Reading Partners

Financial Statements

June 30, 2023

Independent Auditors' Report

To the Board of Directors of
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 statement of financial position as of June 30, 2023, 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, 2023, 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 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 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.

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 2022 financial statements, and we expressed an unmodified opinion on those financials statements in our report dated November 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

San Francisco, California
November 9, 2023

Reading Partners

Statement of Financial Position
June 30, 2023
With Summarized Comparative Totals for 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 4,248,273	$ 32,350,686
Investments	24,911,728	-
Receivables:		
Grants	1,606,790	421,248
Fee for service contracts	696,778	915,480
Government contracts	1,175,303	2,007,220
Pledges, net	5,407,333	1,156,190
Donated rent	42,540	71,173
Prepaid expenses	616,362	506,430
Other assets	8,700	206,647
Total current assets	38,713,807	37,635,074
Pledges Receivable, Long-term, Net	1,882,623	888,000
Donated Rent Receivable, Long-Term	-	42,540
Property and Equipment, Net	184,693	185,312
Right-of-Use Assets, Operating Leases	885,455	-
Right-of-Use Assets, Finance Leases	52,813	-
Deposits	71,299	58,102
Total assets	$ 41,790,690	$ 38,809,028
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 455,361	$ 597,665
Accrued expenses	724,305	472,929
Accrued payroll and related liabilities	1,515,189	1,249,762
Deferred revenue, fee for service	19,610	83,668
Deferred rent	-	53,512
Operating lease liability, current	474,584	-
Finance lease liability, current	13,364	-
Total current liabilities	3,202,413	2,457,536
Operating Lease Obligation, Less Current Portion	448,480	-
Finance Lease Obligation, Less Current Portion	39,449	-
Total liabilities	3,690,342	2,457,536
Net Assets		
Without donor restrictions	28,405,091	30,767,166
With donor restrictions	9,695,257	5,584,326
Total net assets	38,100,348	36,351,492
Total liabilities and net assets	$ 41,790,690	$ 38,809,028

See notes to financial statements

Reading Partners

Statement of Activities
For the Year Ended June 30, 2023
With Summarized Comparative Totals for the Year Ended June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Support:				
Foundation grants	$ 6,957,720	$ 6,148,411	$ 13,106,131	$ 27,572,978
Government contracts and grants	10,603,921	-	10,603,921	9,428,563
Individual gifts	2,545,750	277,004	2,822,754	4,204,623
Corporate contributions	3,196,238	1,371,500	4,567,738	1,357,392
Special event income, net of costs of direct benefit to donors of $731,543	395,688	794,369	1,190,057	1,943,755
Contributed nonfinancial assets	710,465	-	710,465	669,733
Total support	24,409,782	8,591,284	33,001,066	45,177,044
Revenue:				
Tutoring service fees	3,205,086	-	3,205,086	3,379,664
Loan forgiveness income	-	-	-	1,938,872
Investment income - net	1,829,141		1,829,141	-
Other income	46,800	20,000	66,800	119,370
Total revenue	5,081,027	20,000	5,101,027	5,437,906
Total support and revenue	29,490,809	8,611,284	38,102,093	50,614,950
Net assets released from restrictions	4,500,353	(4,500,353)	-	-
Total support and revenue	33,991,162	4,110,931	38,102,093	50,614,950
Expenses				
Program services	29,772,826	-	29,772,826	23,264,743
Supporting services:				
Management and general	3,478,776	-	3,478,776	2,601,452
Fundraising	3,101,635	-	3,101,635	2,331,949
Total expenses	36,353,237	-	36,353,237	28,198,144
Change in net assets	(2,362,075)	4,110,931	1,748,856	22,416,806
Net Assets, Beginning	30,767,166	5,584,326	36,351,492	13,934,686
Net Assets, Ending	$ 28,405,091	$ 9,695,257	$ 38,100,348	$ 36,351,492

See notes to financial statements

Reading Partners

Statement of Functional Expenses
For the Year Ended June 30, 2023
With Summarized Comparative Totals for the Year Ended June 30, 2022

