squarmilner

Certified Public Accountants
and Financial Advisors

READING PARTNERS
Financial Statements
June 30, 2020 with
summarized comparative totals for 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reading Partners

Report on the Financial Statements

We have audited the accompanying financial statements of Reading Partners (the "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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Reading Partners 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Reading Partners 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 23, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of Reading Partners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reading Partners' internal control over financial reporting and compliance.

SQUAR MILNER LLP

Squar Milner LLP

San Francisco, California
October 22, 2020

READING PARTNERS
STATEMENT OF FINANCIAL POSITION
June 30, 2020 with Summarized Comparative Totals for 2019

ASSETS

	2020	2019
Current Assets		
Cash and cash equivalents	$ 7,000,911	$ 4,413,044
Receivables		
Accounts and grants	477,909	1,267,767
Government contracts	1,110,561	788,127
Pledges - net	4,145,758	5,252,806
Donated rent	73,818	70,148
Prepaid expenses	485,957	363,975
Other assets	9,017	6,702
Total current assets	13,303,931	12,162,569
Pledges receivable - long-term - net	1,447,143	3,154,003
Donated rent receivable - long-term	43,756	117,574
Property and equipment - net	138,850	158,866
Deposits	141,854	145,554
Total assets	$ 15,075,534	$ 15,738,566

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities		
Accounts payable	$ 239,225	$ 327,810
Accrued liabilities	1,518,969	1,412,136
Deferred revenue	115,719	81,000
Deferred rent	187,624	279,593
Total current liabilities	2,061,537	2,100,539
Note payable - PPP Loan (Note 9)	3,070,000	-
Total liabilities	5,131,537	2,100,539
Net Assets		
Without donor restrictions	2,678,319	964,473
With donor restrictions	7,265,678	12,673,554
Total net assets	9,943,997	13,638,027
Total liabilities and net assets	$ 15,075,534	$ 15,738,566

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

READING PARTNERS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020 with Summarized Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundation grants	$ 6,067,006	$ 3,199,250	$ 9,266,256	$ 14,328,504
Government contracts and grants	6,436,891	10,000	6,446,891	5,244,122
Individual gifts	2,971,059	456,315	3,427,374	2,654,965
Corporate contributions	1,378,156	280,635	1,658,791	2,959,312
Special event income - net of costs of direct benefit to donors of $108,914	230,856	35,000	265,856	665,060
Contributions in-kind	3,440,585	-	3,440,585	2,695,954
Total support	20,524,553	3,981,200	24,505,753	28,547,917
Revenue				
Tutoring service fees	3,752,367	-	3,752,367	3,976,036
Other income	356,742	-	356,742	358,945
Total revenue	4,109,109	-	4,109,109	4,334,981
Total support and revenue	24,633,662	3,981,200	28,614,862	32,882,898
Net assets released from restrictions	9,389,076	(9,389,076)	-	-
Total support and revenue	34,022,738	(5,407,876)	28,614,862	32,882,898
EXPENSES				
Program services	25,557,387	-	25,557,387	24,086,494
Supporting services:				
Management and general	3,284,852	-	3,284,852	3,044,662
Fundraising	3,466,653	-	3,466,653	2,687,853
Total supporting services	6,751,505	-	6,751,505	5,732,515
Total expenses	32,308,892	-	32,308,892	29,819,009
CHANGE IN NET ASSETS	1,713,846	(5,407,876)	(3,694,030)	3,063,889
NET ASSETS - beginning of year	964,473	12,673,554	13,638,027	10,574,138
NET ASSETS - end of year	$ 2,678,319	$ 7,265,678	$ 9,943,997	$ 13,638,027

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

READING PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020 with Summarized Comparative Totals for 2019

