

Reading Partners

Financial Statements

June 30, 2025

Reading Partners

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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, 2025, 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, 2025, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 2024 financial statements, and we expressed an unmodified opinion on those financials statements in our report dated January 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

San Francisco, California
December 15, 2025

Reading Partners

Statement of Financial Position

June 30, 2025

With Summarized Comparative Totals for 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,593,520	\$ 3,140,700
Investments	15,900,736	21,259,524
Receivables:		
Grants	410,976	1,773,570
Fee for service contracts	1,973,459	1,050,923
Government contracts	1,117,529	1,772,139
Pledges, net	833,875	2,921,875
Prepaid expenses	468,024	618,006
Other assets	5,645	5,388
	<u>23,303,764</u>	<u>32,542,125</u>
Total current assets	23,303,764	32,542,125
Pledges Receivable, Long-term, Net	777,369	885,829
Property and Equipment, Net	182,542	146,382
Right-of-Use Assets, Operating Leases	1,155,126	669,725
Right-of-Use Assets, Finance Leases	46,382	59,059
Deposits	75,960	77,664
	<u>75,960</u>	<u>77,664</u>
Total assets	<u>\$ 25,541,143</u>	<u>\$ 34,380,784</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 331,821	\$ 439,568
Accrued expenses	986,905	1,212,826
Accrued payroll and related liabilities	1,320,689	1,534,227
Deferred revenue, fee for service	28,519	46,000
Deferred revenue	381,090	445,891
Operating lease liability, current	502,868	416,195
Finance lease liability, current	20,793	17,796
	<u>3,572,685</u>	<u>4,112,503</u>
Total current liabilities	3,572,685	4,112,503
Operating Lease Obligation, Less Current Portion	687,781	277,246
Finance Lease Obligation, Less Current Portion	26,484	42,020
	<u>26,484</u>	<u>42,020</u>
Total liabilities	<u>4,286,950</u>	<u>4,431,769</u>
Net Assets		
Without donor restrictions	16,306,810	23,562,777
With donor restrictions	4,947,383	6,386,238
	<u>4,947,383</u>	<u>6,386,238</u>
Total net assets	<u>21,254,193</u>	<u>29,949,015</u>
Total liabilities and net assets	<u>\$ 25,541,143</u>	<u>\$ 34,380,784</u>

See notes to financial statements

Reading Partners

Statement of Activities

For the Year Ended June 30, 2025

With Summarized Comparative Totals for the Year Ended June 30, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Support:				
Foundation grants	\$ 4,192,451	\$ 3,447,235	\$ 7,639,686	\$ 8,939,996
Government contracts and grants	12,943,079	-	12,943,079	11,795,008
Individual gifts	2,457,810	60,000	2,517,810	2,871,979
Corporate contributions	2,452,014	100,000	2,552,014	2,058,241
Special event income, net of costs of direct benefit to donors of \$659,114	787,850	101,261	889,111	931,561
Contributed nonfinancial assets	477,000	-	477,000	666,981
Total support	23,310,204	3,708,496	27,018,700	27,263,766
Revenue:				
Tutoring service fees	3,138,155	-	3,138,155	3,294,135
Investment income, net	2,318,621	-	2,318,621	2,681,767
Partnership revenue	729,098	-	729,098	1,117,797
Other income	5,206	-	5,206	8,000
Total revenue	6,191,080	-	6,191,080	7,101,699
Total support and revenue	29,501,284	3,708,496	33,209,780	34,365,465
Net assets released from restrictions	5,147,351	(5,147,351)	-	-
Total support and revenue	34,648,635	(1,438,855)	33,209,780	34,365,465
Expenses				
Program services	34,975,708	-	34,975,708	34,572,790
Supporting services:				
Management and general	3,865,736	-	3,865,736	4,152,112
Fundraising	3,063,158	-	3,063,158	3,791,896
Total expenses	41,904,602	-	41,904,602	42,516,798
Change in net assets	(7,255,967)	(1,438,855)	(8,694,822)	(8,151,333)
Net Assets, Beginning	23,562,777	6,386,238	29,949,015	38,100,348
Net Assets, Ending	\$ 16,306,810	\$ 4,947,383	\$ 21,254,193	\$ 29,949,015