	2023				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Expenses	2022 Total Expenses
Salaries and related expenses:					
Salaries and wages	$ 18,572,844	$ 1,844,828	$ 1,843,499	$ 22,261,171	$ 18,367,645
Employee benefits	2,604,685	284,358	265,872	3,154,915	2,734,318
Payroll taxes	1,544,896	134,359	135,971	1,815,226	1,447,119
Total salaries and related expenses	22,722,425	2,263,545	2,245,342	27,231,312	22,549,082
Books and supplies	1,133,386	32,423	26,916	1,192,725	1,171,497
Occupancy	942,633	80,342	24,773	1,047,748	1,050,351
Consultants and professional services	2,028,860	849,846	660,327	3,539,033	936,886
In-kind rent, services, and goods	781,637	-	-	781,637	599,775
Event expenses	-	-	731,543	731,543	414,195
Membership, dues and subscription	568,980	115,133	28,573	712,686	598,909
Other	542,862	34,094	25,421	602,377	529,891
Travel	266,595	64,472	61,256	392,323	175,697
Marketing and publicity	251,323	4,342	9,023	264,688	181,307
Payroll service fees	180,512	12,435	2,767	195,714	104,443
Professional development	167,227	10,267	7,346	184,840	146,270
Office supplies	95,554	7,702	9,291	112,547	79,832
Equipment rental	36,524	2,278	285	39,087	42,708
Total expenses before depreciation and amortization	29,718,518	3,476,879	3,832,863	37,028,260	28,580,843
Depreciation and amortization	54,308	1,897	315	56,520	31,496
Total expenses by function	29,772,826	3,478,776	3,833,178	37,084,780	28,612,339
Less expenses netted against special event income on the statement of activities	-	-	(731,543)	(731,543)	(414,195)
Total expenses	$ 29,772,826	$ 3,478,776	$ 3,101,635	$ 36,353,237	$ 28,198,144

See notes to financial statements

Reading Partners

Statement of Cash Flows
For the Year Ended June 30, 2023
With Summarized Comparative Totals for the Year Ended June 30, 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 1,748,856	$ 22,416,806
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	56,520	31,496
Amortization of operating and finance lease right of use assets	594,576	-
Loan forgiveness income	-	(1,938,872)
Realized and unrealized gains on investments	(1,176,645)	-
Changes in operating assets and liabilities:		
Receivables	(5,309,516)	320,620
Prepaid expenses	(109,932)	32,140
Other assets	197,947	(197,583)
Deposits	(13,197)	22,307
Accounts payable	(142,304)	370,524
Accrued expenses	251,376	42,903
Accrued payroll and related liabilities	265,427	-
Deferred revenue	(64,058)	1,333
Deferred rent	(53,512)	11,427
Lease liabilities	(552,087)	-
Net cash (used in) provided by operating activities	(4,306,549)	21,113,101
Cash Flows From Investing Activities		
Purchase of investments	(23,768,211)	-
Proceeds from sale of investments	34,083	-
Purchase of property and equipment	(55,009)	(125,197)
Net cash used in investing activities	(23,789,137)	(125,197)
Cash Flows From Financing Activities		
Principal payments on finance lease liabilities	(6,727)	-
Net cash used in financing activities	(6,727)	(125,197)
Net (decrease) increase in cash and cash equivalents	(28,102,413)	20,987,904
Cash and Cash Equivalents, Beginning	32,350,686	7,000,911
Cash and Cash Equivalents, Ending	$ 4,248,273	$ 32,350,686

See notes to 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, curriculum based on the science of reading. 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 2022-23 school year, Reading Partners engaged over 7,400 community tutors to serve over 6,000 students in 185 schools in 12 geographic regions across the country. By the end of the school year, Reading Partners delivered over 169,000 1-1 tutoring sessions in total, over one-quarter (27%) of which were through its online Reading Partners Connects platform. Reading Partners also supported students through non-tutoring services, including over 143,000 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 2023-24 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 AmeriCorps members and 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.

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' goals for student reading achievement. To execute this plan, tutors use Reading Partners' curriculum, a series of evidence-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. Year-end student outcomes continued to be strong and even better than the prior year: in the 2022-23 school year, 85% of Reading Partners' kindergarteners through second-graders and 82% of all Reading Partners students met or exceeded their primary end-of-year literacy growth goals.

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.

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 three to ten 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.

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, 2023, 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, 2023, the discount recorded on long-term receivables amounted to $101,377 and is netted against long-term pledges receivable on the accompanying statement of financial position. At June 30, 2023, 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.

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 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, 2023, government grants amounting to $1,424,702 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.

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 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 $696,778 and deferred revenue - fee for service at $19,610, 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.

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, 2022, from which the summarized information was derived.

Recently Issued Accounting Standards

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for the Organization for its year ending June 30, 2024 and early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2016-13 and its impact on its financial statements.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through November 9, 2023, which represents the date the financial statements were available to be issued.

4. New Accounting Pronouncements

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. At the date of adoption, the Organization recorded right-of-use assets and lease liabilities of $939,213 and $987,970, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provided for accounting policy election as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

- The Organization elected to account for its leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 16.

5. Investments

The Organization's investments consist of operating reserves and funds. The investments are managed as a single diversified portfolio governed by the Organization's investment policy, which sets asset allocation ranges for marketable securities and alternative investments.

Investments at June 30, 2023 are stated at estimated fair value and are comprised of the following:

	Fair Value	Historical Cost	Accumulated Unrealized Gains
Fixed income funds	$ 13,152,501	$ 13,115,340	$ 37,162
Domestic stock funds	6,384,621	7,127,164	(742,543)
International stock funds	4,197,077	4,668,341	(471,264)
Total	$ 23,734,199	24,910,845	(1,176,645)

At June 30, 2023, all of the Organization's investments are classified as Level 1.

