

READ TO A CHILD, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

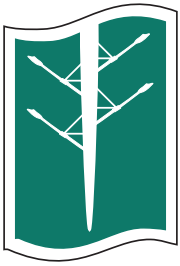


READ TO A CHILD, INC.

CONTENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	PAGE(S)
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 14



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.

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Read to a Child, Inc. as of September 30, 2022, and the changes in 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. 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 Read to a Child, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

(Continued)

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 Read to a Child, Inc.'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 generally accepted 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, including omissions, 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 generally accepted 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 Read to a Child, Inc.'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 Read to a Child, Inc.'s ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 Read to a Child, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Murphy, Edwards, Moncalves & Ferrera, PC

Southborough, Massachusetts
December 5, 2022

READ TO A CHILD, INC.

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2022

(With Comparative Totals as of September 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 2, 3 and 9)	\$ 747,013	\$ 754,283
Investments (Notes 3 and 6)	7,142	7,138
Contributions Receivable (Notes 2 and 3)	5,015	23,622
Prepaid Expenses	<u>14,731</u>	<u>12,258</u>
Total Current Assets	<u>773,901</u>	<u>797,301</u>
TOTAL ASSETS	<u>\$ 773,901</u>	<u>\$ 797,301</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 10,560	\$ 8,887
Long-Term Debt, Current Portion	-	16,372
Accrued Expenses	27,898	28,883
Deferred Income (Note 7)	<u>25,000</u>	<u>30,000</u>
Total Current Liabilities	<u>63,458</u>	<u>84,142</u>
LONG-TERM DEBT	<u>-</u>	<u>233,561</u>
TOTAL LIABILITIES	<u>63,458</u>	<u>317,703</u>
NET ASSETS (Note 2):		
Without Donor Restrictions	501,207	346,099
With Donor Restrictions (Notes 3 and 8)	<u>209,236</u>	<u>133,499</u>
Total Net Assets	<u>710,443</u>	<u>479,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 773,901</u>	<u>\$ 797,301</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

(With Comparative Totals for the Year Ended September 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUE (Note 2):				
Support:				
Special Events Income (Note 9)	\$ 243,846	\$ -	\$ 243,846	\$ 322,336
Direct Special Event Costs	<u>(15,816)</u>	<u>-</u>	<u>(15,816)</u>	<u>(35,474)</u>
Net Special Event Income	228,030	-	228,030	286,862
Contributions (Note 2)	404,903	-	404,903	407,497
Grant Income	694,296	209,225	903,521	708,087
In-Kind Contributions (Note 2)	113,314	-	113,314	114,097
Net Assets Released from Restriction (Note 2)	<u>133,488</u>	<u>(133,488)</u>	<u>-</u>	<u>-</u>
Total Support	1,574,031	75,737	1,649,768	1,516,543
Revenue:				
Investment Return	<u>255</u>	<u>-</u>	<u>255</u>	<u>1,452</u>
TOTAL SUPPORT AND REVENUE	<u>1,574,286</u>	<u>75,737</u>	<u>1,650,023</u>	<u>1,517,995</u>
FUNCTIONAL EXPENSES (Note 2):				
Program Services	<u>1,002,669</u>	<u>-</u>	<u>1,002,669</u>	<u>914,011</u>
Support Services:				
Management and General	120,528	-	120,528	133,778
Fund Raising	<u>295,981</u>	<u>-</u>	<u>295,981</u>	<u>212,811</u>
Total Support Services	<u>416,509</u>	<u>-</u>	<u>416,509</u>	<u>346,589</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,419,178</u>	<u>-</u>	<u>1,419,178</u>	<u>1,260,600</u>
INCREASE IN NET ASSETS	155,108	75,737	230,845	257,395
NET ASSETS - BEGINNING OF YEAR	<u>346,099</u>	<u>133,499</u>	<u>479,598</u>	<u>222,203</u>
NET ASSETS - END OF YEAR	<u>\$ 501,207</u>	<u>\$ 209,236</u>	<u>\$ 710,443</u>	<u>\$ 479,598</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

(With Comparative Totals for the Year Ended September 30, 2021)