See notes to financial statements

Reading Partners

Statement of Functional Expenses

For the Year Ended June 30, 2025

With Summarized Comparative Totals for the Year Ended June 30, 2024

	2025			Total Expenses	2024 Total Expenses
	Program Services	Supporting Services Management and General	Fundraising		
Salaries and related expenses:					
Salaries and wages	\$ 23,673,024	\$ 2,555,799	\$ 2,261,515	\$ 28,490,338	\$ 28,668,348
Employee benefits	3,453,249	329,790	314,353	4,097,392	3,857,945
Payroll taxes	1,942,628	183,828	172,781	2,299,237	2,321,404
Total salaries and related expenses	29,068,901	3,069,417	2,748,649	34,886,967	34,847,697
Consultants and professional services	1,615,636	461,362	128,966	2,205,964	2,325,646
Occupancy	1,083,233	42,799	31,193	1,157,225	1,089,939
Membership, dues and subscriptions	577,906	122,786	29,463	730,155	719,284
Other	605,060	32,695	27,711	665,466	641,022
Event expenses	-	-	659,114	659,114	597,139
Books and supplies	562,987	15,064	8,025	586,076	685,913
In-kind rent, services, and goods	477,000	-	-	477,000	709,522
Travel	288,611	39,525	48,641	376,777	504,812
Marketing and publicity	190,469	62,600	18,013	271,082	410,531
Payroll service fees	217,754	8,949	3,651	230,354	214,420
Professional development	113,256	6,180	12,015	131,451	190,802
Office supplies	85,932	2,670	6,473	95,075	81,426
Equipment rental	13,144	-	-	13,144	25,353
Total expenses before depreciation and amortization	34,899,889	3,864,047	3,721,914	42,485,850	43,043,506
Depreciation and amortization	75,819	1,689	358	77,866	70,431
Total expenses by function	34,975,708	3,865,736	3,722,272	42,563,716	43,113,937
Less expenses netted against special event income on the statement of activities	-	-	(659,114)	(659,114)	(597,139)
Total expenses	\$ 34,975,708	\$ 3,865,736	\$ 3,063,158	\$ 41,904,602	\$ 42,516,798

See notes to financial statements

Reading Partners

Statement of Cash Flows

For the Year Ended June 30, 2025

With Summarized Comparative Totals for the Year Ended June 30, 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (8,694,822)	\$ (8,151,333)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	77,866	70,431
Amortization of operating and finance lease right of use assets	228,537	215,730
Realized and unrealized gains on investments	(1,905,562)	(1,924,966)
Changes in operating assets and liabilities:		
Receivables	3,291,128	2,407,031
Prepaid expenses	149,982	(1,644)
Other assets	(257)	3,312
Deposits	1,704	(6,365)
Accounts payable	(107,747)	(15,793)
Accrued expenses	(225,921)	488,521
Accrued payroll and related liabilities	(213,538)	19,038
Deferred revenue, fee for service	(17,481)	36,000
Deferred revenue	(64,801)	436,281
Lease liabilities	(229,269)	(222,620)
Net cash used in operating activities	<u>(7,710,181)</u>	<u>(6,646,377)</u>
Cash Flows From Investing Activities		
Purchase of investments	(435,650)	(722,830)
Proceeds from sale of investments	7,700,000	6,300,000
Purchase of property and equipment	<u>(95,138)</u>	<u>(32,120)</u>
Net cash provided by investing activities	<u>7,169,212</u>	<u>5,545,050</u>
Cash Flows From Financing Activities		
Principal payments on finance lease liabilities	<u>(6,211)</u>	<u>(6,246)</u>
Net cash used in financing activities	<u>(6,211)</u>	<u>(6,246)</u>
Net decrease in cash and cash equivalents	(547,180)	(1,107,573)
Cash and Cash Equivalents, Beginning	<u>3,140,700</u>	<u>4,248,273</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,593,520</u>	<u>\$ 3,140,700</u>

See notes to financial statements

Reading Partners

Notes to Financial Statements

June 30, 2025

1. Organization

In 1999, three community leaders founded Reading Partners (the Organization). 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.

