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Reading Partners

Financial Statements

June 30, 2022 with summarized
comparative totals for 2021

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report

To the Board of Directors
Reading Partners

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reading Partners (the "Organization"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audits. 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 the 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.

Auditors' 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 auditors' 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.

Report on Summarized Comparative Information

We have previously audited Reading Partners 2021 financial statements, and we expressed an unmodified opinion on those financials statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
November 8, 2022

READING PARTNERS
STATEMENT OF FINANCIAL POSITION
June 30, 2022 with Comparative Totals for 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 32,350,686	$ 11,362,782
Receivables		
Grants	421,248	255,000
Fee for service contracts	915,480	438,195
Government contracts	2,007,220	537,104
Pledges - net	1,156,190	4,179,699
Donated rent	71,173	43,756
Prepaid expenses	506,430	538,570
Other assets	206,647	9,064
Total current assets	37,635,074	17,364,170
Pledges receivable - long-term	888,000	368,717
Donated rent receivable - long-term	42,540	-
Property and equipment - net	185,312	91,611
Deposits	58,102	80,409
Total assets	$ 38,809,028	$ 17,904,907
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 597,665	$ 227,141
Accrued liabilities	1,722,691	1,679,788
Deferred revenue - event income	-	24,166
Deferred revenue - fee for service	83,668	58,169
Deferred rent	53,512	42,085
Paycheck Protection Program loan - current	-	509,947
Total current liabilities	2,457,536	2,541,296
Paycheck Protection Program loan - net of current portion	-	1,428,925
Total liabilities	2,457,536	3,970,221
Net Assets		
Without donor restrictions	30,767,166	7,564,941
With donor restrictions	5,584,326	6,369,745
Total net assets	36,351,492	13,934,686
Total liabilities and net assets	$ 38,809,028	$ 17,904,907

READING PARTNERS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022 with Summarized Comparative Totals for 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundation grants	$ 25,010,849	$ 2,562,129	$ 27,572,978	$ 8,389,221
Government contracts and grants	9,403,563	25,000	9,428,563	7,405,651
Individual gifts	3,159,085	1,045,538	4,204,623	3,516,638
Corporate contributions	1,142,843	214,549	1,357,392	4,547,799
Special event income - net of costs of direct benefit to donors of $414,195	650,078	1,293,677	1,943,755	502,643
Contributed nonfinancial assets	669,733	-	669,733	1,260,693
Total support	40,036,151	5,140,893	45,177,044	25,622,645
Revenue				
Tutoring service fees	3,379,664	-	3,379,664	2,928,083
Loan forgiveness income	1,938,872	-	1,938,872	3,070,000
Other income	119,370	-	119,370	320,249
Total revenue	5,437,906	-	5,437,906	6,318,332
Total support and revenue	45,474,057	5,140,893	50,614,950	31,940,977
Net assets released from restrictions	5,926,312	(5,926,312)	-	-
Total support and revenue	51,400,369	(785,419)	50,614,950	31,940,977
EXPENSES				
Program services	23,264,743	-	23,264,743	22,539,329
Supporting services:				
Management and general	2,601,452	-	2,601,452	2,448,753
Fundraising	2,331,949	-	2,331,949	2,962,206
Total expenses	28,198,144	-	28,198,144	27,950,288
CHANGE IN NET ASSETS	23,202,225	(785,419)	22,416,806	3,990,689
NET ASSETS - beginning of year	7,564,941	6,369,745	13,934,686	9,943,997
NET ASSETS - end of year	$ 30,767,166	$ 5,584,326	$ 36,351,492	$ 13,934,686

READING PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022 with Summarized Comparative Totals for 2021

	2022				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Expenses	2021 Total Expenses
Salaries and related expenses:					
Salaries and wages	$ 15,071,483	$ 1,560,674	$ 1,735,488	$ 18,367,645	$ 18,376,335
Employee benefits	2,179,905	292,842	261,571	2,734,318	2,712,921
Payroll taxes	1,189,951	124,579	132,589	1,447,119	1,395,801
Total salaries and related expenses	18,441,339	1,978,095	2,129,648	22,549,082	22,485,057
Books and supplies	1,123,821	40,259	7,417	1,171,497	494,275
Occupancy	844,614	172,853	32,884	1,050,351	1,487,472
Consultants and professional services	659,571	224,128	53,187	936,886	553,087
In-kind rent, services, and goods	571,404	25,219	3,152	599,775	1,331,193
Membership, dues and subscription	492,848	83,191	22,870	598,909	510,271
Event expenses	-	-	414,195	414,195	85,874
Marketing and publicity	146,454	10,202	24,651	181,307	180,099
Travel	135,247	15,660	24,790	175,697	18,662
Professional development	131,864	9,852	4,554	146,270	123,341
Payroll service fees	95,471	8,597	375	104,443	81,139
Office supplies	61,617	4,639	13,576	79,832	53,793
Equipment rental	39,285	3,043	380	42,708	43,103
Other	490,551	24,944	14,396	529,891	528,058
Total expenses before depreciation and amortization	23,234,086	2,600,682	2,746,075	28,580,843	27,975,424
Depreciation and amortization	30,657	770	69	31,496	60,738
Total expenses by function	23,264,743	2,601,452	2,746,144	28,612,339	28,036,162
Less expenses netted against special event income on the statement of activities	-	-	(414,195)	(414,195)	(85,874)
Total expenses	$ 23,264,743	$ 2,601,452	$ 2,331,949	$ 28,198,144	$ 27,950,288

