



READING IS FUNDAMENTAL, INC.

Financial Statements

For the Years Ended September 30, 2021 and 2020



**and
Report Thereon**



READING IS FUNDAMENTAL, INC.

TABLE OF CONTENTS
For the Years Ended September 30, 2021 and 2020

	<i>Page</i>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-27

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Reading Is Fundamental, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Reading Is Fundamental, Inc. (RIF), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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.

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 Reading Is Fundamental, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Washington, DC
February 9, 2022

READING IS FUNDAMENTAL, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 6,378,251	\$ 5,736,504
Pledges and other receivables, net	680,600	154,257
Investments	9,767,660	8,200,843
Prepaid expenses and other assets	525,159	730,256
Property, net	656,563	1,042,899
TOTAL ASSETS	\$ 18,008,233	\$ 15,864,759
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 141,544	\$ 328,477
Book awards payable	505,131	1,040,261
Accrued payroll and benefits	197,436	259,391
Deferred revenue	134,248	204,032
Deferred rent and lease incentives	719,116	786,795
PPP – loan payable	543,975	557,100
Deposits	-	60,657
TOTAL LIABILITIES	2,241,450	3,236,713
Net Assets		
Without donor restrictions	9,018,442	7,529,117
With donor restrictions	6,748,341	5,098,929
TOTAL NET ASSETS	15,766,783	12,628,046
TOTAL LIABILITIES AND NET ASSETS	\$ 18,008,233	\$ 15,864,759

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 3,018,116	\$ 4,028,385	\$ 7,046,501
Donated goods and services	692,942	-	692,942
Investment income, net	963,287	595,130	1,558,417
Subscriptions and contract	939,202	-	939,202
PPP – Forgiveness of loan and interest	564,357	-	564,357
Other revenue	32,371	-	32,371
Net assets released from restrictions:			
Satisfaction of time restrictions	5,000	(5,000)	-
Satisfaction of program restrictions	<u>2,969,103</u>	<u>(2,969,103)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>9,184,378</u>	<u>1,649,412</u>	<u>10,833,790</u>
EXPENSES			
Program Services:			
Digital programs	1,838,740	-	1,838,740
Print programs	1,564,208	-	1,564,208
Community literacy awareness	<u>1,305,490</u>	<u>-</u>	<u>1,305,490</u>
Total Program Services	<u>4,708,438</u>	<u>-</u>	<u>4,708,438</u>
Supporting Services:			
Management and general	1,495,502	-	1,495,502
Fundraising	<u>1,491,113</u>	<u>-</u>	<u>1,491,113</u>
Total Supporting Services	<u>2,986,615</u>	<u>-</u>	<u>2,986,615</u>
TOTAL EXPENSES	<u>7,695,053</u>	<u>-</u>	<u>7,695,053</u>
CHANGE IN NET ASSETS	1,489,325	1,649,412	3,138,737
NET ASSETS, BEGINNING OF YEAR	<u>7,529,117</u>	<u>5,098,929</u>	<u>12,628,046</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,018,442</u></u>	<u><u>\$ 6,748,341</u></u>	<u><u>\$ 15,766,783</u></u>

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 2,341,471	\$ 2,429,994	\$ 4,771,465
Donated goods and services	3,872,351	-	3,872,351
Investment income, net	435,957	216,167	652,124
Subscriptions and contract	1,268,956	-	1,268,956
Other revenue	38,365	-	38,365
Net assets released from restrictions:			
Satisfaction of time restrictions	45,000	(45,000)	-
Satisfaction of program restrictions	4,314,146	(4,314,146)	-
	12,316,246	(1,712,985)	10,603,261
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program Services:			
Digital programs	2,303,919	-	2,303,919
Print programs	2,427,437	-	2,427,437
Community literacy awareness	4,960,326	-	4,960,326
	9,691,682	-	9,691,682
Total Program Services			
Supporting Services:			
Management and general	1,259,520	-	1,259,520
Fundraising	1,297,583	-	1,297,583
	2,557,103	-	2,557,103
Total Supporting Services			
	12,248,785	-	12,248,785
TOTAL EXPENSES			
CHANGE IN NET ASSETS	67,461	(1,712,985)	(1,645,524)
NET ASSETS, BEGINNING OF YEAR	7,461,656	6,811,914	14,273,570
NET ASSETS, END OF YEAR	\$ 7,529,117	\$ 5,098,929	\$ 12,628,046