An evidence-based and community driven literacy organization, the Organization recruits, trains, and supports community volunteers to provide personalized tutoring for students for 90 minutes per week, using a structured, easy-to-follow, curriculum based on the science of reading. By directly serving Kindergarten through 5th grade students in under-resourced schools who struggle with reading, the Organization's program supports students in developing mastery of foundational literacy skills, such as alphabet knowledge, letter-sound correspondence, phonics, fluency, and vocabulary, and in 3rd grade and beyond to 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, the Organization helps put students on a path to achieving reading proficiency and becoming confident, lifelong readers.

In the 2024-25 school year, the Organization engaged over 8,000 community tutors to serve over 6,800 students in 179 schools in 11 geographic regions across the country. By the end of the school year, the Organization delivered nearly 200,000 tutoring sessions in total, engaging both in-person and online tutors who used the Reading Partners Connects platform.

The Organization also established partnerships focused on collective impact in which the Organization provided its online tutoring platform along with training and ongoing coaching to community-based organizations, library systems, and school districts who supported over 550 additional students through nearly 5,500 tutoring sessions. This model provided partners with engaging, high-quality educational materials and training to implement effective literacy tutoring with students; over 75% of enrolled students showed literacy growth from program entry to exit.

The Organization also supported students and families through nontutoring services, including nearly 150,000 books for personalized libraries and printed literacy packets, while also delivering family engagement workshops to reach nearly 1,500 family members and other caregivers focused on literacy practices to use in the home.

As the Organization enters the 2025-26 school year and looks to the future, the Organization will operate in-person 1-1 and small group (1:2) tutoring, continue online and blended tutoring through the Reading Partners Connects platform, and expand collective impact partnerships while developing new program innovations to extend its reach and impact to an even greater number of students and families across the country.

2. Program Services

One-on-One Reading Program

The Organization 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 hundreds of AmeriCorps members and thousands of community volunteers to provide individualized instruction to elementary school 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.

Reading Partners

Notes to Financial Statements

June 30, 2025

In each school or community organization with which we partner, the Organization transforms a dedicated space into a reading center and recruits volunteer tutors to serve 70 or more students. Our tutors and AmeriCorps members work with students either in-person or online via Reading Partners Connects for 90 minutes per week, following an individualized reading plan tailored to each student's literacy needs and strengths and aligned with state learning standards. To execute this plan tutors use the Organization's curriculum: a series of structured lesson plans that follow the science of reading evidence, focusing on alphabet knowledge, phonics skills, 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 3rd to 5th grade students who have mastered many of the foundational literacy skills. The Organization assesses students three times per year to monitor their progress toward program goals and grade-level achievement. AmeriCorps members coach tutors on how to best support their students, and staff monitor program fidelity and adherence to quality standards. Year-end student outcomes continued to be strong and similar to the prior year: in the 2024-25 school year, 88% the Organizations' kindergarteners through second graders and 83% of all the Organization's 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.

Investments

Investments in marketable debt and equity securities with readily determinable fair values are reported at their fair values based on quoted prices in active markets (refer to Note 4). Certificates of deposit are valued at amortized cost, which approximates fair value. Realized gains and losses are computed using the average cost. Interest and dividend income are recorded when received by the Organization. Investment income, including changes in fair values, realized gains and losses, interest and dividends, is reported in the statement of activities net of investment expenses.

Reading Partners

Notes to Financial Statements
June 30, 2025

Receivables

Fee for Service

The accounts and government contracts 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.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on government contracts and grants receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. There was no allowance for credit losses as of June 30, 2025.

