



Certified Public Accountants
and Financial Advisors

Reading Partners

Financial Statements
June 30, 2019 with summarized
comparative totals for 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reading Partners

Report on the Financial Statements

We have audited the accompanying financial statements of Reading Partners (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Partners as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Reading Partners 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
October 23, 2019

READING PARTNERS
STATEMENT OF FINANCIAL POSITION
June 30, 2019 with Summarized Comparative Totals for 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 4,413,044	\$ 814,798
Receivables		
Accounts and grants	1,267,767	797,890
Government contracts	788,127	471,818
Pledges - net	5,252,806	4,905,436
Donated rent	70,148	69,852
Prepaid expenses	363,975	318,786
Other assets	6,702	7,669
	<u>12,162,569</u>	<u>7,386,249</u>
Pledges receivable - long-term - net	3,154,003	4,164,071
Donated rent receivable - long-term	117,574	189,381
Property and equipment - net	158,866	287,769
Deposits	145,554	145,554
	<u>15,738,566</u>	<u>12,173,024</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 327,810	\$ 207,379
Accrued liabilities	1,412,136	1,199,454
Deferred revenue	81,000	94,000
Deferred rent	279,593	98,053
	<u>2,100,539</u>	<u>1,598,886</u>
Net Assets		
Without donor restrictions	964,473	(471,913)
With donor restrictions	12,673,554	11,046,051
	<u>13,638,027</u>	<u>10,574,138</u>
Total net assets	<u>13,638,027</u>	<u>10,574,138</u>
Total liabilities and net assets	<u>\$ 15,738,566</u>	<u>\$ 12,173,024</u>

READING PARTNERS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019 with Summarized Comparative Totals for 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Support				
Foundation grants	\$ 7,835,194	\$ 6,493,310	\$ 14,328,504	\$ 15,526,547
Government contracts and grants	5,244,122	-	5,244,122	5,044,397
Individual gifts	2,229,944	425,021	2,654,965	3,374,993
Corporate contributions	1,887,942	1,071,370	2,959,312	1,396,015
Special event income - net of costs of direct benefit to donors of \$293,097	660,060	5,000	665,060	473,779
Contributions in-kind	2,695,954	-	2,695,954	3,341,154
Total support	<u>20,553,216</u>	<u>7,994,701</u>	<u>28,547,917</u>	<u>29,156,885</u>
Revenue				
Tutoring service fees	3,976,036	-	3,976,036	4,289,679
Other income	358,945	-	358,945	221,765
Total revenue	<u>4,334,981</u>	<u>-</u>	<u>4,334,981</u>	<u>4,511,444</u>
Total support and revenue	24,888,197	7,994,701	32,882,898	33,668,329
Net assets released from restrictions	<u>6,367,198</u>	<u>(6,367,198)</u>	<u>-</u>	<u>-</u>
Total support and revenue	31,255,395	1,627,503	32,882,898	33,668,329
EXPENSES				
Program services	24,086,494	-	24,086,494	23,095,555
Supporting services:				
Management and general	3,044,662	-	3,044,662	2,802,338
Fundraising	2,687,853	-	2,687,853	2,614,714
Total supporting services	<u>5,732,515</u>	<u>-</u>	<u>5,732,515</u>	<u>5,417,052</u>
Total expenses	<u>29,819,009</u>	<u>-</u>	<u>29,819,009</u>	<u>28,512,607</u>
CHANGE IN NET ASSETS	1,436,386	1,627,503	3,063,889	5,155,722
NET ASSETS - beginning of year	<u>(471,913)</u>	<u>11,046,051</u>	<u>10,574,138</u>	<u>5,418,416</u>
NET ASSETS - end of year	<u>\$ 964,473</u>	<u>\$ 12,673,554</u>	<u>\$ 13,638,027</u>	<u>\$ 10,574,138</u>

READING PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019 with Summarized Comparative Totals for 2018