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2021

	Program Services			Supporting Services				
	Digital Programs	Print Programs	Community Literacy Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	\$ 516,742	\$ 117,885	\$ 602,061	\$ 1,236,688	\$ 1,032,005	\$ 540,669	\$ 1,572,674	\$ 2,809,362
Books and program materials	26,337	867,536	963	894,836	-	-	-	894,836
Donated goods and services	47,796	482,174	123,529	653,499	30,438	-	30,438	683,937
Printing and reproduction	57,692	64,023	203,921	325,636	495	195,574	196,069	521,705
Consulting fees	259,282	5,170	60,071	324,523	94,575	28,417	122,992	447,515
Professional services	197,349	876	38,838	237,063	37,355	159,953	197,308	434,371
Depreciation and amortization	318,903	4,869	24,843	348,615	42,199	22,285	64,484	413,099
Professional fundraising	-	-	-	-	-	333,529	333,529	333,529
Rent and other occupancy	79,615	12,361	63,072	155,048	109,329	56,579	165,908	320,956
Advertising	165,784	-	48,614	214,398	3,929	56,413	60,342	274,740
Computer services	158,597	3,300	17,509	179,406	31,063	15,107	46,170	225,576
Postage and delivery	549	4,397	93,702	98,648	718	71,917	72,635	171,283
Accounting and audit services	-	-	-	-	49,968	-	49,968	49,968
Communication services	6,940	1,586	8,093	16,619	13,790	7,766	21,556	38,175
Insurance	-	-	-	-	22,220	-	22,220	22,220
Other services	-	-	-	-	18,408	-	18,408	18,408
Dues and subscriptions	1,869	-	7,978	9,847	2,159	1,637	3,796	13,643
Travel	-	-	10,035	10,035	2,412	79	2,491	12,526
Conferences and related costs	375	-	2,011	2,386	2,479	863	3,342	5,728
Supplies	134	31	250	415	1,679	325	2,004	2,419
Legal fees	776	-	-	776	281	-	281	1,057
TOTAL EXPENSES	\$ 1,838,740	\$ 1,564,208	\$ 1,305,490	\$ 4,708,438	\$ 1,495,502	\$ 1,491,113	\$ 2,986,615	\$ 7,695,053

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020

	Program Services			Supporting Services				
	Digital Programs	Print Programs	Community Literacy Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	\$ 716,650	\$ 348,747	\$ 776,908	\$ 1,842,305	\$ 852,182	\$ 465,652	\$ 1,317,834	\$ 3,160,139
Books and program materials	54,304	1,628,915	12,017	1,695,236	-	-	-	1,695,236
Donated goods and services	-	222,931	3,565,483	3,788,414	40,220	-	40,220	3,828,634
Printing and reproduction	37,680	85,163	167,928	290,771	1,478	210,055	211,533	502,304
Consulting fees	490,308	50,912	37,522	578,742	44,951	-	44,951	623,693
Professional services	219,848	12,479	73,934	306,261	40,446	140,636	181,082	487,343
Depreciation and amortization	323,223	12,633	27,951	363,807	30,499	16,613	47,112	410,919
Professional fundraising	-	-	-	-	-	195,155	195,155	195,155
Rent and other occupancy	90,395	33,601	74,345	198,341	83,132	44,189	127,321	325,662
Advertising	180,552	-	96,275	276,827	2,536	137,865	140,401	417,228
Computer services	137,082	8,144	18,019	163,245	31,387	10,900	42,287	205,532
Postage and delivery	146	6,308	70,914	77,368	2,285	60,936	63,221	140,589
Accounting and audit services	-	-	-	-	50,622	-	50,622	50,622
Communication services	7,738	3,779	8,490	20,007	13,250	6,069	19,319	39,326
Insurance	-	-	-	-	24,393	-	24,393	24,393
Other services	-	-	-	-	10,111	-	10,111	10,111
Dues and subscriptions	16,352	20	11,061	27,433	5,263	3,309	8,572	36,005
Travel	11,701	11,028	14,175	36,904	2,841	3,256	6,097	43,001
Conferences and related costs	169	2,353	4,428	6,950	7,394	2,394	9,788	16,738
Supplies	874	424	876	2,174	3,625	554	4,179	6,353
Legal fees	16,897	-	-	16,897	12,905	-	12,905	29,802
TOTAL EXPENSES	\$ 2,303,919	\$ 2,427,437	\$ 4,960,326	\$ 9,691,682	\$ 1,259,520	\$ 1,297,583	\$ 2,557,103	\$ 12,248,785

