117</u>	<u>\$ 1,353,507</u>	<u>\$ 870,970</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 13,099	\$ -	\$ 13,099	\$ 24,705
PPP loan payable	-	10,000	10,000	-
<b>Net assets</b>				
Net assets	<u>856,291</u>	<u>474,117</u>	<u>1,330,408</u>	<u>846,265</u>
Total liabilities and net assets	<u>\$ 869,390</u>	<u>\$ 484,117</u>	<u>\$ 1,353,507</u>	<u>\$ 870,970</u>

**See Notes to Financial Statements**

**Reading and Education for Adult Development, Inc. (The Read Center)**

*Statement of Activities*

*For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)*

	2020			2019
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
<b>Support and revenue</b>				
Contributions and grants				
Individual	\$ 142,880	\$ -	\$ 142,880	\$ 158,271
Local government	25,306	-	25,306	24,500
PPP Funds	-	59,950	59,950	-
Grants	280,127	292,500	572,627	190,624
Organizations	64,402	-	64,402	73,096
	<u>512,715</u>	<u>352,450</u>	<u>865,165</u>	<u>446,491</u>
In-kind contributions	45,472	-	45,472	62,069
Special events, net	(342)	44,215	43,873	39,702
Interest and dividend income, net	37,648	839	38,487	26,396
Capital gain distributions	-	3,726	3,726	5,373
Net investment gain (loss)	(12,076)	(7)	(12,083)	13,076
Other income	5,141	-	5,141	1,852
Total support and revenue	<u>588,558</u>	<u>401,223</u>	<u>989,781</u>	<u>594,959</u>
<b>Net assets released from restrictions</b>				
Satisfaction of time and program restrictions	94,800	(94,800)	-	-
Satisfaction of PPP restrictions	59,950	(59,950)	-	-
Reclassification of earnings under donor agreement	1,756	(1,756)	-	-
Total support, revenue and reclassifications	<u>745,064</u>	<u>244,717</u>	<u>989,781</u>	<u>594,959</u>
<b>Expenses</b>				
Program services	393,421	-	393,421	403,721
Supporting services:				
Management and general	39,882	-	39,882	38,799
Fundraising	72,335	-	72,335	63,989
	<u>505,638</u>	<u>-</u>	<u>505,638</u>	<u>506,509</u>
Increase in net assets	239,426	244,717	484,143	88,450
<b>Net assets, beginning of year</b>	<u>616,865</u>	<u>229,400</u>	<u>846,265</u>	<u>757,815</u>
<b>Net assets, end of year</b>	<u>\$ 856,291</u>	<u>\$ 474,117</u>	<u>\$ 1,330,408</u>	<u>\$ 846,265</u>

**See Notes to Financial Statements**

## Reading and Education for Adult Development, Inc. (The Read Center)

### Statement of Functional Expenses

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Program services</b>		
Salaries, wages and benefits	\$ 289,266	\$ 279,761
Occupancy costs	60,080	73,346
Office administration	7,623	10,325
Services and materials	31,809	35,646
Depreciation	4,643	4,643
	<u>393,421</u>	<u>403,721</u>
<b>Management and general</b>		
Salaries, wages and benefits	16,007	15,320
Occupancy costs	1,440	1,847
Office administration	22,071	21,268
Depreciation	364	364
	<u>39,882</u>	<u>38,799</u>
<b>Fundraising</b>		
Salaries, wages and benefits	57,410	50,339
Occupancy costs	1,836	1,412
Office administration	3,067	2,490
Services and materials	9,658	9,384
Depreciation	364	364
	<u>72,335</u>	<u>63,989</u>
	<u>\$ 505,638</u>	<u>\$ 506,509</u>

See Notes to Financial Statements

## Reading and Education for Adult Development, Inc. (The Read Center)

### Statement of Cash Flows

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 484,143	\$ 88,450
Adjustments to reconcile change in net assets to net cash provided by provided by operating activities:		
Depreciation	5,371	5,372
Net investment loss (gain)	12,083	(13,076)
Donated stock	(16,563)	(5,894)
Increase in:		
Pledges receivable	(2,500)	(10,000)
Prepaid expenses	(291)	(318)
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,606)	9,967
Net cash provided by operating activities	<u>470,637</u>	<u>74,501</u>
<b><i>Cash flows from investing activities</i></b>		
Purchase of investments	(1,060,669)	(308,410)
Proceeds from sale of investments	651,791	312,853
Net cash provided by (used in) investing activities	<u>(408,878)</u>	<u>4,443</u>
Net change in cash and cash equivalents	61,759	78,944
<b><i>Cash flows from financing activities</i></b>		
Proceeds from PPP loan requiring repayment	10,000	-
Net change in cash and cash equivalents	<u>71,759</u>	<u>78,944</u>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<u>253,863</u>	<u>174,919</u>
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 325,622</u>	<u>\$ 253,863</u>

