



*Report of Independent Auditors and
Financial Statements*

Raising A Reader

December 31, 2021

(with Comparative Totals for the Year Ended December 31, 2020)

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	4
Statement of Activities and Changes in Net Assets.....	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Report of Independent Auditors

To The Board of Directors
Raising A Reader

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raising A Reader (the “Organization”), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and changes in net assets, 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 Raising A Reader as of December 31, 2021, 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.

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.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Other Matter

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2021. In our opinion, the summarized information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



San Francisco, California
June 15, 2022

Financial Statements

Raising A Reader
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,217,321	\$ 1,096,577
Investments	-	299,695
Beneficial interest in assets	294,134	294,047
Contributions and grants receivable, net	765,006	1,426,726
Accounts receivable	257,012	232,609
Inventory	672,338	358,366
Deposits and prepaid expenses	176,978	60,065
Property and equipment, net of accumulated depreciation and amortization	<u>24,691</u>	<u>19,613</u>
Total assets	<u>\$ 3,407,480</u>	<u>\$ 3,787,698</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Related-party payables	\$ 5,115	\$ 92,695
Accounts payable	157,411	233,620
Payroll related liabilities	186,421	164,657
Notes payable	<u>428,457</u>	<u>409,756</u>
Total liabilities	<u>777,404</u>	<u>900,728</u>
NET ASSETS		
Without donor restrictions	1,576,538	1,239,983
With donor restrictions	<u>1,053,538</u>	<u>1,646,987</u>
Total net assets	<u>2,630,076</u>	<u>2,886,970</u>
Total liabilities and net assets	<u>\$ 3,407,480</u>	<u>\$ 3,787,698</u>

Raising A Reader
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021
(with Comparative Totals for the Year Ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 121,602	\$ 554,131	\$ 675,733	\$ 1,379,390
Government grants	2,786	-	2,786	10,000
In-kind donations	241,371	-	241,371	265,301
Sales revenue	2,661,147	-	2,661,147	1,751,078
Gain on debt extinguishment	261,970	-	261,970	-
Other income	18,000	-	18,000	7,500
Interest and dividend income	5,445	-	5,445	6,496
Change in beneficial interest, net	87	-	87	1,272
Net assets released from restrictions	1,147,580	(1,147,580)	-	-
Total revenues and other support	<u>4,459,988</u>	<u>(593,449)</u>	<u>3,866,539</u>	<u>3,421,037</u>
EXPENSES				
Program services	3,304,911	-	3,304,911	2,658,604
General and administrative	567,492	-	567,492	548,304
Development	251,030	-	251,030	239,897
Total expenses	<u>4,123,433</u>	<u>-</u>	<u>4,123,433</u>	<u>3,446,805</u>
CHANGES IN NET ASSETS	336,555	(593,449)	(256,894)	(25,768)
NET ASSETS, beginning of year	<u>1,239,983</u>	<u>1,646,987</u>	<u>2,886,970</u>	<u>2,912,738</u>
NET ASSETS, end of year	<u>\$ 1,576,538</u>	<u>\$ 1,053,538</u>	<u>\$ 2,630,076</u>	<u>\$ 2,886,970</u>

Raising A Reader
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	December 31, 2021			
	Program Services	General and Administrative	Development	Total
Salaries and benefits	\$ 1,250,389	\$ 379,777	\$ 194,351	\$ 1,824,517
Grants awarded	327,012	-	-	327,012
Cost of goods sold	1,231,388	-	-	1,231,388
Sales and use tax	29,842	15	12	29,869
Program training and incentives	350	-	-	350
Professional services	89,017	84,999	10,198	184,214
Occupancy	220,281	45,584	10,893	276,758
General office	137,995	19,906	34,936	192,837
Interest expense	-	7,527	-	7,527
Equipment, maintenance, and repair	7,379	361	115	7,855
Depreciation and amortization	7,967	1,276	406	9,649
Insurance	-	26,594	-	26,594
Travel and meetings	1,996	1,453	26	3,475
Outreach and marketing	1,288	-	93	1,381
Bad debt	7	-	-	7
	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total expenses	<u>\$ 3,304,911</u>	<u>\$ 567,492</u>	<u>\$ 251,030</u>	<u>\$ 4,123,433</u>

