

READ TO A CHILD, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

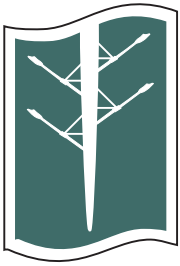


READ TO A CHILD, INC.

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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.

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, 2024, 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, 2024, 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 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.

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 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Murphy, Edwards, Moncalvo & Ferrera, PC

Southborough, Massachusetts
December 4, 2024

READ TO A CHILD, INC.

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2024

(With Comparative Totals as of September 30, 2023)

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 2, 3 and 6)	\$ 586,122	\$ 544,682
Investments (Notes 2 and 3)	24,008	14,018
Contributions and Grants Receivable (Notes 2 and 3)	391,362	406,040
Prepaid Expenses	<u>12,194</u>	<u>14,520</u>
Total Current Assets	<u>1,013,686</u>	<u>979,260</u>
TOTAL ASSETS	<u><u>\$ 1,013,686</u></u>	<u><u>\$ 979,260</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 6,288	\$ 21,111
Accrued Expenses	38,977	29,073
Deferred Income	<u>-</u>	<u>27,500</u>
Total Current Liabilities	<u>45,265</u>	<u>77,684</u>
TOTAL LIABILITIES	<u>45,265</u>	<u>77,684</u>
NET ASSETS (Note 2):		
Without Donor Restrictions	690,047	605,142
With Donor Restrictions (Notes 3 and 5)	<u>278,374</u>	<u>296,434</u>
Total Net Assets	<u>968,421</u>	<u>901,576</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,013,686</u></u>	<u><u>\$ 979,260</u></u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

(With Comparative Totals for the Year Ended September 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
SUPPORT AND REVENUE (Note 2):				
Special Events Income (Note 6)	\$ 377,076	\$ -	\$ 377,076	\$ 231,915
Direct Special Event Costs	<u>(16,991)</u>	<u>-</u>	<u>(16,991)</u>	<u>(17,222)</u>
Net Special Event Income	360,085	-	360,085	214,693
Contributions	434,979	-	434,979	375,257
Grant Income	481,674	260,874	742,548	1,070,233
In-Kind Contributions	154,576	-	154,576	131,503
Net Assets Released from Restriction	278,934	(278,934)	-	-
Investment Return	<u>8,919</u>	<u>-</u>	<u>8,919</u>	<u>5,341</u>
TOTAL SUPPORT AND REVENUE	<u>1,719,167</u>	<u>(18,060)</u>	<u>1,701,107</u>	<u>1,797,027</u>
FUNCTIONAL EXPENSES (Note 2):				
Program Services	<u>1,252,608</u>	<u>-</u>	<u>1,252,608</u>	<u>1,226,737</u>
Support Services:				
Management and General	145,449	-	145,449	124,129
Fund Raising	<u>236,205</u>	<u>-</u>	<u>236,205</u>	<u>255,028</u>
Total Support Services	<u>381,654</u>	<u>-</u>	<u>381,654</u>	<u>379,157</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,634,262</u>	<u>-</u>	<u>1,634,262</u>	<u>1,605,894</u>
INCREASE (DECREASE) IN NET ASSETS	84,905	(18,060)	66,845	191,133
NET ASSETS - BEGINNING OF YEAR	<u>605,142</u>	<u>296,434</u>	<u>901,576</u>	<u>710,443</u>
NET ASSETS - END OF YEAR	<u>\$ 690,047</u>	<u>\$ 278,374</u>	<u>\$ 968,421</u>	<u>\$ 901,576</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

(With Comparative Totals for the Year Ended September 30, 2023)

	SUPPORT SERVICES MANAGEMENT			2024 TOTAL	2023 TOTAL
	PROGRAM SERVICES	AND GENERAL	FUND RAISING		
Salaries and Wages	\$ 927,763	\$ 59,310	\$ 170,159	\$ 1,157,232	\$ 1,100,348
Payroll Taxes	80,183	4,977	14,074	99,234	92,403
Employee Benefits	<u>69,937</u>	<u>6,432</u>	<u>15,237</u>	<u>91,606</u>	<u>93,978</u>
Total Payroll and Related Expenses	1,077,883	70,719	199,470	1,348,072	1,286,729
In-Kind Rent (Note 2)	79,878	6,295	14,911	101,084	101,104
In-Kind Professional Fees (Note 2)	18,339	31,153	-	49,492	15,588
Office and Telecommunications Expense	15,896	8,030	10,037	33,963	33,261
Professional Fees and Consultants	16,052	4,215	10,656	30,923	53,067
Program Books and Supplies	23,162	-	-	23,162	64,525
Direct Special Event Costs	-	-	16,991	16,991	17,222
Accounting Services	-	14,200	-	14,200	14,175
Insurance	4,712	8,570	778	14,060	11,518
Volunteer Transportation (Note 2)	8,000	-	-	8,000	9,815
Travel	3,323	-	45	3,368	6,004
Miscellaneous	3,018	-	69	3,087	2,764
Conferences and Meetings	2,345	136	170	2,651	4,435
Filing Fees	-	1,867	-	1,867	2,059
Memberships and Dues	-	264	69	333	444
Maintenance and Storage Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406</u>
Gross Functional Expenses	1,252,608	145,449	253,196	1,651,253	1,623,116
Less Items Included in Statement of Activities:					
Direct Special Event Costs	<u>-</u>	<u>-</u>	<u>(16,991)</u>	<u>(16,991)</u>	<u>(17,222)</u>
Total Functional Expenses	<u>\$ 1,252,608</u>	<u>\$ 145,449</u>	<u>\$ 236,205</u>	<u>\$ 1,634,262</u>	<u>\$ 1,605,894</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