	SUPPORT SERVICES MANAGEMENT			2022 TOTAL	2021 TOTAL
	PROGRAM SERVICES	AND GENERAL	FUND RAISING		
Salaries and Wages	\$ 734,450	\$ 78,551	\$ 186,813	\$ 999,814	\$ 869,106
Payroll Taxes	62,538	5,526	15,911	83,975	78,029
Employee Benefits (Note 10)	<u>55,598</u>	<u>4,276</u>	<u>25,661</u>	<u>85,535</u>	<u>86,342</u>
Total Payroll and Related Expenses	852,586	88,353	228,385	1,169,324	1,033,477
In-Kind Rent (Note 2)	75,828	9,228	16,032	101,088	106,484
Professional Fees and Consultants	18,486	534	38,989	58,009	51,332
Office and Telecommunications Expense	18,089	6,185	9,926	34,200	26,969
Direct Special Event Costs	-	-	15,816	15,816	35,474
Accounting Services	-	13,675	-	13,675	13,230
In-Kind Professional Fees (Note 2)	12,226	-	-	12,226	7,613
Program Books and Supplies	9,231	-	-	9,231	5,547
Insurance	3,980	1,985	2,069	8,034	9,520
Travel	5,392	-	54	5,446	22
Conferences and Meetings	3,484	-	114	3,598	44
Miscellaneous	2,590	129	362	3,081	2,477
Filing Fees	-	1,788	-	1,788	3,285
Maintenance and Storage Expense	527	-	-	527	225
Memberships and Dues	250	-	50	300	200
Interest Expense	<u>-</u>	<u>(1,349)</u>	<u>-</u>	<u>(1,349)</u>	<u>175</u>
Gross Functional Expenses	1,002,669	120,528	311,797	1,434,994	1,296,074
Less Items Included in Statement of Activities:					
Direct Special Event Costs	<u>-</u>	<u>-</u>	<u>(15,816)</u>	<u>(15,816)</u>	<u>(35,474)</u>
Total Functional Expenses	<u>\$ 1,002,669</u>	<u>\$ 120,528</u>	<u>\$ 295,981</u>	<u>\$ 1,419,178</u>	<u>\$ 1,260,600</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

(With Comparative Totals for the Year Ended September 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 230,845	\$ 257,395
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Paycheck Protection Program Loan Forgiveness	(249,933)	
Stock Donation Received	-	(5,005)
Realized and Unrealized Loss	-	30
(Increase) Decrease in Current Assets:		
Contributions Receivable	18,607	4,485
Prepaid Expenses	(2,473)	5,233
Increase (Decrease) in Current Liabilities:		
Accounts Payable	1,673	4,067
Accrued Expenses	(985)	(20,510)
Deferred Income	(5,000)	(70,500)
Net Cash Provided (Used) by Operating Activities	<u>(7,266)</u>	<u>175,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends Reinvested	<u>(4)</u>	<u>(1)</u>
Net Cash Used by Investing Activities	<u>(4)</u>	<u>(1)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,270)	175,194
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>754,283</u>	<u>579,089</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 747,013</u>	<u>\$ 754,283</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Read to a Child is a national literacy and mentoring nonprofit that fosters a love of reading, improves literacy skills and supports socio-emotional well-being in students from under-resourced communities. In Read to a Child's Read Aloud Mentoring Program, an adult is partnered one-on-one with a student attending one of our partner elementary schools for a rewarding, weekly read aloud experience. Read to a Child has programs in the greater metropolitan areas of Boston, Detroit, Hartford, Los Angeles and Miami, and offices in Los Angeles, CA and Wellesley, MA. 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, 2022

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022, 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.

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, 2022.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Paycheck Protection Program

The Organization secured a second loan on March 18, 2021 under the Payroll Protection Program (PPP) of the Small Business Administration in the amount of \$249,933. The Organization spent the loan proceeds of the PPP for payroll expenses and met the requirements for full forgiveness under the Cares Act. The Organization received notification of the approval of loan forgiveness from the Small Business Administration on December 30, 2021, and therefore, the organization recorded \$249,933 as grant income in the current year.

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.

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.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$101,088. Donated office space was provided by commercial real estate firms located in Los Angeles and Wellesley, MA. In addition, \$12,226 of donated professional fees were provided for programmatic training resources. The value of donated services and facilities 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 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.

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 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.

Subsequent Events

The Organization has evaluated subsequent events through December 5, 2022, the date that the financial statements were available to be issued. No significant subsequent events have been identified.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Continued)

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, 2022, the cash balance was within the targeted range. The following reflects the Organization's financial assets as of September 30, 2022:

Cash and Cash Equivalents	\$ 747,013
Investments	7,142
Contributions Receivable	<u>5,015</u>
Total Financial Assets	759,170
Less Imposed Restrictions:	
Donor Restricted Funds	<u>(209,236)</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 549,934</u>

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

NOTE 4 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, 2022, the line of credit was fully available at year end.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2022:

Computer Systems	\$ 17,650
Less: Accumulated Depreciation	<u>(17,650)</u>
Property and Equipment, Net	<u>\$ -</u>

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Continued)

NOTE 6 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, 2022, the Organization's investments are comprised entirely of cash, which are Level 1 assets within the fair value hierarchy.

NOTE 7 DEFERRED INCOME

As of September 30, 2022, deferred income consists of contributions received in support of special events taking place after the fiscal year end.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022, net assets with donor restrictions are available for the following purposes:

Read Aloud Mentoring Program for FY23	\$ 189,236
Program Technology	<u>20,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 209,236</u>

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

(Continued)

NOTE 9 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, 2022, the uninsured cash balance was approximately \$240,000.

For the year ended September 30, 2022, the annual gala event, which was held virtually, generated approximately 13% of the Organization's total support and revenue. In addition, the Small Business Administration PPP grant generated approximately 15% of the Organization's total support and revenue.

NOTE 10 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, 2022, the Organization did not elect to make any employer contributions into the plan.