	2020					
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	2019 Total Expenses
Salaries and related expenses:						
Salaries and wages	$ 15,429,235	$ 1,652,885	$ 2,461,697	$ 4,114,582	$ 19,543,817	$ 17,804,948
Employee benefits	2,137,800	377,247	378,610	755,857	2,893,657	2,400,006
Payroll taxes	1,164,004	108,824	174,438	283,262	1,447,266	1,379,483
Total salaries and related expenses	18,731,039	2,138,956	3,014,745	5,153,701	23,884,740	21,584,437
In-kind rent, services, and goods	3,434,075	60,000	15,000	75,000	3,509,075	2,765,805
Occupancy	923,983	545,307	191,876	737,183	1,661,166	1,868,104
Consultants and professional services	457,235	171,693	148,560	320,253	777,488	989,919
Books and supplies	466,206	44,294	14,409	58,703	524,909	713,734
Technology related expenses	303,017	119,419	36,415	155,834	458,851	416,822
Marketing and publicity	218,768	16,155	6,783	22,938	241,706	282,052
Travel	129,707	24,788	28,521	53,309	183,016	245,620
Professional development	63,986	9,157	5,404	14,561	78,547	68,376
Other	755,369	135,397	107,839	243,236	998,605	1,026,044
Total expenses before depreciation	25,483,385	3,265,166	3,569,552	6,834,718	32,318,103	29,960,913
Depreciation	74,002	19,686	6,015	25,701	99,703	151,193
Total expenses by function	25,557,387	3,284,852	3,575,567	6,860,419	32,417,806	30,112,106
Less expenses netted against special event income on the statement of activities	-	-	(108,914)	(108,914)	(108,914)	(293,097)
Total expenses	$ 25,557,387	$ 3,284,852	$ 3,466,653	$ 6,751,505	$ 32,308,892	$ 29,819,009

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

READING PARTNERS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,694,030)	$ 3,063,889
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	99,703	151,193
Changes in operating assets and liabilities		
Receivables	3,351,480	(51,977)
Prepaid expenses	(121,982)	(45,189)
Other assets	(2,315)	967
Deposits	3,700	-
Accounts payable	(88,585)	120,431
Accrued liabilities	106,833	212,682
Deferred revenue	34,719	(13,000)
Deferred rent	(91,969)	181,540
Net cash (used in) provided by operating activities	(402,446)	3,620,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(79,687)	(22,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable - PPP Loan	3,070,000	-
Net increase in cash and cash equivalents	2,587,867	3,598,246
CASH AND CASH EQUIVALENTS - beginning of year	4,413,044	814,798
CASH AND CASH EQUIVALENTS - end of year	$ 7,000,911	$ 4,413,044
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 12,917	$ 4,041

1. ORGANIZATION

An evidence-based and community driven literacy organization, Reading Partners (the "Organization") recruits, trains, and supports community volunteers as they work one-on-one with students for 45 minutes twice a week, using a structured, easy-to-follow, research-based curriculum. Reading Partners' program helps K-5 students in under-resourced schools who struggle with reading, gain foundational literacy skills, such as alphabet knowledge, letter-sound correspondence, phonics, fluency, and vocabulary, and make the all-important shift from learning to read to reading to learn. With the vision that all students will have the literacy skills they need to reach their full potential, Reading Partners helps put students on a path to achieving reading proficiency and becoming confident, lifelong readers.

In 1999, three community leaders founded Reading Partners. The Organization was incorporated as a 501(c)(3) under the name YES Reading in 2001 and changed its name to Reading Partners in 2008. In 2010, Reading Partners grew from a regional organization in California to a national organization. In the 2019-20 school year, which was affected by COVID-19 school campus closures that stopped tutoring for the final 2 1/2 months of the school year, Reading Partners engaged nearly 12,000 community tutors to serve over 8,400 students in 215 schools in 13 geographic regions across the country.

2. PROGRAM SERVICES

One-on-One Reading Program

Reading Partners empowers elementary students in under-resourced communities to reach their full potential by ensuring they have the foundational reading skills necessary for academic, professional, and life success. To support this effort, we recruit, train, and support community volunteers to provide individualized instruction in local Title I elementary schools to students who struggle with reading. Our program uses an approach customized by grade level: for kindergarteners through second-graders, we help students focus on developing mastery of key foundational literacy skills; for third- and fourth-graders, we help students further develop the complex reading skills necessary to be on track for grade-level reading proficiency.