See Notes to Financial Statements



# Reading and Education for Adult Development, Inc. (The Read Center)

## Notes to Financial Statements

June 30, 2020

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### Note 1. Description of Organization

Reading and Education for Adult Development, Inc. (The READ Center) is a non-stock, Virginia not-for-profit corporation, incorporated in 1982, for the purpose of enhancing the quality of life in the greater Richmond metropolitan area by helping adults learn to read. The READ Center is exempt from Federal income taxes as a not-for-profit entity as defined in Section 501(c)(3) of the Internal Revenue Code.

### Note 2. Risks & Uncertainties

In March 2020, many citizens were advised, and in some cases required, to remain in their homes to reduce the risk of spreading COVID-19. These actions have caused significant disruption to the economy as businesses and other public places were closed, the stock markets declined, and general activities slowed as priority was on restricting the spread of COVID-19. On March 27, 2020, the federal government enacted legislation to provide \$2.2 trillion of economic stimulus in an effort to maintain the flow of economic activities within the United States and continues to discuss additional stimulus programs as the COVID-19 pandemic continues.

As discussed in Note 9, the READ Center has approximately \$1.0 million of liquidity at June 30, 2020 that management believes is adequate to allow it to continue on-going program operations for the foreseeable future. Further disruption may occur in the future depending on the extent of the COVID-19 restrictions and the time required for a complete economic recovery. Management is unable to determine the ultimate impact that the COVID-19 pandemic may have on its long-term operations and has made no adjustments to these financial statements as a result of this uncertainty.

### Note 3. Summary of Significant Accounting Policies

#### Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables and recognized revenues and support when earned and payable and expenditures when incurred.

The financial statements include certain prior-year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, such information should be read in conjunction with The READ Center's audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### Use of estimates:

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the 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.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

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#### Note 3. Summary of Significant Accounting Policies, Continued

##### Classification of net assets:

The financial statements have been prepared in accordance with US GAAP which requires The READ Center to report information regarding its financial position and activities according to two classes of net assets – with and without donor restrictions, as follows:

**Without donor restrictions:** represents net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

**With donor restrictions:** represents net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature and will be met by actions of the Organization or the passage of time. Other donor restrictions are permanent in nature and generally exist because the donor stipulated that funds be maintained in perpetuity.

##### Cash and cash equivalents:

For purposes of the statement of cash flows, The READ Center considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

##### Investments:

Investments are carried at fair value. The fair value of marketable equity securities, bonds and other investments are based on quoted market prices. Cost used in the determination of gains and losses on sales of investments is based on the specific cost of the investment sold, adjusted for any other-than-temporary declines in value of the investment.

##### Fair value measurements:

The READ Center uses a three-tier hierarchy established within US GAAP to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: Quoted market prices in active markets for identical investments.
- Level 2: Other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)
- Level 3 Significant unobservable inputs

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

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#### Note 3. Summary of Significant Accounting Policies, Continued

##### Fair value measurements, continued:

Following is a description of the valuation methodologies used for investments measured at fair value (all level 1 inputs) at June 30, 2020:

Equity securities and corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by The READ Center at year end using closing prices reported in the active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The READ Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

##### Donated marketable securities:

Donated marketable securities are recorded as investments and as contributions at their estimated fair values at the date of donation.

##### Furniture, fixtures and equipment:

The READ Center capitalizes all expenditures in excess of \$500 for furniture, fixtures and equipment with an extended useful life. Furniture, fixtures and equipment is recorded at cost, or if donated, at fair market value on the date received. Major improvements are capitalized and depreciated; maintenance and repairs which do not significantly improve or extend the life of respective assets are expensed. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the statement of activities. Depreciation is calculated on the straight-line method over the estimated useful lives of 3 to 7 years.