Grants Receivable

Grants receivable represent unreimbursed expenditures incurred under the terms of the grant agreements. In the opinion of management, grants receivable are collectible in full; therefore, no allowance for doubtful accounts was assessed at June 30, 2025.

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, 2025, the discount recorded on long-term receivables amounted to \$31,631 and is netted against long-term pledges receivable on the accompanying statement of financial position. At June 30, 2025, 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.

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.

The Organization evaluates long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows.

Reading Partners

Notes to Financial Statements

June 30, 2025

Lease

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. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

- The Organization has made the following accounting policy elections with regard to its lease accounting: The Organization does not 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 does not 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 bases over the lease term.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 - inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology - quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- Level 3 - inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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.

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Notes to Financial Statements

June 30, 2025

Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and contributions become unconditional. At June 30, 2025, government grants amounting to \$235,911 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 10).

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.

Contracts with Customers

Revenue recognition for contracts with customers 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

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.

Partnerships

The Organization generates partnership revenue from providing curriculum, program resources, and coaching to allow customers to operate a program that provides reading support to qualifying students utilizing a Reading Partners approved program model which may include use of a proprietary, evidence-based curriculum and individualized tutoring.

Reading Partners

Notes to Financial Statements

June 30, 2025

The Organization recognizes revenue related to its services in accordance with the satisfaction of the underlying performance obligations over time for the duration of the contract. Payment terms are explicitly stated in individual contracts and can vary. The Organization does not offer rights of return for its services in the normal course of business.

For the year ended June 30, 2025, the opening and closing balances of accounts receivable, contract assets, and contract liabilities are as follows:

	<u>July 1, 2024</u>	<u>June 30, 2025</u>
Accounts receivable, net	\$ 1,050,923	\$ 1,973,459
Deferred revenue	491,891	409,609

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.

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.

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.

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, 2024, from which the summarized information was derived.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 15, 2025, which represents the date the financial statements were available to be issued.

Reading Partners

Notes to Financial Statements

June 30, 2025

4. Investments

Investments at June 30, 2025 are stated at estimated fair value and are comprised of the following:

Fixed income	\$	2,770,346
Domestic stock		8,010,110
International stock		<u>5,120,280</u>
	\$	<u>15,900,736</u>

At June 30, 2025, all of the Organization's investments are classified as Level 1.

Investment income for the year ended June 30, 2025 consist of the following:

Interest and dividends	\$	484,110
Unrealized gains		1,905,562
Interest income		14,547
Realized loss		(37,396)
Less: investment management fees		<u>(48,202)</u>
Total	\$	<u>2,318,621</u>

5. 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, 2025, the Organization has \$4,000,000 available under the line of credit. The line of credit matures of April 30, 2026.

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, 2025.

At June 30, 2025, financial assets available to meet general operating expenditures within one year consist of the following:

Financial assets at June 30, 2025:		
Cash and cash equivalents	\$	2,593,520
Investments		15,900,736
Receivables:		
Grants		410,976
Fee for service contracts		1,973,459
Government contracts		1,117,529
Pledges		<u>1,611,244</u>
Total financial assets		23,607,464
Less long term receivables not available to be used within one year		(777,369)
Less restricted amounts not available to be used within one year		<u>(1,787,869)</u>
Financial assets available to meet general expenditures within one year	\$	<u>21,042,226</u>

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Notes to Financial Statements

June 30, 2025

6. Pledges Receivable

Pledges receivable are expected to be collected as follows:

	<u>Current (due within one year)</u>	<u>Due in 2 to 5 years</u>	<u>Total</u>
Pledges receivable	\$ 833,875	\$ 809,000	\$ 1,642,875
Discount to net present value	-	(31,631)	(31,631)
Total	<u>\$ 833,875</u>	<u>777,369</u>	<u>1,611,244</u>

Pledges receivable are stated at their net present values. Management has discounted these promises to give to their anticipated net present value of the future cash flows using a discount rate of 3.72% and 3.96% determined at the time of the pledge. The present value discount will be recognized in income as a contribution over the period from the date the promise is made to the date of collection.

