

**READ TO A CHILD, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

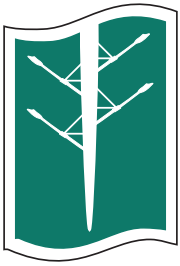


**READ TO A CHILD, INC.**

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Murphy,  
Edwards,  
Goncalves  
&  
Ferrera, PC

*Certified Public Accountants  
and Business Advisors*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Read to a Child, Inc.

We have audited the accompanying financial statements of Read to a Child, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITORS' REPORT

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Read to a Child, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Read to a Child, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Murphy, Edwards, Goncalves & Ferrera, PC*

Southborough, Massachusetts  
December 11, 2020

**READ TO A CHILD, INC.**

**STATEMENT OF FINANCIAL POSITION**

**AS OF SEPTEMBER 30, 2020**

(With Comparative Totals as of September 30, 2019)

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents (Notes 2, 3 and 10)	\$ 579,089	\$ 547,593
Investments (Note 3 and 4)	2,162	27,181
Contributions Receivable (Notes 2 and 3)	28,107	46,949
Prepaid Expenses	<u>17,491</u>	<u>12,959</u>
Total Current Assets	<u>626,849</u>	<u>634,682</u>
<b>TOTAL ASSETS</b>	<u>\$ 626,849</u>	<u>\$ 634,682</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 4,820	\$ 4,972
Long-Term Debt, Current Portion (Note 8)	152,291	-
Accrued Expenses	49,393	54,854
Deferred Income (Note 6)	<u>100,500</u>	<u>57,625</u>
Total Current Liabilities	<u>307,004</u>	<u>117,451</u>
<b>LONG-TERM DEBT</b> (Note 8)	<u>97,642</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>404,646</u>	<u>117,451</u>
<b>NET ASSETS</b> (Note 2):		
Without Donor Restrictions	142,532	429,297
With Donor Restrictions (Notes 3 and 9)	<u>79,671</u>	<u>87,934</u>
Total Net Assets	<u>222,203</u>	<u>517,231</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 626,849</u>	<u>\$ 634,682</u>

*See Accompanying Notes and Independent Auditors' Report*

**READ TO A CHILD, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(With Comparative Totals for the Year Ended September 30, 2019)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b>SUPPORT AND REVENUE (Note 2):</b>				
<b>Support:</b>				
Special Events Income (Note 10)	\$ 213,115	\$ -	\$ 213,115	\$ 363,915
Direct Special Event Costs	<u>(37,336)</u>	<u>-</u>	<u>(37,336)</u>	<u>(55,517)</u>
Net Special Event Income	175,779	-	175,779	308,398
Contributions (Note 2)	413,919	-	413,919	615,738
Grant Income	260,413	79,667	340,080	404,100
In-Kind Contributions (Note 2)	120,032	-	120,032	99,433
Net Assets Released from Restriction (Note 2)	<u>87,930</u>	<u>(87,930)</u>	<u>-</u>	<u>-</u>
Total Support	1,058,073	(8,263)	1,049,810	1,427,669
<b>Revenue:</b>				
Investment Return	<u>1,054</u>	<u>-</u>	<u>1,054</u>	<u>489</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,059,127</u>	<u>(8,263)</u>	<u>1,050,864</u>	<u>1,428,158</u>
<b>FUNCTIONAL EXPENSES (Note 2):</b>				
Program Services	<u>927,038</u>	<u>-</u>	<u>927,038</u>	<u>985,020</u>
Support Services:				
Management and General	216,700	-	216,700	218,485
Fund Raising	<u>202,154</u>	<u>-</u>	<u>202,154</u>	<u>235,106</u>
Total Support Services	<u>418,854</u>	<u>-</u>	<u>418,854</u>	<u>453,591</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>1,345,892</u>	<u>-</u>	<u>1,345,892</u>	<u>1,438,611</u>
<b>DECREASE IN NET ASSETS</b>	(286,765)	(8,263)	(295,028)	(10,453)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>429,297</u>	<u>87,934</u>	<u>517,231</u>	<u>527,684</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 142,532</u>	<u>\$ 79,671</u>	<u>\$ 222,203</u>	<u>\$ 517,231</u>

*See Accompanying Notes and Independent Auditors' Report*

**READ TO A CHILD, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(With Comparative Totals for the Year Ended September 30, 2019)