In each school with which we partner, Reading Partners transforms a dedicated space into a reading center and recruits at least 50 volunteer tutors to serve 40 or more students. Our student-tutor pairs work together for 45 minutes twice per week, following an individualized reading plan tailored to each student's particular needs and strengths as well as Reading Partners' strategic goals for student reading achievement. To execute this plan, tutors use Reading Partners' curriculum, a series of research-based, structured lesson plans that focus on knowledge of the alphabet, phonics instruction, fluency, and early comprehension skills for early readers to more advanced comprehension instruction and practice for students who have mastered many of the foundational literacy skills. We assess students three times per year to monitor their progress toward grade-level achievement goals and to help advise tutors on how to best support their students. The results are dramatic: in the 2019-20 school year, 75% of all Reading Partners students were meeting or exceeding their primary end-of-year literacy growth goal by mid-March 2020 (again, tutoring was shortened by COVID-19). Additionally, 78% of kindergarteners through second-graders were developing mastery of grade-appropriate foundational reading skills needed to read at grade level.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is as follows:

Basis of Accounting

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 (GAAP).

Basis of Presentation

The net assets of the Organization are reported in groups as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions

Net assets received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in bank, petty cash on hand, and funds held in a money market account.

Receivables

Accounts, Government Contracts and Grants

The accounts, government contracts and grants receivable consist of amounts due from government agencies under various cost-reimbursement and fee for service agreements. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2020, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables (continued)

Pledges

Unconditional promises to give are recognized as support in the period the pledge is made. Pledges receivable are recorded at their cash value if expected to be collected in one year and at their net realizable value if expected to be collected in more than one year. The net realizable value is measured at the present value of future cash flows using a risk-free discounted rate of return applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Management believes all pledges receivable are collectible, therefore, no allowance for doubtful accounts has been provided. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Rent

The Organization received a contribution for the use of office space through January 31, 2022. The fair value of the donated rent, adjusted for consumer price index increases, is recorded as donated rent receivable and net assets with donor restrictions. Donated rent is amortized as in-kind rent expense on a monthly basis and shown as net assets released from restrictions.

Revenue Recognition

Grants and Contributions

Revenue recognition for contribution and grant income is evaluated under Accounting Standards Update ("ASU") 2018-08, and is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in 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.

Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and contributions become unconditional. At June 30, 2020, government grants amounting to $58,749 have not been recognized in the accompanying financial statements because the conditions to incur qualifying expenses had not been met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions In-Kind

Tutoring Facilities and Office Space

The Organization receives donated dedicated space in schools where it provides its core program (see Note 11). The fair value of the donated space is determined by the school based on square footage of the dedicated space and the appropriate market value of rent for the space. The fair value is estimated using information provided to the Organization by the school. In addition, the Organization receives donated office space, which is recorded at fair value using information provided to the Organization by the donor.

Services

Contributed services, which require specialized skills and which the Organization would have paid for if not donated, are recorded at their fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. These contributed services are not reflected in the accompanying financial statements.

Other Contributions In-Kind

Donated products and supplies are recorded at their fair value as of the date of the donation.

Tutoring Service Fees

Tutoring service fees are recognized as revenue when earned. All tutoring service fees are defined as program income per federal grant guidelines. Therefore, all tutoring fees earned during the fiscal year were required to be used to supplement expenses funded by the Organization's federal grants at the locations where earned.

Property and Equipment

Property and equipment with an original purchase price in excess of $2,500 are recorded at cost or fair value for donated items. Costs of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the lesser of the estimated useful lives or the duration of the lease term. Depreciation is charged to the activity benefiting from the use of the property or equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Rent

The Organization has certain lease agreements that provide for rent escalations during the lease terms. The Organization records rent expense on a straight-line basis over the term of the respective lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable tax authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of the indirect salary expense allocation is based on estimated time spent by individual employees. Other indirect costs are prorated based on salary expense or allocated based on estimated usage.

Concentrations

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts.

The Organization is dependent on federal grants from the Corporation for National and Community Service (CNCS). If the level of these grants varies, there may be a resulting effect upon the level and types of activities and program services offered by the Organization. For the year ended June 30, 2020, approximately 75% of government grant and contract revenues and 17% of total revenue was from CNCS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

New Accounting Pronouncements

The Financial Accounting Standards Board, referred to as FASB, issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09 ") which supersedes existing revenue recognition guidance under current GAAP. This standard is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In doing so, among other things, entities will generally need to use more judgment and make more estimates than under the current guidance. The standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 is effective for financial statements issued for fiscal years beginning after December 15, 2019. The new standard will be effective for the Organization for the year ending June 30, 2021. The Organization has not determined the full effect of the standard on its financial statements and related notes to the financial statements.