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

READING PARTNERS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022 with Comparative Totals for 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 22,416,806	$ 3,990,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,496	60,738
Loan forgiveness income	(1,938,872)	(3,070,000)
Changes in operating assets and liabilities		
Receivables	320,620	1,476,475
Prepaid expenses	32,140	(52,613)
Other assets	(197,583)	(47)
Deposits	22,307	61,445
Accounts payable	370,524	(12,084)
Accrued liabilities	42,903	160,819
Deferred revenue	1,333	(33,384)
Deferred rent	11,427	(145,539)
Net cash provided by operating activities	21,113,101	2,436,499
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(125,197)	(13,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable - Paycheck Protection Program Loan	-	1,938,872
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,987,904	4,361,871
CASH AND CASH EQUIVALENTS - beginning of year	11,362,782	7,000,911
CASH AND CASH EQUIVALENTS - end of year	$ 32,350,686	$ 11,362,782
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ -	$ 6,375

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

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 2021-22 school year, which continued to be impacted by COVID-19 vaccination policies and school closures at different times, Reading Partners engaged over 5,800 community tutors to serve over 5,300 students in 181 schools in 12 geographic regions across the country. By the end of the school year, Reading Partners delivered over 138,000 1-1 tutoring sessions in total, nearly half (49%) of which were through its online Reading Partners Connects platform. Reading Partners also supported over 7,400 additional students through non-tutoring services, including take-home books and literacy packets, access to a digital library of ebooks, and family engagement workshops focused on literacy practices to use in the home.

As Reading Partners enters the 2022-23 school year and looks to the future, the Organization intends to leverage its traditional in-person model as well as Reading Partners Connects and other program innovations to positively impact more students 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 are behind grade level in 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.

2. PROGRAM SERVICES (continued)

One-on-One Reading Program *(continued)*

In each school with which we partner, Reading Partners transforms a dedicated space into a reading center and recruits at least 40 volunteer tutors to serve 30 or more students. Our student-tutor pairs work together (either in-person or online via Reading Partners Connects) 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 (the ability to read connected text quickly, accurately, and with expression), and early comprehension skills for beginning readers to more advanced vocabulary and 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 program goals and grade-level achievement and to help advise tutors on how to best support their students. Despite school attendance, absenteeism and ongoing challenges related to the COVID-19 pandemic, year-end student outcomes continued to be strong: in the 2021-22 school year, 82% of Reading Partners' kindergarteners through second graders and 77% of all Reading Partners students met or exceeded their primary end-of-year literacy growth goals. During the past two school years, student performance has remained high despite the immense educational challenges posed by the pandemic.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and amortization are charged to the activity benefiting from the use of the property or equipment.

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.

Receivables

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, 2022, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

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. Management has discounted these promises to give to the anticipated net present value of the future cash flows if there is material change reflected in the rates. For the year ended June 30, 2022, any discount was considered insignificant to the financial statements. At June 30, 2022, management believes all pledges receivable are collectible, therefore, no allowance for doubtful pledges 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables *(continued)*

Donated Rent

The Organization received a contribution for the use of office space through January 31, 2024. 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 straight-line basis and shown as net assets released from restrictions on the Statement of Activities.

Revenue Recognition

Grants and Contributions

Revenue recognition for contribution and grant income is evaluated under ASC 958 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, 2022, government grants amounting to $1,427,535 have not been recognized in the accompanying financial statements because the conditions to incur qualifying expenses had not been met.

Contributed Nonfinancial Assets

Facilities

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 by using hourly billing rates 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition *(continued)*

Materials

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

Tutoring Service Fees

Revenue recognition for contract income is evaluated under Accounting Standards Codification ("ASC") 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Tutoring service fees revenue consists of contracts that the Organization enters into with various schools to operate a tutoring program for students. The Organization's performance obligation generally consists of the promise to provide a service of tutoring. Revenue for tutoring services is recognized over time as the services are completed.