	December 31, 2020			
	Program Services	General and Administrative	Development	Total
Salaries and benefits	\$ 1,161,281	\$ 345,622	\$ 143,239	\$ 1,650,142
Grants awarded	245,784	-	-	245,784
Cost of goods sold	754,452	23	6	754,481
Sales and use tax	16,238	5	3	16,246
Program training and incentives	256	-	-	256
Professional services	71,786	97,384	50,127	219,297
Occupancy	267,160	55,913	12,365	335,438
General office	114,607	19,815	33,445	167,867
Interest expense	-	4,160	-	4,160
Equipment, maintenance, and repair	5,758	739	199	6,696
Depreciation and amortization	7,453	1,234	331	9,018
Insurance	-	22,902	-	22,902
Travel and meetings	4,343	452	145	4,940
Outreach and marketing	1,257	55	37	1,349
Donated program materials	5,140	-	-	5,140
Bad debt	3,089	-	-	3,089
	<u>3,089</u>	<u>-</u>	<u>-</u>	<u>3,089</u>
Total expenses	<u>\$ 2,658,604</u>	<u>\$ 548,304</u>	<u>\$ 239,897</u>	<u>\$ 3,446,805</u>

Raising A Reader
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (256,894)	\$ (25,768)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in discount on receivables	(7,633)	(8,479)
Depreciation and amortization	9,649	9,018
Bad debt expenses	7	3,089
Investment income reinvested	-	(5,887)
Change in beneficial interest, net	(87)	(1,272)
Gain on debt extinguishment	(261,970)	-
(Increase) decrease in assets:		
Contributions and grants receivable	669,346	169,903
Accounts receivable	(24,403)	55,009
Inventory	(313,972)	(5,518)
Deposits and prepaid expenses	(116,913)	454
Property and equipment	(14,727)	-
Increase (decrease) in liabilities:		
Related-party payables	(87,580)	(99,700)
Accounts payable	(76,209)	135,107
Payroll related liabilities	21,764	32,720
	<u>(459,622)</u>	<u>258,676</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	299,695	-
	<u>299,695</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable	280,671	409,756
	<u>280,671</u>	<u>409,756</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	120,744	668,432
CASH AND CASH EQUIVALENTS, beginning of year	1,096,577	428,145
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,217,321</u>	<u>\$ 1,096,577</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITY		
Interest Expense	<u>\$ 7,527</u>	<u>\$ 4,160</u>

Raising A Reader

Notes to Financial Statements

NOTE 1 – ORGANIZATION

Raising A Reader (the “Organization”) is a national nonprofit family engagement and literacy program that helps families develop, practice, and maintain home literacy habits essential for school success. The Organization is operated through a diverse national network of affiliates (e.g., school systems, libraries, or community agencies) at more than 2,900 locations nationally, serving families with children between the ages of 0 to 8 years old. Children participating in these programs are exposed to high-quality, developmentally appropriate children’s books, providing them with both a mirror reflecting their own world and a window to the world beyond. Through initial training and ongoing support, Raising A Reader parents, even those with limited English proficiency or low literacy skills, learn how to engage their children in storytelling with picture books. The program also includes an introduction to community resources, such as the public library, setting up families for a lifetime of book enjoyment. More than 39 independent evaluations confirm the valuable impact of the Organization on family engagement and early literacy skills.

The Organization was incorporated in the State of California in 2000 and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Additionally, Raising A Reader is a Supporting Organization, Internal Revenue Code (the “Code”) 509(a)(3), of Silicon Valley Community Foundation (the “Community Foundation”). Though Raising A Reader operates as distinct legal entities, the Organization’s finances are consolidated annually with the Community Foundation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of estimates – Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the statements of financial position and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management’s estimates. Significant estimates include fair value of investments, beneficial interest in assets, and the allocation of functional expenses.