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,138,737	\$ (1,645,524)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	413,099	410,919
Unrealized gains on investments	(747,470)	(374,176)
Realized gains on sales of investments	(668,764)	(133,813)
PPP – Forgiveness of loan and interest	(564,357)	-
Changes in assets and liabilities:		
Pledges and other receivables	(526,343)	2,794,097
Prepaid expenses and other assets	205,097	(134,117)
Accounts payable and accrued expenses	(179,676)	171,810
Book awards payable	(535,130)	(11,352)
Accrued payroll and benefits	(61,955)	7,515
Deferred revenue	(69,784)	29,721
Deferred rent and lease incentives	(67,679)	(80,513)
Deposits	(60,657)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	275,118	1,034,567
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property	(26,763)	(23,745)
Proceeds from maturities and sale of investments	5,720,433	13,808,799
Purchases of investments	(5,871,016)	(11,959,722)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(177,346)	1,825,332
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	543,975	579,800
Repayments of loan principal	-	(22,700)
NET CASH PROVIDED BY FINANCING ACTIVITIES	543,975	557,100
NET INCREASE IN CASH	641,747	3,416,999
CASH, BEGINNING OF YEAR	5,736,504	2,319,505
CASH, END OF YEAR	\$ 6,378,251	\$ 5,736,504
NONCASH FINANCING ACTIVITIES		
PPP – Forgiveness of loan and interest	\$ 564,357	\$ -

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2021 and 2020

(1) Mission, Organization, Programs and Funding

(a) *Mission*

Reading Is Fundamental, Inc. (RIF) is committed to achieving a literate America by inspiring a passion for reading among all children, providing quality content and resources to make an impact, and engaging communities in the solution to give every child the fundamentals for success. RIF creates innovative literacy solutions that address key literacy issues and supports the implementation of these programs to ensure that children have the opportunity to read and succeed. Through RIF's eBook platform and arrangements with book publishers and distributors, RIF maximizes the impact of every dollar and donation, helping children achieve their full potential through the life-changing power of literacy. RIF provides books and literacy resources to reach children in need where they are with the help of thousands of volunteers and local programs throughout the country.

(b) *Organization*

RIF works with over 8,000 local RIF programs located in the United States and U.S. territories. Each local RIF program is independently managed and is a separate legal entity from RIF. The accompanying financial statements do not include the assets, liabilities or transactions of these independently managed local RIF programs.

Each local RIF program operates one or more of RIF's program services that are described below.

(c) *RIF's Program Services*

RIF is the leading champion for children's literacy through meaningful research, quality content and equal access to impact all children with the power of reading. RIF believes that every child deserves an opportunity to own books, learn how to read and obtain the fundamental building blocks to achieve his or her highest potential. RIF creates content and programs, in both print and digital formats, that address key literacy issues and supports the implementation of these programs in sites across the country. Through community literacy awareness and engagement activities, RIF is expanding its reach and influence throughout the entire RIF community.

Print Programs

Books for Ownership is RIF's flagship reading program where children choose new books and participate in reading activities with teachers, parents, volunteers, and community members at reading celebrations held across the country. These events educate, build community, and inspire children to make greater choices for themselves – to choose learning, and to choose success in school and in life. Funded by a variety of corporate and foundation partners and working through local community programs, RIF distributes books to children that are free to the children and their families. Children choose their own books from a wide range of titles appropriate to their reading level. The distributions, which occur throughout the year, also include parent and community engagement and provide an

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2021 and 2020

(1) Mission, Organization, Programs and Funding (continued)

(c) *RIF's Program Services (continued)*

Print Programs (continued)

opportunity for the employees of corporate funders to actively participate. Focusing on access and choice, students in communities throughout the country participate in a Books for Ownership program selecting new, age-appropriate books to take home and own. The program's integrated approach to literacy provides supporting resources to teachers and inspires children to learn through events focused on book distribution and reading. These books are further supported through digital resources on RIF's Literacy Central.

RIF continues to offer its *Read for Success* program, an innovative reading intervention addressing the literacy backslide that traditionally happens during the summer months. Read for Success is centered around motivating children to read by providing access to high-quality classroom book collections, books for students to choose and own, enriching STEAM-themed classroom activities, professional development for teachers, and parent engagement resources. Tested over two years among 33,000 students from 16 states, RIF's Read for Success program helped reverse the trend of summer learning loss for more than half the participating students. In addition, 57% of the students saw gains in reading proficiency when tested from spring to fall.

Digital Programs

- RIF's digital portfolio of products includes Literacy Central, Literacy Network, the Literacy App, and Skybrary.
 - **Literacy Central** is an online destination for teachers, parents, and literacy volunteers to get thousands of free digital resources tied directly to the books children love and teachers turn to every day. The portal provides tools to easily organize and keep reading resources in one place with customizable book lists, printable lesson plans, activities, games, reading passages, calendars, and videos.
 - **Literacy Network** is RIF's community portal designed to support RIF programs and volunteers across the country and, most importantly, reach more children with life-changing literacy support. This is the destination for all of the resources and support needed to be an effective local literacy champion – whether an individual who wants to volunteer, one of RIF's community partners, a school that wants to implement a RIF program, or one of our local RIF programs.
 - **The Literacy App** is a free resource that allows users to scan an ISBN bar code of a specific book and launch the Literacy Central webpage dedicated to activities, games, and helpful tips specific to the book. Children are motivated to stay engaged with reading through countless adventures that start with just one book. Parents and educators have an easy, trusted tool designed to create a culture of literacy for lasting impact.
 - **Skybrary** is a subscription-based interactive, digital library of more than 900 high-quality eBooks and video exploration field trips that engage readers and help foster a lifelong love of learning. This online resource allows children to explore other