Investment income for the year ended June 30, 2023 consist of the following:

Interest and dividends	$ 568,212
Unrealized gains	1,176,645
Interest income	84,284
Total	$ 1,829,141

6. Liquidity and Availability of Financial Assets

The Organization has sufficient liquidity sources at the date that the financial statements are issued to meet outstanding obligations.

The Organization has a line of credit which is available for use to temporarily funds gaps in cash flows primarily related to cost-reimbursement grants. As of June 30, 2023, the Organization has a $4,000,000 available under the line of credit. The line of credit matures of April 30, 2024. Management plans to review the line of credit for another year from the date of maturity.

The following table shows the total financial assets held by the Organization and the amount of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures as of June 30, 2023.

At June 30, 2023, financial assets available to meet general operating expenditures within one year consist of the following:

Financial assets at June 30, 2023:	
Cash and cash equivalents	$ 4,248,273
Investments	24,911,728
Receivables:	
Grants	1,606,790
Fee for service contracts	696,778
Government contracts	1,175,303
Pledges	7,289,956
Total financial assets	39,928,828
Less long term receivables not available to be used within one year	(1,997,623)
Less restricted amounts not available to be used within one year	(2,249,000)
Financial assets available to meet general expenditures within one year	$ 35,682,205

7. Pledges Receivable

Pledges receivable are expected to be collected as follows:

	Current (due within one year)	Due in 2 to 5 years	Total
Pledges receivable	$ 5,407,333	$ 1,984,000	$ 7,391,333
Discount to net present value	-	(101,377)	(101,377)
Total	$ 5,407,333	1,882,623	7,289,956

8. Property and Equipment

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2023 consisted of the following:

Curriculum	$ 1,198,003
Furniture and equipment	176,465
Equipment	29,898
Website	16,281
Software	116,271
Leasehold improvements	20,358
	1,557,276
Less accumulated depreciation and amortization	(1,372,583)
Total property and equipment, net	$ 184,693

9. 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 (8% at June 30, 2023). 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, 2023, there was no outstanding balance on the line of credit.

10. Net Assets With Donor Restrictions

The Organization's net assets with donor restrictions as of June 30, 2023 consisted of the following:

Purpose and time restricted	$ 9,434,715
Purpose restricted	260,542
Total net assets with donor restrictions	$ 9,695,257

Net assets were released from restrictions during the year ended June 30, 2023 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Purpose restriction accomplished	$ 4,380,353
Time restriction accomplished	120,000
Total net assets released from restrictions	$ 4,500,353

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, 2023, the following contributed nonfinancial assets were received by the Organization:

Facilities	$ 641,546
Services	68,919
Total contributed nonfinancial assets	$ 710,465

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, 2023.

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, 2023.

13. 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.

14. Related-Party Transactions

During the year ended June 30, 2023, the Organization received contributions from Board Members amounting to $250,000.

15. 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. With the developments in the banking sector in March 2023, the Organization is evaluating steps to mitigate its risk as it relates to cash in excess of FDIC limits.

The Organization's investments are subject to various risks such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

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, 2023, approximately 75% of government grant and contract revenues and 21% 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 23% of their year end receivables from two donors.

16. Leases

The Organization has various operating and finance leases for office spaces and equipment with lease payments ranging from $249 to $9,537.

Effective July 1, 2022, the Organization adopted ASC No. 842 and related amendments (refer to Note 4).

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

The Organization does not have any material leasing transactions with related-parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2023:

Right-of-use assets:	
Operating leases	$ 885,455
Finance leases	52,813
Total right-of-use assets	$ 938,268
Lease liabilities:	
Current operating lease liabilities	$ 474,585
Current finance lease liabilities	13,364
Long-term operating lease liabilities	448,479
Long-term finance lease liabilities	39,449
Total lease liabilities	$ 975,877

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2023:

	Operating Leases	Finance Leases
Year ending June 30:		
2024	$ 496,180	$ 14,988
2025	311,674	14,988
2026	93,944	14,988
2027	33,265	9,466
2028	19,136	2,241
Total lease payments	954,199	56,671
Less present value discount	(31,134)	(3,858)
Total lease liabilities	923,064	52,813
Less current portion	(474,585)	(13,364)
Long-term lease liabilities	$ 448,479	$ 39,449

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating leases	$ 552,087
Finance leases	6,727
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 1,369,009
Finance leases	59,668

The right-of-use assets are lease liabilities were calculated using discount rates that range from 3.04% to 3.90% for finance leases and 2.88% to 3.96% for operating leases. As of June 30, 2023, the weighted average remaining lease term for 3.86 years for finance leases and 2.31 years for operating leases.