Summarized financial information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended December 31, 2020, from which the summarized information was derived.

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased, are considered to be cash equivalents.

Investments – Investments are reported at fair value and include certificate of deposit accounts which have maturity dates of more than three months.

Fair value of beneficial interest in assets – The Organization’s beneficial interest in assets represents its investment in a diversified investment pool offered by the Community Foundation. The pool consists of money markets and certificates of deposit. The Community Foundation has the Organization’s investment account under its management. The Organization’s share of the pool is recorded at fair value, based on the net asset value of the pooled assets and the Organization’s ownership interest in the pool. Fair value of the pool is determined by the Community Foundation and based on information provided by fund managers, external investment advisors, and other market factors. Net asset values are evaluated by the Organization to determine if the values of these investments should be adjusted. Factors considered may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

Contributions, grants receivable, and accounts receivable – Contributions, grants, and accounts receivable are reviewed for collectability and reserves for uncollectable amounts are established when needed. No allowance was deemed necessary for contributions, grants, and accounts receivable for the years ended December 31, 2021 and 2020.

Inventory – A cornerstone of the Raising A Reader program are the high-quality books that have been selected for participants as well as the red bags used to circulate the books among the children and households. The Organization sells or grants these items to affiliates who are implementing the program. The Organization purchases most books and materials as needed to fulfill orders; however, a small amount of inventory is maintained in a warehouse to manage short-term demand. Inventory in stock is valued on the basis of weighted-average cost of items on hand.

Property and equipment – Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation. Assets with a value of \$5,000 or more, and with a useful life of more than one year, are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Computer hardware and software	3 years
Office furnishings and equipment	7 years
Leasehold improvements	Shorter of term or life of lease

Classes of net assets – The accompanying financial statements have been prepared in accordance with U.S. GAAP and the guidelines set forth in the industry audit and accounting guide for Not-For-Profit Entities issued by the American Institute of Certified Public Accountants (“AICPA”). Under these guidelines, contributions of cash and other assets are classified as one of the following two categories:

Without donor restrictions – net assets without donor restrictions include resources for which there are no donor restrictions. Such amounts are available to support the Organization’s general operations and programs. The Organization does not have any Board of Directors designated net assets as of December 31, 2021 and 2020.

Raising A Reader Notes to Financial Statements

With donor restrictions – net assets with donor restrictions include resources with donor-imposed restrictions that will be fulfilled by actions of the Organization and/or become net assets without donor restrictions by the passage of time. When the donor or time restriction is fulfilled, net assets with donor restrictions are released to net assets without donor restrictions and are reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

Revenue recognition – Grants from corporations or private foundations and contributions are recognized in full when received or unconditionally promised. Contributions and grants receivable that are expected to be collected in more than one year are recorded at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions. All contributions are considered available for use without donor restrictions unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions, when time restrictions expire, or the contributions are used for the restricted purpose.

Sales revenues are reported at the amount at which the Organization expects to be entitled in exchange for providing program books and curriculum materials. The sale of these goods are recognized upon completion of the performance obligation, specifically after the goods are shipped or otherwise released to the intended recipient. The Organization invoices as performance obligations are met and satisfied.

The change in accounts receivable consists of the following activity:

Balance, December 31, 2020	\$ 232,609
Add: Revenue recognized - performance obligation satisfied but payment not yet received	257,012
Less: Payments received	<u>(232,609)</u>
Balance, December 31, 2021	<u><u>\$ 257,012</u></u>

In-kind donations – The Organization recognizes the value of donated equipment and/or supplies at the fair value for similar items. Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include a) requiring specialized skills, b) being provided by someone with those skills, and c) having to be purchased if they were not donated. The Organization receives contributed office space, as well as donated program materials. The value of these in-kind donations are reflected in the accompanying financial statements.