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(1) Mission, Organization, Programs and Funding (continued)

(c) RIF's Program Services (continued)

Digital Programs (continued)

thematic activities that support the book. Skybrary School features the same carefully curated library of digital books along with added features just for educators. Teachers can access lesson plans and teaching guides inspired by the books and videos in the library for extended learning as well as track and manage students' usage of the books and videos.

Community Literacy Awareness and Other Programs

RIF promotes awareness of the critical impact of early literacy through a broad range of activities, sharing resources through its website and social media platforms, distribution of its thematic book collections, and leveraging media through public service announcements. RIF's literacy services include family and community engagement and literacy training for educators and community organizations. Family and community engagement activities are designed to help parents take a leading role in encouraging their children's literacy development. With the guidance of RIF's volunteers, parents participate in workshops, book distributions, and reading celebrations.

RIF conducts literacy training for early childhood educators. This training is designed to support children's emerging language and literacy skills while including parents as their children's first teachers. The training is done through a "train the trainer" model that prepares participants to return to their communities and deliver the training to their colleagues and communities.

RIF hosts other literacy events which promote literacy and inform others about its mission.

RIF engages with independent outside experts to evaluate RIF's program activities to identify areas of need and establish procedures for continuous quality improvement.

(2) Summary of Significant Accounting Policies

(a) Investments

Investments are reported at fair value and consist of mutual funds, money market funds held for investment purposes and certificates of deposit. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses on investments, including changes in fair value, are reported as investment income in the accompanying statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by the donor.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies (continued)

(b) *Fair Value of Financial Instruments*

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP), and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of September 30, 2021 and 2020, only RIF's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

(c) *Property and Related Depreciation and Amortization*

Property is recorded at cost for purchases and at estimated fair value when acquired by contribution. Depreciation for furniture, equipment and software is recorded on a straight-line basis over the useful lives of the assets, which are estimated to be three to five years with no salvage value. Costs related to developing internal-use software are capitalized in accordance with FASB ASC Topic 350, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, while costs incurred during the preliminary and post-implementation operation stages are expensed. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies (continued)

(d) Classification of Net Assets

RIF's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of RIF at the discretion of RIF's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated approximately \$3.5 million of net assets without donor restrictions to serve as a working capital reserve to secure RIF's long-term financial viability.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of RIF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

(e) Contract Revenue

RIF delivers programming to certain purchasers by contract. Revenue generated from such contracts is recognized as services are performed and is included in contract revenue in the accompanying statements of activities. Funds received under these contracts that have not yet been earned are reflected as deferred revenue in the accompanying statements of financial position.

RIF licenses subscriptions to the Skybrary app to both consumers and classrooms on either a monthly, semi-annual, or annual basis. Revenue from monthly subscriptions is recognized in the month the subscription begins while revenue from semi-annual and annual subscriptions is recognized ratably over the term of the subscription. These amounts are included in subscriptions revenue in the accompany statements of activities. Funds received under these subscriptions that have not yet been earned are reflected as deferred revenue in the accompanying statements of financial position.

(f) Contributions

Unconditional contributions, including in-kind services, are recognized as revenue in the period in which they are received or when unconditional promises to give are made. Unconditional contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions as to their use, or those that are intended to fund future periods, are reported as increases in net assets with donor restrictions in the accompanying statements of activities. Donor restrictions are considered satisfied, and net assets with donor restrictions are reclassified to net assets without donor restrictions, when those restrictions are met and/or the stipulated time periods have elapsed. These amounts are shown as net assets released from restrictions in the accompanying statements of activities. Conditional contributions are not included as revenue until such time as the conditions are substantially met, that is,

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(2) **Summary of Significant Accounting Policies (continued)**

(f) ***Contributions (continued)***

when the barrier(s) in the agreement are met. Any conditional amounts received in advance are included in deferred revenue in the accompanying statements of financial position. Revenue recognized on contributions that have been committed to RIF but have not been received is reflected as pledges receivable in the accompanying statements of financial position.

(g) ***Donated Goods and Services***

Donated goods and services represent the value of donated advertising, media, books, and legal assistance. Donations are recorded based on their fair value at the date of donation and are included in the community literacy awareness, digital programs, print programs, and management and general expenses in the accompanying statements of activities and functional expenses.