##### Paycheck Protection Program (PPP) and Emergency Injury Disaster (EIDL) Loans

In April 2020, READ Center received \$59,950 from the US government's PPP loan program and a \$10,000 grant under the EIDL program. READ Center has elected to account for the PPP loan and EIDL grant under Accounting Standards Codification, Topic 958 – Revenue Accounting for Not-for-Profit Entities. In accordance with Topic 958, the EIDL grant and all but \$10,000 of the PPP loan has been included in contributions and grant revenue in the accompanying financial statements since READ Center expects to qualify for 100% loan forgiveness. \$10,000 of the PPP loan is recorded as a liability at June 30, 2020 as this amount, representing the amount of the EIDL grant, will not be forgiven under the terms of the PPP loan program. Interest accruing under the amount of PPP loan payable (at an annual rate of 1%) was not considered significant and will be recorded when, and if, required to be paid.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

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#### Note 3. Summary of Significant Accounting Policies, Continued

##### Revenue recognition:

Effective July 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related amendments that serves as a single source of revenue guidance for all contracts with customers to transfer goods or services (reciprocal transactions), unless those contracts are within the scope of other standards. In addition, the Organization also adopted ASU 2014-08, *Not-for-Profit Entities (Topic 958)*, and related amendments, that include guidance over grants and contributions (nonreciprocal transactions) as well as the determination of whether a contribution is conditional which affects the timing of revenue recognition.

Prior periods were not restated and the cumulative effect of applying the new standards on July 1, 2019 was not significant. The Organization's revenues for the year ended June 30, 2020, and its receivables and net assets as of June 30, 2020 were not materially different from the amounts that would have been recognized under the previous guidance. ASU 2014-09 also requires expanded revenue disclosures which follow.

The Organization's revenues are primarily provided from contributions and grants, special events, and investment income.

Contributions and grants are recognized as revenue when they are received. Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by others 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 restricted contributions are reported as an increase in net assets with donor restrictions. As restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), related amounts are released from restrictions in the statement of activities.

Special event revenue is provided by sponsorships, receipts from participants and donations received during the events. Sponsorships are recorded as net assets with donor restrictions until the event occurs and then are released from restriction. Donations collected during the event are recorded as they occur.

Investment income consists of interest, dividends, capital gains and investment gains. This stream of revenue is recorded as it occurs.

##### In-kind contributions:

In-kind contributions represent the estimated fair market value of rent and certain professional services contributed to The READ Center for which a clearly measurable and objective basis of valuation exists. A substantial number of volunteers have made significant contributions of their time in the furtherance of The READ Center's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

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#### Note 3. Summary of Significant Accounting Policies, Continued

##### Income taxes:

The READ Center is a qualifying nonprofit organization that is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia whereby only unrelated business income, if any, as defined by the Code, is subject to federal income tax.

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be in a tax return. Management has evaluated The READ Center's tax positions and concluded that The READ Center has taken no uncertain tax positions that require adjustment to the financial statements as of June 30, 2020. Fiscal years ending on or after 2017 remain subject to examination by federal and state tax authorities.

##### Uniform Prudent Management of Institutional Funds Act:

During 2008, the Commonwealth of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In August 2008, an accounting standard was passed which provides guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all appropriated endowment fund assets are considered restricted. See Note 6 for discussion of endowment funds.

##### Concentration and risk:

The READ Center maintains its cash on deposit with two financial institutions located in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 of cash held in each separate FDIC insured bank and savings institution. From time to time, The READ Center may have amounts on deposit in excess of the insured limits.

One donor makes up approximately 35% of total contributions and grants.

##### Subsequent events:

The READ Center has evaluated subsequent events through September 21, 2020, the date which the financial statements were available to be issued.

##### Pending accounting standards:

In February 2016, the Financial Accounting Standards Board issued an ASU 2016-02, Leases. The new guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under GAAP. The new lease guidance is effective for fiscal years is effective for annual reporting periods beginning after December 15, 2021 (the Organization's 2023 financial statements). The Organization has not determined the full impact that adopting the ASU will have on future financial statements.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

#### Note 4. Investments

Investments consist of the following at June 30, 2020:

	June 30, 2020		
	Cost	Fair Value	Cumulative Unrealized Gains(Losses)
Mutual funds:			
Equities	\$ 644,732	\$ 665,987	\$ (21,255)
Bond funds and ETP's	130,852	132,372	(1,520)
Corporate bonds	153,583	148,105	5,478
Municipal bonds	46,318	45,371	947
US Treasury notes	5,876	5,880	(4)
	<u>\$ 981,361</u>	<u>\$ 997,715</u>	<u>\$ (16,354)</u>

Investment income consists of the following for the year ended June 30, 2020:

Interest and dividend income, net	\$ 38,487
Capital gain distributions	3,726
Realized gain	842
Unrealized gain	(12,925)
Investment income	<u>\$ 30,130</u>

#### Note 5. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consist of the following at June 30, 2020:

Furniture and equipment	\$ 13,682
Computer equipment	50,075
Copier	8,696
Library books	4,406
Total furniture, fixtures and equipment	76,859
Less accumulated depreciation	(63,925)
Net furniture, fixtures and equipment	<u>\$ 12,934</u>