Grants awarded – The Organization uses donated funds to grant the Raising A Reader program to thousands of children and families each year. Grants include books and materials, as well as financial support to offset the affiliates' cost of implementing the program and are recorded as expenses when approved by management. There were no conditional grants as of December 31, 2021 and 2020.

Functional allocation of expenses – The costs of providing program services have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. When appropriate, costs are allocated on a direct cost basis to the various programs or supporting services. In some cases, expenses are incurred, that support the work performed under more than one function. Such expenses are allocated across the functions based on actual usage. Certain costs have been allocated among programs, general and administration, and development, that are benefited based on periodic review of personnel time, department headcount, and square footages.

Income taxes – The Organization has been granted tax-exempt status under Section 501(c)(3) of the Code and Section 23701d of the California Revenue and Taxation Code, and as such no provision for income tax has been made. The Organization does not have any material uncertain tax positions or unrelated business income. The Organization files exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. federal and California jurisdictions.

Contingencies and commitments – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Organization’s operations are primarily located in California, which has restricted gatherings of people due to the COVID-19 outbreak. Given the dynamic nature of these circumstances and business disruption, the Organization anticipates a significant short-term impact. The Organization will continue to monitor the situation closely, but given the uncertainty about the ongoing situation, an estimate of the impact to the financial statements cannot be made at this time.

Concentrations of risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash. The Organization’s cash has been placed with a major financial institution. At times, such amounts may exceed Federal Deposit Insurance Corporation (“FDIC”) limits and equity investments may be in excess of Securities Investor Protections Corporation (“SIPC”). The Organization closely monitors these balances and has not experienced credit losses.

For the year ended December 31, 2021, the Organization received 72% of its contributions and grants from five grantors. At December 31, 2021, 94% of contributions and grants receivable were due from four grantors and 88% of accounts receivable were due from four affiliates. For the year ended December 31, 2020, the Organization received 80% of its contributions and grants from three grantors. At December 31, 2020, 94% of contributions and grants receivable were due from three grantors and 80% of accounts receivable were due from five affiliates.

Recent accounting pronouncements – In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU No. 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements in the financial statement of lessees. ASU No. 2016-02 is effective for years beginning after December 15, 2019, with early adoption permitted. In 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, to delay the effective date of ASU No. 2016-02 for fiscal years beginning after December 15, 2021. The adoption is effective for the Organization year ending December 31, 2022. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the financial statements.

Raising A Reader

Notes to Financial Statements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit entities for Contributed Nonfinancial Assets* (“ASU No. 2020-07”), which increases transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The adoption is effective for the Organization beginning January 1, 2022. Management is currently evaluating the impact of the provisions of ASU No. 2020-07 on the financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes the effects of subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

In February 2022, the 2nd Draw Paycheck Protection Program (“PPP”) loan discussed in Note 8 was forgiven in full and will be recognized as a gain on extinguishment of debt in 2022.

The Organization has evaluated subsequent events through June 15, 2022, which is the date the financial statements were available to be issued.

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

The Organization expects to receive contributions and grants receivable as follows:

<u>Year Ending December 31,</u>	<u>2021</u>	<u>2020</u>
2021	\$ -	\$ 854,266
2022	666,590	581,677
2023	100,000	-
	<u>766,590</u>	<u>1,435,943</u>
Less: discount from multi-year contributions and grants receivable	<u>1,584</u>	<u>9,217</u>
Net contributions and grants receivable	<u>\$ 765,006</u>	<u>\$ 1,426,726</u>

The discount rate used was 1.61% for the years ended December 2021 and 2020, respectively.

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The Organization determines fair value based on the fair value hierarchy established under applicable accounting guidance, which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value:

Level 1 - The valuation is based on quoted market prices in active markets for identical assets or liabilities.