(h) ***Grant Expense – Book Awards***

Grant funds received that are restricted for book awards to be distributed to local programs and partners are expensed in the year in which the unconditional book award is made to the local program and partner organizations. Unconditional grant funds transferred to local programs' or partner organizations' bookstore accounts for book awards that are not used by local programs or partner organizations in the year awarded are recorded as book awards payable in the accompanying statements of financial position. As of September 30, 2021 and 2020, book awards payable were scheduled to be paid within one year. As of September 30, 2021 and 2020, there were no conditional amounts related to the book awards payable.

(i) ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results may differ from management's estimates.

(j) ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to a specific functional area of RIF are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Salary expenses are allocated based on time and effort tracked by time sheets. Employee benefits, occupancy expenses, depreciation expense, computer services, and certain other shared costs are allocated proportionately among the programs and supporting services in proportion to salaries incurred for each program. Costs that are part of the direct mail and digital campaigns that qualify under accounting standards as joint costs are allocated based on the line counts of the direct mail pieces and the content of the digital campaigns.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies (continued)

(k) New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. RIF implemented the provisions of ASU 2014-09, and all subsequent amendments to the ASU (collectively, "ASC 606"), under a modified prospective basis which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The adoption of this standard did not impact the results of operations or change in net assets. RIF's revenue from contracts with customers that fall within the scope of ASC 606 is recognized and reported as subscriptions and contracts revenue in the accompanying statements of activities.

(3) Investments

Investments, at fair value, consisted of the following as of September 30:

	2021	2020
Equity mutual funds	\$ 6,238,171	\$ 5,013,150
Corporate and government bond mutual funds	3,328,081	2,642,441
Certificates of deposit	-	200,000
Money market funds	201,408	345,252
Total Investments	\$ 9,767,660	\$ 8,200,843

Investment income consisted of the following for the years ended September 30:

	2021	2020
Interest from cash	\$ 205	\$ 3,715
Interest and dividend income from investments	181,449	179,896
Realized gains	668,764	133,813
Unrealized gains	747,470	374,176
Investment management fees	(39,471)	(39,476)
Investment Income, Net	\$ 1,558,417	\$ 652,124

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(3) Investments (continued)

The following table summarizes RIF's investments measured at fair value on a recurring basis as of September 30, 2021, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 6,238,171	\$ 6,238,171	\$ -	\$ -
Corporate and government bond mutual funds	3,328,081	3,328,081	-	-
Money market funds	<u>201,408</u>	<u>201,408</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 9,767,660</u>	<u>\$ 9,767,660</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes RIF's investments measured at fair value on a recurring basis as of September 30, 2020, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 5,013,150	\$ 5,013,150	\$ -	\$ -
Corporate and government bond mutual funds	2,642,441	2,642,441	-	-
Certificates of deposit	200,000	-	200,000	-
Money market funds	<u>345,252</u>	<u>345,252</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,200,843</u>	<u>\$ 8,000,843</u>	<u>\$ 200,000</u>	<u>\$ -</u>

RIF used the following methods and significant assumptions to estimate fair value for investments recorded at fair value:

Equity mutual funds, corporate and government bond mutual funds, and money market funds – These are valued at the net asset value (NAV) of shares held at year-end and based on quoted prices in active markets. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of outstanding shares. The NAV is a quoted price in an active market and is classified within Level 1 of the fair value hierarchy.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(3) Investments (continued)

Certificates of deposit – Valued at original cost plus accrued interest, which approximates fair value.

(4) Pledges and Other Receivables

Pledges and other receivables consist of amounts due from foundations, trusts, corporations, schools, and individuals. As of September 30, 2021 and 2020, the amounts were scheduled to be paid as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 680,897	\$ 159,257
Less: Allowance for doubtful accounts	<u>(297)</u>	<u>(5,000)</u>
Pledges and Other Receivables, Net	<u>\$ 680,600</u>	<u>\$ 154,257</u>

(5) Donated Goods and Services

For the years ended September 30, 2021 and 2020, RIF recognized approximately \$167,000 and \$3,565,000 respectively, in revenue related to contributions of media and advertising, and approximately \$495,000 and \$267,000 respectively in revenue related to donated books to support literacy programs. The reported fair value of the donated media and advertising is based on prices provided by the donors while donated books are reported at their fair value to RIF for use in fulfilling its mission. The total fair value of donated media and books is included in donated goods and services revenue and program services expenses in the accompanying statements of activities. To the extent donated books received in a given year are not used in RIF's programs in that same year, they are included in other assets in the accompanying statements of financial position for later use in fulfilling RIF's mission. As a result, only donated books used in RIF's programmatic work in a given year are included in program services expenses in the accompanying statements of activities.