	2019			Total Supporting Services	Total Expenses	2018 Total Expenses
	Program Services	Supporting Services Management and General	Fundraising			
Salaries and related expenses:						
Salaries and wages	\$ 14,796,286	\$ 1,267,191	\$ 1,741,471	\$ 3,008,662	\$ 17,804,948	\$ 16,960,167
Employee benefits	1,929,163	214,984	255,859	470,843	2,400,006	2,394,880
Payroll taxes	1,161,183	87,133	131,167	218,300	1,379,483	1,290,147
Total salaries and related expenses	17,886,632	1,569,308	2,128,497	3,697,805	21,584,437	20,645,194
In-kind rent, services, and goods	2,765,805	-	-	-	2,765,805	3,118,493
Occupancy	880,789	741,908	245,407	987,315	1,868,104	1,662,072
Consultants and professional services	540,716	265,383	183,820	449,203	989,919	795,026
Books and supplies	642,770	52,321	18,643	70,964	713,734	476,907
Technology related expenses	217,145	151,857	47,820	199,677	416,822	291,646
Marketing and publicity	236,626	24,448	20,978	45,426	282,052	146,273
Travel	174,373	38,315	32,932	71,247	245,620	262,193
Professional development	59,283	5,262	3,831	9,093	68,376	49,638
Other	573,882	163,409	288,753	452,162	1,026,044	1,155,410
Total expenses before depreciation	23,978,021	3,012,211	2,970,681	5,982,892	29,960,913	28,602,852
Depreciation	108,473	32,451	10,269	42,720	151,193	168,604
Total expenses by function	24,086,494	3,044,662	2,980,950	6,025,612	30,112,106	28,771,456
Less expenses netted against special event income on the statement of activities	-	-	(293,097)	(293,097)	(293,097)	(258,849)
Total expenses	\$ 24,086,494	\$ 3,044,662	\$ 2,687,853	\$ 5,732,515	\$ 29,819,009	\$ 28,512,607

READING PARTNERS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019 with Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,063,889	\$ 5,155,722
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	151,193	168,604
Changes in operating assets and liabilities		
Receivables	(51,977)	(3,040,926)
Prepaid expenses	(45,189)	(79,964)
Other assets	967	(1,510)
Deposits	-	51,165
Accounts payable	120,431	(389,628)
Accrued liabilities	212,682	26,570
Deferred revenue	(13,000)	94,000
Deferred rent	181,540	30,310
Net cash provided by operating activities	3,620,536	2,014,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(22,290)	(7,216)
Net cash used in investing activities	(22,290)	(7,216)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	-	(2,150,000)
Net increase (decrease) in cash and cash equivalents	3,598,246	(142,873)
CASH AND CASH EQUIVALENTS - beginning of year	814,798	957,671
CASH AND CASH EQUIVALENTS - end of year	\$ 4,413,044	\$ 814,798
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 4,041	\$ 54,232

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. ORGANIZATION

An evidence-based and community driven organization, Reading Partners (the “Organization”) recruits, trains, and supports community volunteers to work one-on-one with students for 45 minutes twice a week, using a structured, easy-to-follow, research-based curriculum. Reading Partners’ program helps K-5 students in under-resourced schools who struggle with reading gain foundational literacy skills, such as alphabet knowledge, letter-sound correspondence, phonics, and vocabulary, and make the all-important shift from learning to read to reading to learn. With the vision that all students will have the literacy skills they need to reach their full potential, Reading Partners helps put students on a path to achieving reading proficiency and becoming confident, lifelong readers.

In 1999, three community leaders founded Reading Partners. The organization was incorporated as a 501(c)(3) organization under the name YES Reading in 2001 and changed its name to Reading Partners in 2008. In 2011, Reading Partners grew from a local organization to a national organization. In the 2018-19 school year, we engaged approximately 13,000 community tutors to serve over 11,000 students in 14 geographic regions across the country.

2. PROGRAM SERVICES

One-on-One Reading Program

Reading Partners empowers elementary students in under-resourced communities to reach their full potential by ensuring they have the foundational reading skills necessary for academic, professional, and life success. To support this effort, we recruit, train, and support community volunteers to provide individualized instruction in local Title I elementary schools to struggling readers. Our program uses an approach customized by grade level: for kindergarteners through second-graders, we help students focus on developing mastery of key foundational literacy skills; for third- and fourth-graders, we help students further develop the complex reading skills necessary to be on track for grade-level reading proficiency.

In each school with which we partner, Reading Partners transforms a dedicated space into a reading center and recruits at least 50 volunteer tutors to serve 40 or more students. Our student-tutor pairs work together for 45 minutes twice per week, following an individualized reading plan tailored to each student’s particular needs and strengths as well as Reading Partners’ strategic goals for student reading achievement. To execute this plan, tutors use Reading Partners’ curriculum, a series of research-based, structured lessons plans that focus on knowledge of the alphabet, phonics instruction, fluency, and early comprehension skills for early readers to more advanced comprehension instruction and practice for students who have mastered many of the foundational literacy skills. We assess students three times per year to monitor their progress toward grade-level achievement goals and to help advise tutors on how to best support their students. The results are dramatic: in the 2018-19 school year, 85 percent of all Reading Partners students were meeting or exceeding their primary end-of-year literacy growth goal. Additionally, 90 percent of kindergarteners through second-graders were developing mastery of grade-appropriate foundational reading skills needed to read at grade level.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The net assets of the Organization are reported in groups as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions

Net assets received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in bank, petty cash on hand, and funds held in a money market account.