Level 2 - Financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable, and when determination of the fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments as of December 31, 2020, consist of certificates of deposit, which are classified as Level 2 pursuant to the valuation hierarchy and are valued using maturity and interest rate as observable inputs. The certificate of deposit matured in November 2021 and was closed out.

The beneficial interest in assets is classified as Level 3 pursuant to the valuation hierarchy. Valuation is determined based on the net asset value of the pooled assets and the Organization's ownership interest in the pool. Management reviews detailed information about the pool on a quarterly basis and evaluates its proportional share to substantiate the valuation. The Organization estimates the fair value of investments within its scope using the net asset value (or its equivalent) per share of the investments as of the Community Foundation's measurement dates.

While the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

Raising A Reader Notes to Financial Statements

The following tables summarizes the fair value hierarchy levels of Raising A Reader's assets measured at fair value at December 31:

	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Beneficial interest in assets	\$ -	\$ -	\$ 294,134	\$ 294,134
Total	\$ -	\$ -	\$ 294,134	\$ 294,134
	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of deposit	\$ -	\$ 299,695	\$ -	\$ 299,695
Beneficial interest in assets	-	-	294,047	294,047
Total	\$ -	\$ 299,695	\$ 294,047	\$ 593,742

Level 3 roll-forward table – The following table presents the rollforward of Level 3 investments carried at fair value (including the change in fair value) on the statements of financial position for the years ended December 2021 and 2020:

	Interest in Assets
Balance, January 1, 2020	\$ 292,775
Change in beneficial interest, net Sales	1,272
	-
Balance, January 1, 2021	294,047
Change in beneficial interest, net Sales	87
	-
Balance, December 31, 2021	\$ 294,134

There were no restrictions for redemption of the beneficial interest in assets for the years as of December 31, 2021 and 2020.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2021	2020
Computer hardware and software	\$ 522,010	\$ 517,542
Office furniture and equipment	47,076	36,817
Leasehold improvements	22,136	22,136
	591,222	576,495
Less: accumulated depreciation and amortization	(566,531)	(556,882)
Total property and equipment, net of accumulated depreciation and amortization	\$ 24,691	\$ 19,613

NOTE 6 – RELATED-PARTY TRANSACTIONS

The Organization is a supporting organization of the Community Foundation and all the Organization personnel are employees of the Community Foundation. In 2021 and 2020, the Organization received \$80,000 and \$169,500, respectively, in donations from the Community Foundation. At December 31, 2021, the payable amount due to the Community Foundation was \$5,115. At December 31, 2020, a payable in the amount of \$92,695 was due to the Community Foundation to reimburse for payroll related and other expenses directly related to the work of the Organization.

A director on the Board of the Organization is a key member of the Masonic Grand Lodge of California, an organization that has been a major partner with the Organization since 2011. Since the inception of this instrumental partnership, the Raising A Reader classic program has been implemented in over 700 classrooms throughout California. With a continued multi-year pledge from the Masonic Grand Lodge of California of \$500,000, which was recorded as revenue in 2020, the Organization is working to launch even more classrooms with the classic program. The pledge receivable outstanding from Masonic Grand Lodge of California was \$250,000 and \$496,039 as of December 31, 2021 and 2020, respectively.

The Organization’s Board of Directors (current and former members) committed \$1,230 in 2021 to the Organization to support the Organization’s work.

The Organization entered into an agreement with the Community Foundation for a revolving line of credit in amount of \$500,000 on April 30, 2019. The interest rate applicable to each draw amount shall be fixed on the applicable draw date. The per annum interest rate on each interest rate date shall be the United States Prime Rate as listed in the Easter print edition of the Wall Street Journal on the draw date. All interest shall be computed on the basis of actual days elapsed over an assumed year of 360 days consisting of twelve 30-day months and for the actual number of days elapsed in any partial month. There is no compounding of the accrued interest. The Organization had no outstanding balance on the line of credit as of December 31, 2021 and 2020.