Additionally, RIF recognized approximately \$30,000 and \$40,000 of donated legal and consulting services for the years ended September 30, 2021 and 2020, respectively. These amounts are included in donated goods and services revenue and management and general expenses in the accompanying statements of activities.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(6) Property

Property consisted of the following as of September 30:

	2021	2020
Furniture and equipment	\$ 257,944	\$ 328,197
Computers, software, and website design	1,183,502	1,086,486
Leasehold improvements	586,714	586,714
Total Property	2,028,160	2,001,397
Less: Accumulated Depreciation and Amortization	(1,371,597)	(958,498)
Property, Net	\$ 656,563	\$ 1,042,899

Total depreciation and amortization expense was \$413,099 and \$410,919 for the years ended September 30, 2021 and 2020, respectively.

(7) Revenue from Contracts with Customers

As of September 30, 2021 and 2020, RIF's liabilities from contracts with customers consisted of the following:

	2021	2020
Skybrary subscriptions	\$ 125,702	\$ 196,015
Other program services	8,546	8,017
Deferred Revenue	\$ 134,248	\$ 204,032

RIF expects to recognize all of the deferred revenue as revenue within one year.

The following table shows RIF's revenue from contracts with customers disaggregated by service type:

	2021	2020
Skybrary subscriptions	\$ 613,411	\$ 851,616
Other program services	325,791	417,340
Subscriptions and Contract Revenue	\$ 939,202	\$ 1,268,956

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(8) Net Assets

(a) Net Assets Without Donor Restrictions

As of September 30, 2021 and 2020, RIF's net assets without donor restrictions were as follows:

	2021	2020
Undesignated – operating	\$ 5,513,486	\$ 4,024,161
Board-designated:		
Endowment – Working Capital Reserve fund *	3,504,956	3,504,956
Total Net Assets Without Donor Restrictions	\$ 9,018,442	\$ 7,529,117

* Represents a quasi-endowment fund established by the Board of Directors as a working capital reserve to provide funding for various strategic initiatives of RIF, the earnings from which are for use in general operations of RIF.

(b) Net Assets With Donor Restrictions

As of September 30, 2021 and 2020, net assets with donor restrictions were restricted for the following purposes or period:

	2021	2020
Subject to expenditure for specified purpose:		
Community Literacy Awareness	\$ 1,677,847	\$ 962,250
Print Programs	1,510,955	1,016,546
Digital Programs	21,050	8,513
Accumulated earnings on endowment funds not appropriated for expenditure	686,560	252,989
Total Subject to Expenditure for Specified Purpose	3,896,412	2,240,298
Subject to occurrence of specified events/passage of time:		
General operations	38,298	45,000
Subject to Perpetuity:		
Endowment funds	2,813,631	2,813,631
Total Net Assets With Donor Restrictions	\$ 6,748,341	\$ 5,098,929

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(9) Endowment Funds

RIF's endowment includes both board-designated and donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law and Endowment Activity

RIF's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, RIF classifies as net assets with permanent donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified as donor restricted net assets in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by RIF's Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RIF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of RIF and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- RIF's other resources, and
- RIF's investment policies.

During the year ended September 30, 2021, RIF's endowment had the following activity:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	<u>\$ 3,504,956</u>	<u>\$ 3,066,620</u>	<u>\$ 6,571,576</u>
Investment income, net	757,966	595,131	1,353,097
Amounts appropriated for expenditure	<u>(757,966)</u>	<u>(161,560)</u>	<u>(919,526)</u>
Change in net assets	<u>-</u>	<u>433,571</u>	<u>433,571</u>
Endowment Net Assets, End of Year	<u>\$ 3,504,956</u>	<u>\$ 3,500,191</u>	<u>\$ 7,005,147</u>

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(9) Endowment Funds (continued)

(a) Interpretation of Relevant Law and Endowment Activity (continued)

During the year ended September 30, 2020, RIF's endowment had the following activity:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,504,956	\$ 2,965,220	\$ 6,470,176
Investment income, net	258,379	216,167	474,546
Amounts appropriated for expenditure	<u>(258,379)</u>	<u>(114,767)</u>	<u>(373,146)</u>
Change in net assets	<u>-</u>	<u>101,400</u>	<u>101,400</u>
Endowment Net Assets, End of Year	<u>\$ 3,504,956</u>	<u>\$ 3,066,620</u>	<u>\$ 6,571,576</u>

As of September 30, 2021 and 2020, RIF's endowment funds had the following net asset composition:

	2021		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted funds:			
Gift value	\$ -	\$ 2,813,631	\$ 2,813,631
Appreciation	<u>-</u>	<u>686,560</u>	<u>686,560</u>
Total Donor-Restricted Funds	-	3,500,191	3,500,191
Board-designated funds	<u>3,504,956</u>	<u>-</u>	<u>3,504,956</u>
Endowment Net Assets, End of Year	<u>\$ 3,504,956</u>	<u>\$ 3,500,191</u>	<u>\$ 7,005,147</u>
	2020		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted funds:			
Gift value	\$ -	\$ 2,813,631	\$ 2,813,631
Appreciation	<u>-</u>	<u>252,989</u>	<u>252,989</u>
Total Donor-Restricted Funds	-	3,066,620	3,066,620
Board-designated funds	<u>3,504,956</u>	<u>-</u>	<u>3,504,956</u>
Endowment Net Assets, End of Year	<u>\$ 3,504,956</u>	<u>\$ 3,066,620</u>	<u>\$ 6,571,576</u>

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(9) Endowment Funds (continued)

(a) Interpretation of Relevant Law and Endowment Activity (continued)

	2021	2020
The portion of endowment funds that is required to be held in perpetuity, either by explicit donor stipulation or by UPMIFA:		
Martha Goldsmith Endowment	\$ 2,222,021	\$ 2,222,021
General Endowment	349,913	349,913
Volunteer of the Year Awards	127,504	127,504
Katherine Kirby Endowment	114,193	114,193
Total Endowment Funds to be held In Perpetuity	\$ 2,813,631	\$ 2,813,631
	2021	2020
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	\$ 548,056	\$ 174,907
With purpose restrictions	138,504	78,082
Total Endowment Funds Subject to a Time Restriction	\$ 686,560	\$ 252,989

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires RIF to retain as a fund of perpetual duration. RIF's interpretation and the policy under UPMIFA is that it has the ability and will continue to spend from underwater funds. As of September 30, 2021 and 2020, there were no endowment funds with deficiencies.

(c) Return Objectives and Strategies

RIF has adopted an investment policy that emphasizes long-term growth, with a secondary objective of providing current income to support operations. Accordingly, RIF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

Earnings from the endowment funds are recorded and made available for operations through an annual allocation of up to 5% of the fund. The allocation is based on a three-year rolling average of the investment's market value, determined as of March 31 of the year prior to the budget year. Each year, as part of RIF's budgeting process, RIF reviews the appropriate level of payout for the following fiscal year. Fund disbursements are paid at the end of each quarter in the fiscal year as needed for general operations. Each fund's investment earnings is utilized as set forth in the specific applicable endowment agreement. The General Endowment fund's earnings are utilized for general operations.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(10) Paycheck Protection Program Loan

On April 18, 2020, RIF entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$579,800. On June 30, 2020, RIF returned \$22,700 of the PPP loan leaving a remaining loan balance of \$557,100. On August 2, 2021, RIF received full forgiveness of the loan's principal and interest of \$557,100 and \$7,257, respectively from the SBA. This forgiveness of debt is included in the accompanying statement of activities as PPP – forgiveness of loan and interest.

On February 4, 2021, RIF entered into an agreement for a second draw PPP loan with the same financial institution in the amount of \$543,975. The loan will mature on February 4, 2026, with a fixed interest rate of 1% per annum. All or a portion of the loan will be eligible for forgiveness provided that RIF applies for loan forgiveness by May 23, 2022, and meets certain PPP requirements which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. The loan will mature on February 4, 2026, with a fixed interest rate of 1% per annum. In the event RIF does not apply for forgiveness on or before May 23, 2022, payments of principal and all accrued interest will begin on June 15, 2022. If RIF applies for forgiveness but the loan is not forgiven, in whole or in part, one month following the month that either (1) the financial institution receives the applicable forgiveness amount from the SBA or (2) the financial institution receives notification from the SBA that no portion of the loan will be forgiven, all accrued interest that is not forgiven will be due and consecutive monthly payments of \$9,066 of the outstanding principal will commence. RIF believes it will meet the requirements for full forgiveness at which point the forgiveness will be recognized in the financial statements.

(11) Pension Plan

Employees are eligible to participate in RIF's 403(b) retirement plan (the Plan). Under the Plan, RIF contributes stipulated percentages of salary, which are used to purchase individual annuities, the rights to which are immediately vested with the employees. For the years ended September 30, 2021 and 2020, total pension expense was approximately \$115,000 and \$87,000, respectively.

(12) Allocation of Joint Costs

RIF conducts direct mail and digital campaigns that include appeals for contributions as well as program components. These joint costs include vendor fees, postage, advertising, and printing and were allocated in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Program Services	\$ 411,995	\$ 267,302
Fundraising	<u>277,462</u>	<u>117,148</u>
Total Allocation of Joint Costs	<u>\$ 689,457</u>	<u>\$ 384,450</u>

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(13) Lease Commitments

The terms of RIF's leases and subleases are described below. Rent expense, adjusted for lease incentives, is recognized on a straight-line basis over the terms of the respective lease. The net difference between the straight-line rental expense and the monthly cash payment is recognized as deferred rent and lease incentives in the accompanying statements of financial position. Total occupancy expense, which includes RIF's portion of the rent for the noncancelable office sublease and lease, a cancelable storage space lease, office equipment leases, property and liability insurance, and maintenance of computers and other office equipment, was approximately \$312,000 and \$326,000 for the years ended September 30, 2021 and 2020, respectively.