(With Comparative Totals for the Year Ended September 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 66,845	\$ 191,133
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Current Assets:		
Contributions and Grants Receivable	14,678	(401,025)
Prepaid Expenses	2,326	211
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(14,823)	10,551
Accrued Expenses	9,904	1,175
Deferred Income	<u>(27,500)</u>	<u>2,500</u>
Net Cash Provided (Used) by Operating Activities	<u>51,430</u>	<u>(195,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(9,058)	(6,624)
Interest and Dividends Reinvested	<u>(932)</u>	<u>(252)</u>
Net Cash Used by Investing Activities	<u>(9,990)</u>	<u>(6,876)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,440	(202,331)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>544,682</u>	<u>747,013</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 586,122</u>	<u>\$ 544,682</u>

See Accompanying Notes and Independent Auditors' Report

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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 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, 2024

(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.

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, 2024.

Contributions and Grants Receivable

Contributions and grants to be received in one year or less are reported at net realizable value. Contributions and grants 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, 2024, contributions and grants 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.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(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.

Employee Retention Credit

During fiscal year 2023, the Organization applied for payments under the Employee Retention Credit (ERC). The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization has met the ERC's eligibility requirements and recorded the credits as government grant income in the amount of \$323,540 on the statement of activities and as a grant receivable on the statement of financial position for the year ended September 30, 2023. As of September 30, 2024, the credit has not been received and remains as a receivable.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets

Noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations in the net assets without donor restriction category, unless explicit donor stipulations specify how the donated assets must be used. Donated items such as vacation and entertainment related excursions and sports memorabilia are auctioned and sold during special events. The proceeds from these sales are recognized as special event income. For the year ended September 30, 2024, auction and related sales from donated auction items were \$30,550.

Donated services are recognized as in-kind 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. 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.

During the year, the Organization received and fully utilized in-kind contributions as follows:

Rent	\$ 101,084
Professional Fees	49,492
Transportation Services	<u>4,000</u>
Total In-kind Contributions	<u>\$ 154,576</u>

Investments and Fair Market Value

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.

READ TO A CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Fair Market Value (Continued)

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, 2024, the Organization's investments are comprised entirely of cash and money market funds, which are Level 1 assets within the fair value hierarchy.

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.

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.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

(Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 4, 2024, the date that the financial statements were available to be issued. No significant subsequent events have been identified.

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, 2024, the cash balance was within the targeted range.

The following reflects the Organization's financial assets as of September 30, 2024:

Cash and Cash Equivalents	\$ 586,122
Investments	24,008
Contributions and Grants Receivable	<u>391,362</u>
Total Financial Assets	1,001,492
Less Imposed Restrictions:	
Donor Restricted Funds	<u>(278,374)</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 723,118</u>

In addition, there is a \$175,000 line of credit in place that could be drawn upon if needed.

READ TO A CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

(Continued)

NOTE 4 LINE OF CREDIT

The Organization has a revolving line of credit of \$175,000 with Eastern Bank at a variable interest rate based on the bank's base rate plus 1.50%, which was 9.50% at September 30, 2024. The line of credit is secured by the assets of the Organization. As of September 30, 2024, the line of credit was fully available at year end.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2024, net assets with donor restrictions are available for the following purposes:

Read Aloud Mentoring Program for FY25	\$ 258,374
Program Technology	<u>20,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 278,374</u>

NOTE 6 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, 2024, the uninsured cash balance was approximately \$66,900.

For the year ended September 30, 2024, one special event generated approximately 13% of the Organization's total support and revenue.

NOTE 7 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, 2024, the Organization did not elect to make any employer contributions into the plan.