#### Note 6. Endowment

The READ Center's endowment consists of one individual fund established and held in a separate investment account as directed by the donor. The donor directed that the corpus be maintained in perpetuity, with one-half (1/2) of the realized income to be used for general operating purposes and the remaining one-half (1/2) being added to corpus. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

#### Note 6. Endowment, Continued

While UPMIFA does not require it unless the donor instrument contains an express provision, The READ Center generally requires the preservation of the fair value of the original gift, as of the gift date, as donor-restricted endowment funds. Following this approach, The READ Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and the (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

#### Return objectives and risk parameters:

The READ Center has investment and spending policies for endowment assets that attempt to conservatively yield returns within reasonable levels of risk. Endowment assets include those assets of donor-restricted funds that The READ Center must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to be conservative through funds with a long-term approach. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index or similar established broad market measures of return on investments. The Finance Committee designates a target percentage return when deciding asset allocation.

#### Strategies employed for achieving objectives:

To satisfy its rate-of-return objectives, The READ Center relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment portfolio is allocated for long-term growth. Highly rated mutual funds with low expense components may be substituted for individual securities at the discretion of the Finance Committee.

#### Spending policy and how the investment objectives relate to spending policy:

In accordance with the donor agreement, The READ Center appropriates 1/2 of the earnings on the endowment funds to be utilized in the operations of The READ Center. In addition, the Board periodically reviews the investment gains on the endowment funds and may appropriate a portion of these earnings to be utilized in the operations of The READ Center. These assets are reclassified to net assets without donor restrictions.

In accordance with UPMIFA, The READ Center considers the following factors in making a determination to appropriate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the organization.

The summary of changes in endowment net assets is as follows:

Endowment net assets – July 1, 2019	\$ 163,000
Return on investments	4,558
Reclassification of earnings under donor agreement	<u>(1,756)</u>
Endowment net assets - June 30, 2020	<u>\$ 165,802</u>

## Reading and Education for Adult Development, Inc. (The Read Center)

### Notes to Financial Statements

June 30, 2020

#### Note 7. Restricted Net Assets

Net assets with donor restrictions are designated for the following purposes at June 30, 2020:

Funds to be used for program salaries, wages, and benefits	\$ 1,600
Time restricted	212,500
Trivia Bee – postponed due to COVID-19	44,215
Funds to be used to support future program development and space	50,000
Endowment (see Note 6)	<u>165,802</u>
Total restricted net assets	<u>\$ 474,117</u>

#### Note 8. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as follows during 2020:

Funds used for program salaries, wages, and benefits	\$ 12,300
PPP funds used for program salaries, wages, and benefits	59,950
Funds used for program services and materials	82,500
Reclassification of earnings under donor agreement:	
Investment earnings transferred to unrestricted net assets	<u>1,756</u>
Total net assets released from restrictions	<u>\$ 156,506</u>

#### Note 9. Management of Liquidity

The following represents the READ Center's financial assets available to meet cash needs for general expenditures through June 30, 2020.

Total assets at end of year – June 30, 2020	\$ 1,353,507
Less: non-financial assets	
Prepaid expenses	(4,736)
Property and equipment, net	<u>(12,934)</u>
	1,335,837
Less amount not available to be used within one year due to donor imposed restrictions:	
Time restricted contributions	(200,000)
Permanent endowment (see Note 6)	<u>(165,802)</u>

Financial assets available to meet cash needs for general expenditures through June 30, 2020 \$ 970,035

The READ Center receives various contributions with purpose or time restrictions from donors. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the READ Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the READ Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



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## **Reading and Education for Adult Development, Inc. (The Read Center)**

### *Notes to Financial Statements*

*June 30, 2020*

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#### **Note 9. Management of Liquidity, Continued**

As of June 30, 2020, the READ Center has approximately \$1.0 million of financial assets available to meet cash needs for general expenditure including cash, cash equivalents, investments and pledges receivable through June 30, 2021. The current pledges receivable are subject to implied time restrictions but are expected to be collected and available for use within one year.

The READ Center has a goal to maintain financial assets on hand to meet six months of normal operating expenses, which are on average \$45,000 per month. Additionally, the READ Center has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

#### **Note 10. Leases**

The READ Center leases office space under an operating lease expiring April 30, 2021. Future minimum lease payments under this lease are \$16,186 for 2021. The Organization does not intend to renew the lease and is currently looking for new office space.

#### **Note 11. Related Parties**

Members of The READ Center's Board of Directors are significant contributors to the organization. Total contributions by the Board of Directors during fiscal year ended 2020 were \$25,763.