(a) *Operating Lease for Office Space on First Street, NE*

In September 2017, RIF entered into a lease for new office space located on First Street, NE, Washington, D.C., under a noncancelable operating lease that expires in September 2028. The office lease includes incentives such as leasehold improvements up to \$584,000 and five months of abated rent payments, as well as yearly rental increases. All of the leasehold improvement allowance was utilized as of September 30, 2017. Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the monthly cash payment is recognized as deferred rent and lease incentives in the accompanying statements of financial position. The lease required a security deposit in the amount of \$80,000 which was reduced in 2021 to \$56,000 and is included in prepaid expenses and other assets in the accompanying statements of financial position.

As of September 30, 2021, future minimum rental obligations under the operating lease were as follows:

For the Year ending September 30,	
2022	\$ 357,107
2023	366,055
2024	375,208
2025	384,567
2026	394,143
Thereafter	<u>818,149</u>
Total	<u>\$ 2,695,229</u>

(b) *Exit of Original Leased Office Space – 23rd Street, NW*

In May 2010, RIF entered into a lease for office space located on 23rd Street, NW, Washington, D.C., under a noncancelable operating lease that expired in October 2020. The lease required a letter of credit in the amount of \$68,000, which was secured by a money market fund that was included in investments as of September 30, 2020, in the accompanying statements of financial position.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(13) Lease Commitments (continued)

(b) *Exit of Original Leased Office Space – 23rd Street, NW (continued)*

In August 2012, RIF entered into a noncancelable sublease agreement with an organization (referred to as the Organization), an independent third party, to sublease the office space located on 23rd Street, NW, Washington, D.C. The sublease required the subtenant to pay a security deposit in the amount of \$60,657, which was included in the deposits liability as of September 30, 2020, in the accompanying statements of financial position, and to execute a letter of credit in the amount of \$500,000 in favor of RIF. The amount of the required letter of credit was reduced to \$200,000 effective October 1, 2017. The noncancelable operating lease and corresponding sublease agreement both expired in October 2020, and the related letters of credit were terminated in December 2020, 60 days after the lease expired. The money market fund held by RIF to collateralize the standby letter of credit was made available for operations.

(14) Risks and Uncertainties

(a) *Concentration of Credit Risk*

RIF maintains its cash, as well as certificates of deposit and cash equivalents reported under investments, with commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2021, and 2020, RIF had approximately \$6,282,000 and \$5,853,000, respectively, comprised of demand deposits and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately \$6,032,000 and \$5,603,000, respectively.

(b) *COVID-19 Impact*

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. RIF has been able to continue most of its operations in a remote environment; however, the extent to which COVID-19 may impact RIF’s financial condition or results of operations continues to evolve. In an effort to mitigate the potential financial impact, RIF applied for and received two PPP loans under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) which are described in Note 10.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(15) Liquidity and Availability of Financial Assets

RIF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. RIF's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 6,378,251	\$ 5,736,504
Pledges and other receivables, net	680,600	154,257
Other assets - receivables	23,163	60,295
Investments	<u>9,767,660</u>	<u>8,200,843</u>
Total Financial Assets Available at September 30	<u>16,849,674</u>	<u>14,151,899</u>
Less:		
Amounts unavailable for general expenditures within one year due to donors' restrictions	(6,748,341)	(5,098,929)
Amounts unavailable to management without Board approval	<u>(3,504,956)</u>	<u>(3,504,956)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 6,596,377</u>	<u>\$ 5,548,014</u>

RIF has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of RIF throughout the year. This is done through monitoring and reviewing RIF's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of RIF's cash flow related to RIF's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, to support organizational initiatives. RIF has Board-Designated net assets that could be available for current operations with Board approval, if necessary.

(16) Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, RIF is exempt from federal taxes on income other than net unrelated business income. For the years ended September 30, 2021 and 2020, no provision for income taxes was required, as RIF had no net material unrelated business income.

RIF follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2021 and 2020

(16) Income Taxes (continued)

and prescribe a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RIF evaluated its uncertainty in income taxes for the years ended September 30, 2021 and 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2021 and 2020, there are no audits for any tax periods pending or in progress. It is RIF’s policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2021 and 2020, RIF had no accruals for interest and/or penalties.

(17) Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

(18) Subsequent Events

In preparing these financial statements, RIF has evaluated, for potential recognition or disclosure, events and transactions through February 9, 2022, the date the financial statements were available to be issued. There were no other subsequent events identified that require recognition or disclosure in these financial statements.