	<b>SUPPORT SERVICES MANAGEMENT</b>			<b>2020</b>	<b>2019</b>
	<b>PROGRAM SERVICES</b>	<b>AND GENERAL</b>	<b>FUND RAISING</b>	<b>TOTAL</b>	<b>TOTAL</b>
Salaries and Wages	\$ 676,976	\$ 127,301	\$ 144,665	\$ 948,942	\$ 1,046,818
Payroll Taxes	58,553	8,625	12,571	79,749	97,301
Employee Benefits (Note 11)	<u>40,773</u>	<u>32,072</u>	<u>13,920</u>	<u>86,765</u>	<u>69,320</u>
Total Payroll and Related Expenses	776,302	167,998	171,156	1,115,456	1,213,439
In-Kind Rent (Note 2)	73,116	11,424	14,892	99,432	99,433
Direct Special Event Costs	-	-	37,336	37,336	55,517
Office and Telecommunications Expense	8,851	6,147	10,294	25,292	28,466
Professional Fees and Consultants	23,572	1,158	2,488	27,218	15,856
Program Books and Supplies	14,981	-	-	14,981	16,803
In-Kind Professional Fees (Note 2)	8,000	6,600	-	14,600	-
Accounting Services	-	13,230	-	13,230	12,130
Volunteer Transportation	12,149	-	-	12,149	15,706
Insurance	2,730	4,726	582	8,038	8,766
Travel	3,739	1,706	2,114	7,559	14,822
Miscellaneous	3,022	92	-	3,114	5,749
Conferences and Meetings	541	390	628	1,559	4,348
Filing Fees	-	1,856	-	1,856	1,814
Interest Expense	-	1,173	-	1,173	-
Memberships and Dues	35	200	-	235	989
Maintenance and Storage Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290</u>
Gross Functional Expenses	927,038	216,700	239,490	1,383,228	1,494,128
Less Items Included in Statement of Activities:					
Direct Special Event Costs	<u>-</u>	<u>-</u>	<u>(37,336)</u>	<u>(37,336)</u>	<u>(55,517)</u>
Total Functional Expenses	<u>\$ 927,038</u>	<u>\$ 216,700</u>	<u>\$ 202,154</u>	<u>\$ 1,345,892</u>	<u>\$ 1,438,611</u>

*See Accompanying Notes and Independent Auditors' Report*

**READ TO A CHILD, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(With Comparative Totals for the Year Ended September 30, 2019)

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in Net Assets	\$ (295,028)	\$ (10,453)
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Stock Donations Received	-	(6,961)
Realized and Unrealized (Gain) Loss	29	(56)
(Increase) Decrease in Current Assets:		
Contributions Receivable	18,842	(28,450)
Prepaid Expenses	(4,532)	735
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(152)	(6,208)
Accrued Expenses	(5,461)	5,522
Deferred Income	42,875	12,625
Net Cash Used by Operating Activities	<u>(243,427)</u>	<u>(33,246)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales of Investments	25,000	-
Interest and Dividends Reinvested	(10)	(62)
Net Cash Provided (Used) by Investing Activities	<u>24,990</u>	<u>(62)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan Proceeds	249,933	-
Net Cash Provided by Financing Activities	<u>249,933</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	31,496	(33,308)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>547,593</u>	<u>580,901</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 579,089</u></u>	<u><u>\$ 547,593</u></u>

*See Accompanying Notes and Independent Auditors' Report*



# READ TO A CHILD, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

### NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Read to a Child is a national nonprofit literacy and mentoring organization that fosters a love of reading, improves literacy skills and empowers underserved children by inspiring adults to read to them regularly. In Read to a Child's Read Aloud Mentoring Program (formerly Lunchtime Reading Program), an adult is partnered one-on-one with an elementary school student for a rewarding read aloud experience during the child's lunch break. The Organization has programs in greater metro areas of Boston, Detroit, Hartford, Los Angeles and Miami, and offices in Wellesley, MA, Detroit and Los Angeles. Support and revenue is primarily derived from contributions, special events and grants.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

**Without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

**With Donor Restrictions** - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time or are subject to donor-imposed restrictions such that they be maintained permanently by the Organization.

#### **Summarized Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. 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 prior-year financial statements, from which the summarized totals were derived.

**READ TO A CHILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncement**

During the year, the Organization adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Read to a Child has adopted the provisions of the new ASU during the year ended September 30, 2020 and has retrospectively applied the standard to the year ended September 30, 2019. The retrospective application had no effect on the 2019 decrease in net assets.

**Cash and Cash Equivalents**

The Organization considers equivalent to cash all money market funds and other deposits with an original maturity of ninety days or less from date of purchase. Cash equivalents are stated at cost which approximates market.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes**

Under FASB ASC 740-10, *Income Taxes*, an organization should recognize the tax benefit associated with uncertain tax positions taken for tax return purposes only

**READ TO A CHILD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

(Continued)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

when it is more likely than not that position will be sustained. Management does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits, interest or penalties.

Read to a Child, Inc. qualifies as a tax exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, and as such, does not pay income taxes.

**Contributions Receivable**

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them using a present value technique. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible receivables is provided based upon management's analysis of the individual receivables and management's judgment, considering such factors as prior collection history, the relationship with the donor, and other relevant factors. As of September 30, 2020, contributions receivable are expected to be collected within one year of the statement of financial position date. Accordingly, no allowance for doubtful accounts has been recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Public Support and Revenue Recognition**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions in accordance with the restriction. Net assets with restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization.

**READ TO A CHILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment is stated at cost at the date of acquisition or fair value at the date of gift. Assets are capitalized if they are expected to have a useful life of greater than one year and their cost of acquisition exceeds one thousand dollars. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Depreciation expense is provided on a straight-line basis over the estimated useful life of the asset, which ranges from three to five years. There is no depreciation expense for the year ended September 30, 2020.