Revenue is based on the consideration specified in the contract for the exchange of services. Payment terms are typically 30 days. There are no variable considerations.

Accounts receivable and contract liabilities are recorded under fee for service contracts at $915,480 and deferred revenue – fee for service at $83,668, respectively, as shown on the accompanying Statement of Financial Position.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2021, from which the summarized information was derived.

Recent Accounting Standards

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization does not believe that the adoption of Topic 842 (as amended) will have a material effect on its results of operations, financial position or cash flows.

Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the current year presentation.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through November 8, 2022, which represents the date the financial statements were available to be issued.

4. NEWLY ADOPTED ACCOUNTING STANDARDS

Effective July 1, 2021, the Organization adopted 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 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. The adoption of ASU 2020-07 did not have a material impact on financial statement presentation when applied retrospectively to all periods presented.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

During the year ended June 30, 2022, the Organization had an increase in net assets without donor restrictions of about $23,200,000, increasing the net assets without donor restrictions from approximately $7,600,000 at June 30, 2021 to surplus of $30,800,000 at June 30, 2022.

Management has made significant progress in improving the Organization's cash flows by controlling costs and finding adequate resources to fund operations.

At June 30, 2022, financial assets available to meet general operating expenditures within one year consist of the following:

Financial assets at June 30, 2022:	
Cash and cash equivalents	$ 32,350,686
Receivables	
Grants	421,248
Fee for service contracts	915,480
Government contracts	2,007,220
Pledges	2,044,190
Total financial assets	37,738,824
Less long term receivables not available to be used within one year	(888,000)
Less restricted amounts not available to be used within one year	(1,123,000)
Financial assets available to meet general expenditures within one year	$ 35,727,824

6. PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

Year ending June 30,		
2023	$	1,156,190
2024		888,000
	$	2,044,190

7. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2022 consisted of the following:

Curriculum	$	1,162,517
Furniture and equipment		162,904
Equipment		29,898
Website		16,281
Software		116,271
Leasehold improvements		20,358
		1,508,229
Less: accumulated depreciation and amortization		(1,322,917)
Total property and equipment - net	$	185,312

8. LINE OF CREDIT

The Organization has a $4,000,000 line of credit with Union Bank of California that matures on April 30, 2024. The line of credit bears interest at reference rate plus 0.5% per annum (3.75% at June 30, 2022). The line of credit agreement contains financial covenants that require, among other matters, that the Organization maintain a minimum current ratio and total net assets. At June 30, 2022, there was no outstanding balance on the line of credit.

9. PAYCHECK PROTECTION PROGRAM LOAN

In March 2021, the Organization received the second draw of loan proceeds in the amount of $1,938,872 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness in December 2021. Legal release was received during June 2022, therefore the Organization recorded forgiveness income of $1,938,872 within its Statement of Activities for the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

10. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions as of June 30, 2022 consisted of the following:

Purpose and time restricted	$ 5,479,326
Purpose restricted	105,000
Total net assets with donor restrictions	$ 5,584,326

Net assets were released from restrictions during the year ended June 30, 2022 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Purpose restriction accomplished	$ 4,531,312
Time restriction accomplished	1,395,000
Total net assets released from restrictions	$ 5,926,312

11. CONTRIBUTED NONFINANCIAL ASSETS

The fair value of donated books, services, supplies, and facilities are recorded as contributed nonfinancial assets. During the year ended June 30, 2022, the following contributed nonfinancial assets were received by the Organization:

Facilities	$	570,618
Services		90,672
Materials		8,443
Total contributed nonfinancial assets	$	669,733

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. Employer contributions to the plan were $133,703 for the year ended June 30, 2022.

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. Employer contributions to the plan were $21,365 for the year ended June 30, 2022.

13. COMMITMENTS

The Organization leases office space in various cities throughout the United States. The leases expire at various dates through October 2025 with monthly rental payments ranging from $1,069 to $9,525. The Organization also subleases office space at its headquarters. Sublease rental income was $76,759 for the year ended June 30, 2022. Rent expense for the year ended June 30, 2022 was $655,624.

At June 30, 2022, future minimum lease payments are as follows:

Year ending June 30,		
2023	$	468,711
2024		323,308
2025		183,728
2026		23,788
	$	999,535

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. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the Organization received contributions from Board Members amounting to $1,122,851.

16. 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, 2022, approximately 76% of government grant and contract revenues and 14% of total revenue was from CNCS.

The Organization received 60% of their contributions from one donor and 13% of their fee for services from one contract. In addition, the Organization had 25% of their year end receivables from two donors.