7. Property and Equipment

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2025 consisted of the following:

Curriculum	\$ 1,307,662
Furniture and equipment	176,465
Equipment	32,416
Website	16,281
Software	116,271
Leasehold improvements	<u>20,358</u>
	1,669,453
Less accumulated depreciation and amortization	<u>(1,486,911)</u>
Total property and equipment, net	<u>\$ 182,542</u>

8. Line of Credit

The Organization has a \$4,000,000 line of credit with U.S. Bank that matures on April 30, 2026. The line of credit bears interest at reference rate plus 0.5% per annum (8.0% at June 30, 2025). 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, 2025, there was no outstanding balance on the line of credit.

9. Net Assets With Donor Restrictions

The Organization's net assets with donor restrictions as of June 30, 2025 consisted of the following:

Time restricted	<u>\$ 4,947,383</u>
Total net assets with donor restrictions	<u>\$ 4,947,383</u>

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Notes to Financial Statements

June 30, 2025

Net assets were released from restrictions during the year ended June 30, 2025 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Time restriction accomplished	\$ 4,670,351
Purpose restriction accomplished	27,000
Purpose and time restriction accomplished	<u>450,000</u>
Total net assets released from restrictions	<u>\$ 5,147,351</u>

10. 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, 2025, the following contributed nonfinancial assets were received by the Organization:

Facilities	\$ 442,500
Services	<u>34,500</u>
Total contributed nonfinancial assets	<u>\$ 477,000</u>

11. 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 \$223,225 for the year ended June 30, 2025.

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 \$73,416 for the year ended June 30, 2025.

12. 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.

13. Related-Party Transactions

During the year ended June 30, 2025, the Organization received contributions from Board Members amounting to \$608,278.

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Notes to Financial Statements

June 30, 2025

14. Concentrations

The Organization maintains its cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Investments held in brokerage accounts are protected under the Securities Investor Protection Corporation (SIPC) up to \$500,000. At various times throughout the year, the balances in these accounts may be in excess of insured amounts. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant risk on these excess deposits.

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, 2025, approximately 67% of total government grant revenue was from CNCS.

The Organization received 33% of their fee for services from two contracts.

15. Leases

The Organization has various operating and finance leases for office spaces and equipment with lease payments ranging from \$169 to \$13,137 per month.

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

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Notes to Financial Statements

June 30, 2025

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2025:

Right-of-use assets:		
Operating leases	\$	1,155,126
Finance leases		46,382
		<u>1,201,508</u>
Total right-of-use assets	\$	<u>1,201,508</u>
Lease liabilities:		
Current operating lease liabilities	\$	502,868
Current finance lease liabilities		20,793
Long-term operating lease liabilities		687,781
Long-term finance lease liabilities		26,484
		<u>1,237,926</u>
Total lease liabilities	\$	<u>1,237,926</u>

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2025:

	Operating Leases	Finance Leases
Year ending June 30:		
2026	\$ 536,460	\$ 22,212
2027	458,758	17,189
2028	237,160	6,732
2029	14,149	3,555
	<u>1,246,527</u>	<u>49,688</u>
Total lease payments	1,246,527	49,688
Less present value discount	<u>(55,878)</u>	<u>(2,411)</u>
Total lease liabilities	1,190,649	47,277
Less current portion	<u>(502,868)</u>	<u>(20,793)</u>
Long-term lease liabilities	<u>\$ 687,781</u>	<u>\$ 26,484</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	\$	588,530
Finance leases		20,769
Noncash investing and financing activities:		
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$	1,046,306

The right-of-use assets and lease liabilities were calculated using discount rates that range from 3.04% to 4.61% for finance leases and 2.88% to 4.42% for operating leases. As of June 30, 2025, the weighted average remaining lease term is 2.61 years for finance leases and 2.44 years for operating leases.