**Functional Expenses**

The Organization classifies its expenses on a functional basis among its program and support services. Expenses that can be identified with specific program or support services are charged directly to their functional classification. Other expenses that are common to several services are allocated by various statistical bases.

**Donated Services and Facilities/In-Kind**

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased. During the year, the Organization received donated office space valued at \$99,432. Donated office space was provided by commercial real estate firms located in Detroit, Los Angeles and Wellesley, MA. In addition, \$14,600 of donated professional fees and \$6,000 of donated laptop computers were provided for program technology and administrative support. The value of donated services, facilities and other gifts in-kind are included in the financial statements as an in-kind contribution and expense.

In the operation of its Read Aloud Mentoring Program, the Organization relies heavily upon approximately 1,900 volunteers to read aloud to elementary students each week during the school year. No value for these services is reflected in the financial statements, as the criteria for recording these services in accordance with generally accepted accounting principles has not been met.

**READ TO A CHILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The Organization has evaluated subsequent events through December 11, 2020, the date that the financial statements were available to be issued. See Note 12.

**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has a policy to manage its liquidity and reserves by following three principal guidelines, which include operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term goals will be met. On an annual basis the Board of Directors approves the range of cash that the Organization shall maintain, which generally targets a minimum of two months operating cash and a maximum of eight months operating cash. As of September 30, 2020, the cash balance was within the targeted range. The following reflects the Organization's financial assets as of September 30, 2020:

Cash and Cash Equivalents	\$ 579,089
Investments	2,162
Contributions Receivable	<u>28,107</u>
Total Financial Assets	609,358
Less Imposed Restrictions:	
Donor Restricted Funds	<u>(79,671)</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 529,687</u>

In addition, there is a \$125,000 line of credit in place that could be drawn upon if needed.

**READ TO A CHILD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

(Continued)

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

In accordance with the *Fair Value Measurement* standard, the Organization measures its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs consist of inputs other than quoted prices that are observable for the asset either directly or indirectly, including in markets that are not considered to be active, and Level 3 consists of inputs that are unobservable and which require significant judgment or estimation. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The inputs and methodology used for valuing the investments are not indicators of the risks associated with those instruments. As of September 30, 2020, the Organization's investments are comprised entirely of cash, which are Level 1 assets within the fair value hierarchy.

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of September 30, 2020:

Website and Computer Systems	\$ 56,950
Less: Accumulated Depreciation	( 56,950)
Property and Equipment, Net	<u>\$ -</u>

**NOTE 6 DEFERRED INCOME**

As of September 30, 2020, deferred income consists of contributions received in support of special events taking place after the fiscal year end.

**READ TO A CHILD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

(Continued)

**NOTE 7 LINE OF CREDIT**

The Organization has a revolving line of credit of \$125,000 with Eastern Bank at a variable interest rate based on the bank's base rate plus 1.74%. The line of credit is secured by the assets of the Organization. As of September 30, 2020, the line of credit was fully available at year end.

**NOTE 8 LONG-TERM DEBT**

In an effort to mitigate the uncertainty of the COVID-19 pandemic, the Organization received a loan in the amount of \$249,933 under the Paycheck Protection Program (PPP) on April 15, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. It is anticipated that the loan proceeds of the Payroll Protection Program will be primarily used for payroll expenses and that the loan will qualify for forgiveness under the CARES Act. In the event that some portion of this loan does not qualify for forgiveness, the loan agreement calls for monthly payments of principal and interest at 1% to commence on November 15, 2020 through April 15, 2022.

Maturities of long-term debt for the years ending September 30 are as follow:

2021	\$152,291
2022	97,642

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

As of September 30, 2020, net assets with donor restrictions are available for the following purposes:

Read Aloud Mentoring Program for FY21	\$ 72,671
Time Restriction for FY21 & FY22	5,000
Books for the program in Hartford	<u>2,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 79,671</u>

**READ TO A CHILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

**NOTE 10 CONCENTRATIONS OF BUSINESS AND CREDIT RISK**

The Organization maintains its cash balances in various financial institutions. The amount insured by the Federal Deposit Insurance Corporation is \$250,000 per bank. At September 30, 2020, the uninsured cash balance was approximately \$87,000.

For the year ended September 30, 2020, the annual gala event generated approximately 15% of the Organization's total support and revenue.

**NOTE 11 RETIREMENT PLAN**

Effective January 1, 2016, the Organization adopted a 401(k) defined contribution retirement plan for the purpose of providing eligible employees who have attained the age of 18 a tax-deferred retirement plan. For the year ended September 30, 2020, the Organization did not elect to make any employer contributions into the plan.

**NOTE 12 SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary cancellation of group gatherings and travel. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of cancelled programs. As such, it is possible that this matter could have a negative impact on fiscal year 2021 financial performance. However, the related financial impact and duration cannot be reasonably estimated at this time.