Receivables

Accounts, Government Contracts and Grants

The accounts, government contracts and grants receivable consist of amounts due from government agencies under various cost-reimbursement and fee for service agreements. The Organization provides for an allowance for doubtful accounts based on historical collectability and other factors known to management. At June 30, 2019, management believed accounts, government contracts, and grants receivable to be fully collectable, and no allowance was provided.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables (continued)

Pledges

Unconditional promises to give are recognized as support in the period the pledge is made. Pledges receivable are recorded at their cash value if expected to be collected in one year and at their net realizable value if expected to be collected in more than one year. The net realizable value is measured at the present value of future cash flows using a risk-adjusted discounted rate of return applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. For the year ended June 30, 2019, the discount rate ranged from 1.92% - 2.63%. Management believes all pledges receivable are collectible, therefore, no allowance for doubtful accounts has been provided. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Rent

The Organization received a contribution for the use of office space through January 31, 2022. The fair value of the donated rent, adjusted for consumer price index increases, is recorded as donated rent receivable and net assets with donor restrictions. Donated rent is amortized as in-kind rent expense on a monthly basis and shown as net assets released from restrictions.

Revenue Recognition

Government Contracts and Grants

Revenues from government contracts and grants are recognized when earned. Deferred revenue represents funds which have been received in advance of services to be performed. The Organization recognizes service fees in the period the services are performed.

Foundation Grants, Corporate Contributions, and Individual Gifts

Foundation grants, corporate contributions and individual gifts are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Grants, contributions and gifts are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the nature of donor restrictions.

Conditional promises to give or intentions to give are not recorded in the financial statements until the conditions are substantially met. At June 30, 2019, the Organization did not have any conditional promises to give.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions In-Kind

Tutoring Facilities and Office Space

The Organization receives donated dedicated space in schools where it provides its core program (see Note 10). The fair value of the donated space is determined by the school based on square footage of the dedicated space and the appropriate market value of rent for the space. The fair value is estimated using information provided to the Organization by the school. In addition, the Organization receives donated office space, which is recorded at fair value using information provided to the Organization by the donor.

Services

Contributed services, which require specialized skills and which the Organization would have paid for if not donated, are recorded at their fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. These contributed services are not reflected in the accompanying financial statements.

Other Contributions In-Kind

Donated products and supplies are recorded at their fair value as of the date of the donation.

Tutoring Service Fees

Tutoring service fees are recognized as revenue without donor restrictions when earned. All tutoring service fees are defined as program income per federal grant guidelines. Therefore, all tutoring fees earned during the fiscal year were required to be used to supplement expenses funded by the Organization's federal grants at the locations where earned.

Property and Equipment

Property and equipment with an original purchase price in excess of \$2,500 are recorded at cost or fair value for donated items. Costs of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the lesser of the estimated useful lives or the duration of the lease term. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Deferred Rent

The Organization has certain lease agreements that provide for rent escalations during the lease terms. The Organization records rent expense on a straight-line basis over the term of the respective lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable tax authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of the indirect salary expense allocation is based on estimated time spent by individual employees. Other indirect costs are prorated based on salary expense or allocated based on estimated usage.

Concentrations

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts.

The Organization is dependent on federal grants from the Corporation for National and Community Service (CNCS). If the level of these grants varies, there may be a resulting effect upon the level and types of activities and program services offered by the Organization. For the year ended June 30, 2019, approximately 79% of government grant and contract revenues and 13% of total revenue was from CNCS.

The Organization is also dependent on support from foundations. As of June 30, 2019, approximately \$3,890,000 (46%) of all pledges receivable were due from two foundations, of which \$2,000,000 was collected in July 2019.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

New Accounting Pronouncements

The Financial Accounting Standards Board, referred to as FASB, issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”) which supersedes existing revenue recognition guidance under current GAAP. This standard is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In doing so, among other things, entities will generally need to use more judgment and make more estimates than under the current guidance. The standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 is effective for financial statements issued for fiscal years beginning after December 15, 2018. The new standard will be effective for the Organization for the year ending June 30, 2020. The Organization has not determined the full effect of the standard on its financial statements and related notes to the financial statements.

The FASB also issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958), clarifying the scope and the accounting guidance for contributions received and contributions made including the criteria for evaluating whether contributions are conditional or unconditional. The new standard will be effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating the impact on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. ASU 2016-02 is not expected to fundamentally change the accounting of leases for lessors. The new standard will be effective for the Organization for the year ending June 30, 2022, and early adoption is permitted. The Organization is currently evaluating the timing of its adoption and the impact on its financial statements.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through October 23, 2019, which represents the date the financial statements were available to be issued.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Organization’s financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions. The temporarily and permanently restricted net asset class has been renamed net assets with donor restrictions.
2. The financial statements include a new disclosure about liquidity and availability of resources (refer to Note 5).