The FASB also issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the year ending June 30, 2023, and early adoption is permitted. The Organization is currently evaluating the timing of its adoption and the impact on its financial statements.

The FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities* ("ASU 2020-05") to defer the effective dates of the ASU 2014-09 and ASU 2016-02 to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. The deferral of the effective dates of ASU 2014-09 and ASU 2016-02 are reflected in the aforementioned paragraphs.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, which represents the date the financial statements were available to be issued.

4. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange transaction (reciprocal) transactions and (2) determining whether a contribution in conditional or unconditional. The adoption of ASU 2018-08 under the prospective method effective July 1, 2019 did not have a material effect on the Organization's financial position or results of operations.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

During the year ended June 30, 2020, the Organization had an increase in net assets without donor restrictions of about $1,700,000, increasing the net assets without donor restrictions from approximately $964,000 at June 30, 2019 to surplus of $2,600,000 at June 30, 2020.

Management has made significant progress in improving the Organization's cash flows by controlling costs and finding adequate resources to fund operations. Management has increased the change in net assets without donor restrictions from approximately $1,400,000 for the year ended June 30, 2019 to approximately $1,700,000 for the year ended June 30, 2020. The Organization has a line of credit which is available for use to temporarily fund gaps in cash flows primarily related to cost-reimbursement grants. As of June 30, 2020, the Organization had $4,000,000 available under the line of credit. The line of credit matures on January 30, 2021. Management plans to renew the line of credit for another year from the date of maturity.

Financial assets at June 30, 2020:	
Cash and cash equivalents	$ 7,000,911
Receivables	
Accounts and grants	477,909
Government contracts	1,110,561
Pledges - net	4,145,758
Total financial assets	12,735,139
Less amounts not available to be used within one year	(1,533,219)
Financial assets available to meet general expenditures within one year	$ 11,201,920

6. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020, consisted of the following:

Total pledges receivable	$	5,611,432
Present value discount		(18,531)
		5,592,901
Less: current portion		(4,145,758)
Total pledges receivable - long-term - net	$	1,447,143

Pledges receivable are expected to be collected as follows:

Year ending June 30,		
2021	$	4,145,758
2022		1,315,674
2023		150,000
		5,611,432
Less: present value discount		(18,531)
Total pledges receivable - net	$	5,592,901

7. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2020 consisted of the following:

Curriculum	$	1,053,720
Furniture and equipment		162,904
Website		16,281
Software		116,271
Leasehold improvements		20,358
		1,369,534
Less: accumulated depreciation and amortization		(1,230,684)
Total property and equipment - net	$	138,850

Depreciation and amortization expense for the year ended June 30, 2020 was $99,703.

8. LINE OF CREDIT

The Organization has a $4,000,000 line of credit with Union Bank of California that matures on January 30, 2021. The line of credit bears interest at the Wall Street Journal prime rate plus 0.5% per annum (3.75% at June 30, 2020). The line of credit agreement contains financial covenants that require, among other matters, that the Organization to maintain a minimum current ratio and total net assets. At June 30, 2020, there was no outstanding balance on the line of credit. For the year ended June 30, 2020, interest expense amounted to $12,917.

9. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended June 30, 2020, the Organization applied for and received a Paycheck Protection Program (PPP) loan in the amount of $3,070,000 at a 1% interest rate. The maturity date is two years from the date of the first disbursement (which has been extended to five years with the subsequent passing of the Paycheck Protection Program Flexibility Act of 2020). Monthly payments of principal and interest are deferred until December 1, 2020. Interest accrues during the deferment period. The Organization may apply for loan forgiveness up to the full amount for certain qualifying costs incurred during the deferment period.

10. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions as of June 30, 2020 consisted of the following:

Purpose restricted	$	75,000
Time restricted		7,190,678
Total net assets with donor restrictions	$	7,265,678

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Purpose restriction accomplished	$	207,000
Time restriction accomplished		9,182,076
Total net assets released from restrictions	$	9,389,076

11. CONTRIBUTIONS IN-KIND

The fair value of donated books, services, supplies, and facilities are recorded as contributions. During the year ended June 30, 2020, the following in-kind contributions were received by the Organization:

Facilities	$ 2,989,552
Other contributions	451,033
Total contributions in-kind	$ 3,440,585

12. RETIREMENT PLAN

The Organization sponsors a defined contribution plan for eligible employees under Section 403(b) of the Internal Revenue Code (IRC). All full time employees are eligible to participate in the plan. No employer contributions were made to the plan by the Organization for the year ended June 30, 2020.