Raising A Reader

Notes to Financial Statements

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31:

	2021	2020
Special program use by region	\$ 713,800	\$ 722,735
Time restricted	339,738	924,252
	<u>\$ 1,053,538</u>	<u>\$ 1,646,987</u>

All net assets with donor restrictions are expected to be released from restrictions by December 31, 2023.

NOTE 8 – NOTES PAYABLE

On May 13, 2020, the Organization received loan proceeds in the amount of \$259,756 under the PPP. The PPP loan had a stated interest of 1% with a maturity date of June 1, 2022. On March 8, 2021, the Organization was notified that the Small Business Administration had completed its review of the Organization's Paycheck Protection Program forgiveness application and that all principal and interest under the loan had been forgiven in full. The Organization has accounted for the loan forgiveness of the loan in accordance with Accounting Standard Codification ("ASC") Subtopic 470-50-40 as a debt extinguishment.

On July 14, 2020, the Organization received loan proceeds in amount of \$150,000 under the Small Business Administration's Economic Injury Disaster Loan Program ("EIDL"). The EIDL was expanded by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") to meet the financial needs of small business owners impacted by coronavirus. The Small Business Administration's EIDL program provides small businesses and nonprofit with low-interest loans that can provide vital economic support to small businesses and nonprofits to help overcome the temporary loss of revenue they are experiencing due to COVID-19. EIDL interest rate is 2.75% for not-for-profits. The EIDL is payable over thirty years at an interest rate of 2.75%, with a deferral of payments for the first 12 months according to the EIDL agreement.

On April 12, 2021, the Organization received loan proceeds in the amount of \$278,457 under the 2nd Draw PPP. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first 16 months according to latest PPP guidelines.

Long-term note	Total amount	Payments Due by Period				
		2022	2023	2024	2025	Thereafter
Paycheck Protection Program	\$ 278,457	\$ -	\$ 23,585	\$ 57,006	\$ 57,578	\$ 140,288
Economic Injury Disaster Loan	150,000	2,028	3,552	3,651	3,753	137,016
Total note payable	<u>\$ 428,457</u>	<u>\$ 2,028</u>	<u>\$ 27,137</u>	<u>\$ 60,657</u>	<u>\$ 61,331</u>	<u>\$ 277,304</u>

As discussed in subsequent events under Note 2, the 2nd Draw PPP loan was forgiven in February 2022. The Organization has accounted for the loan forgiveness of the loan in accordance with ASC Subtopic 470-50-40 as a debt extinguishment.

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization’s financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of the statements of financial position date, comprise the following:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,217,321	\$ 1,096,577
Investments	-	299,695
Beneficial interest in assets	294,134	294,047
Contributions and grants receivable, net	765,006	1,426,726
Accounts receivable	257,012	232,609
Financial assets, at December 31	2,533,473	3,349,654
Less: those unavailable for general expenditure within one year, due to:		
Receivables collectible beyond one year	100,000	581,677
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,433,473	\$ 2,767,977

The Organization’s policy is to structure its financial assets to be available to cover the following in order of priority: current operations, capital assets, planned future operations, opportunities to enhance the Organization’s mission, unanticipated expenses, and sudden shortfalls in revenues. Available to the Organization is their line of credit as discussed in Note 6, above which may be utilized should the Organization face shortfalls in liquidity from operations.

NOTE 10 – COMMITMENTS

The Organization leases office and warehouse space under separate operating leases, including three month-to-month leases. Due to the generosity of the Sobrato Family Foundation, which owns and operates the leased space in California, the Organization’s rent expense has been waived during the term of the leases, provided the Organization maintains its 501(c)(3) status. This waived rent is recorded as in-kind donations in the year received and totaled \$241,371 and \$260,162 in 2021 and 2020, respectively. The Organization is typically responsible for the annual operating expenses associated with the leased space, though Sobrato Family Foundation waived these monthly operating expenses at the onset of the pandemic. These amounts, which totaled \$0 and \$6,467 in 2021 and 2020, respectively, are included in occupancy expense in the statements of functional expenses.