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

During the year ended June 30, 2019, the Organization had an increase in net assets without donor restrictions of about \$1,400,000, reducing the net assets without donor restrictions deficit from approximately \$472,000 at June 30, 2018 to surplus of \$964,000 at June 30, 2019.

Management has made significant progress in improving the Organization’s cash flows by controlling costs and finding adequate resources to fund operations. Management has increased the change in net assets without donor restrictions from approximately \$356,000 for the year ended June 30, 2018 to approximately \$1,400,000 for the year ended June 30, 2019. The Organization has a line of credit which is available for use to temporarily fund gaps in cash flows primarily related to cost-reimbursement grants. As of June 30, 2019, the Organization had \$4,000,000 available under the line of credit. The line of credit matures on January 30, 2020. Management plans to renew the line of credit for another year from date of maturity.

Financial assets at June 30, 2019:

Cash and cash equivalents	\$ 4,413,044
Receivables	
Accounts and grants	1,267,767
Government contracts	788,127
Pledges - net	<u>5,252,806</u>
Total financial assets	11,721,744
Donor restricted assets	<u>(3,209,682)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,512,062</u>

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2019, consisted of the following:

Total pledges receivable	\$ 8,477,488
Present value discount	<u>(70,679)</u>
	8,406,809
Less: current portion	<u>(5,252,806)</u>
	\$ <u><u>3,154,003</u></u>

Pledges receivable are expected to be collected as follows:

Year ending June 30,	
2020	\$ 5,252,806
2021	2,416,508
2022	733,174
2023	<u>75,000</u>
	8,477,488
Less: present value discount	<u>(70,679)</u>
	\$ <u><u>8,406,809</u></u>

7. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation and amortization of property and equipment at June 30, 2019 consisted of the following:

Curriculum	\$ 974,033
Furniture and equipment	162,904
Website	16,281
Software	116,271
Leasehold improvements	<u>20,358</u>
	1,289,847
Less: accumulated depreciation and amortization	<u>(1,130,981)</u>
	\$ <u><u>158,866</u></u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$151,193.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. LINE OF CREDIT

The Organization has a \$4,000,000 line of credit with Union Bank of California that matures on January 30, 2020. The line of credit bears interest at the Wall Street Journal prime rate plus 0.5% per annum (6% at June 30, 2019). The line of credit agreement contains financial covenants that require, among other matters, the Organization to maintain a minimum current ratio and total net assets. At June 30, 2019, there was no outstanding balance on the line of credit. For the year ended June 30, 2019, interest expense amounted to \$4,041.

9. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions as of June 30, 2019 consisted of the following:

Purpose restricted	\$ 287,000
Time restricted	<u>12,386,554</u>
Total net assets with donor restriction	<u>\$ 12,673,554</u>

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

Purpose restriction accomplished	\$ 225,000
Time restriction accomplished	<u>6,142,198</u>
Total net assets released from restriction	<u>\$ 6,367,198</u>

10. CONTRIBUTIONS IN-KIND

The fair value of donated books, services, supplies, and facilities are recorded as contributions. During the year ended June 30, 2019, the following in-kind contributions were received by the Organization:

Facilities	\$ 2,435,197
Other contributions	<u>260,757</u>
Total contributions in-kind	<u>\$ 2,695,954</u>

11. RETIREMENT PLAN

The Organization sponsors a defined contribution plan for eligible employees under Section 403(b) of the Internal Revenue Code. All full time employees are eligible to participate in the plan. No employer contributions were made to the plan by the Organization for the year ended June 30, 2019.

READING PARTNERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. COMMITMENTS

The Organization leases office space in various cities throughout the United States. The leases expire at various periods through 2023 with monthly rental payments of up to \$69,392. The Organization also subleases office space at its headquarters. Sublease rental income was \$331,637 for the year ended June 30, 2019. Rent expense for the year ended June 30, 2019, was \$1,471,069.

Future minimum lease payments, reduced by future sublease income, are as follows:

Year ending June 30,	
2020	\$ 951,580
2021	800,635
2022	204,655
2023	<u>15,309</u>
	<u>\$ 1,972,179</u>

13. CONTINGENCIES

Amounts received and expended by the Organization under federally funded programs are subject to audit by oversight governmental agencies. The Organization's management believes that potential adjustments, if any, resulting from such audits will not have a significant effect on the Organization's financial statements.

From time to time, the Organization may be a party to certain actions in the ordinary course of business. In the opinion of management, the outcome of such matters, if there were any, would not have a material effect on the financial statements.