The Organization also sponsors a defined contribution plan for management and highly compensated employees under Section 457(b) of the IRC. Members of management and highly compensated employees as defined by IRC Section 414(q) are eligible to participate in the plan if they are approved by the Retirement Committee. No employer contributions were made to the plan by the Organization for the year ended June 30, 2020.

13. COMMITMENTS

The Organization leases office space in various cities throughout the United States. The leases expire at various periods through 2025 with monthly rental payments of up to $72,138. The Organization also subleases office space at its headquarters. Sublease rental income was $321,755 for the year ended June 30, 2020. Rent expense for the year ended June 30, 2020, was $1,280,063.

13. COMMITMENTS (continued)

Future minimum lease payments, reduced by future sublease income, are as follows:

Year ending June 30,		
2021	$	917,561
2022		268,283
2023		71,342
2024		57,117
2025		19,160
	$	1,333,463

14. CONTINGENCIES

Amounts received and expended by the Organization under federally funded programs are subject to audit by oversight governmental agencies. The Organization's management believes that potential adjustments, if any, resulting from such audits will not have a significant effect on the Organization's financial statements.

From time to time, the Organization may be a party to certain actions in the ordinary course of business. In the opinion of management, the outcome of such matters, if there were any, would not have a material effect on the financial statements.

15. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic. The worldwide spread of COVID-19 is has resulted in a global slowdown of economic activity. As a result, The Organization has experienced negative impacts to the results of its operations and its financial position. Currently, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. While the Organization expects this matter to negatively impact its operations and financial position, the related financial impact cannot be reasonably estimated at this time. In response to COVID-19, the Organization obtained a PPP loan in the amount of $3,070,000 (refer to Note 9).

SUPPLEMENTARY INFORMATION

READING PARTNERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Pass-through Identifying Number	Total Federal Expenditures
Direct Awards:			
Corporation for National Community Service:			
AmeriCorps - National	94.006	17EDHCA002	$ 1,115,515
Total Corporation for National Community Service Direct Award			1,115,515
Pass-through Awards from:			
Corporation for National Community Service:			
AmeriCorps - California Volunteers	94.006	15ACHY22-C132	1,202,544
AmeriCorps - Maryland	94.006	18ACHMD0010003	405,985
AmeriCorps - Washington D.C.	94.006	19FXHDC0020001	562,104
AmeriCorps - New York	94.006	18ACHNY001 (C027903)	521,181
AmeriCorps - Texas OneStar - Fixed	94.006	17ESHTX001	632,747
AmeriCorps - South Carolina	94.006	18ESHSC0010002	394,992
Total Corporation for National Community Service pass-through program			3,719,553
Total Federal Expenditures			$ 4,835,068

See accompanying notes to schedule of expenditures of federal awards.
See independent auditor's report.

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Reading Partners under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Reading Partners, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Reading Partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CFDA numbers and pass-through entity identification numbers are presented where available.

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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Certified Public Accountants
and Financial Advisors

Squar Milner LLP

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Reading Partners

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Reading Partners (the "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, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SQUAR MILNER LLP

Squar Milner LLP

San Francisco, California
October 22, 2020

squarmilner
Certified Public Accountants
and Financial Advisors

Squar Milner LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Reading Partners

Report on Compliance for Each Major Federal Program

We have audited Reading Partners' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SQUAR MILNER LLP

Squar Milner LLP

San Francisco, California
October 22, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?		____ yes	x no
Significant deficiencies identified that are not considered to be material weakness(es)?		____ yes	x none reported
Noncompliance material to financial statements noted?		____ yes	x no

Federal Awards

Internal control over major program:			
Material weakness(es) identified?		____ yes	x no
Significant deficiencies identified that are not considered to be material weakness(es)?		____ yes	x none reported
Type of auditor's report issued on compliance for major program:	Unmodified		
Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)		____ yes	x no

Major programs:

CFDA Number(s)	Name of Federal Program or Cluster
94.006	Corporation for National Community Service

Dollar threshold used to distinguish between Type A and B programs: $750,000

Auditee qualified as low-risk auditee? ____ yes x no

 See independent auditor's report.