# Reading Recovery Council of North America, Inc.

*Audited Financial Statements*

As of and for the Years Ended
June 30, 2021 and 2020

Rea & associates

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# INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Reading Recovery Council of North America, Inc.
Worthington, Ohio

## Report on the Financial Statements

We have audited the accompanying financial statements of the Reading Recovery Council of North America, Inc. (the "Council"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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.

## Auditor's 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 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 Council'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 Council'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 the Council as of June 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
November 9, 2021



Rea & Associates, Inc.
5775 Perimeter Drive, Suite 200 | Dublin, OH 43017-3224 | p: 614.889.8725 | f: 614.889.0159
www.reacpa.com

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

## ASSETS

| | 2021 | 2020 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 1,022,670 | $ 1,088,583 |
| Cash held for others | 33,539 | 62,854 |
| Certificates of deposit, short-term | - | 154,953 |
| Receivables, net | 1,009,827 | 95,154 |
| Court settlement receivable, current portion | 3,600 | 3,600 |
| Inventory | 68,080 | 54,772 |
| Prepaid expenses | 32,849 | 5,471 |
| Total current assets | 2,170,565 | 1,465,387 |
| PROPERTY AND EQUIPMENT, net | 28,625 | 27,947 |
| COURT SETTLEMENT RECEIVABLE, long-term | 5,538 | 5,538 |
| CERTIFICATES OF DEPOSIT, long-term | 156,056 | 201,899 |
| Total assets | $ 2,360,784 | $ 1,700,771 |

## LIABILITIES AND NET ASSETS

| | 2021 | 2020 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 36,998 | $ 39,862 |
| Accrued expenses | 49,212 | 50,191 |
| Cash held for others | 33,539 | 62,854 |
| Deferred revenue, membership dues | 106,909 | 99,526 |
| Deferred revenue, conferences | - | 45,745 |
| Deferred revenue, PPP | - | 20,343 |
| Total current liabilities | 226,658 | 318,521 |
| NET ASSETS: | | |
| Without donor restriction | 964,296 | 1,232,884 |
| With donor restriction | 1,169,830 | 149,366 |
| Total net assets | 2,134,126 | 1,382,250 |
| Total liabilities and net assets | $ 2,360,784 | $ 1,700,771 |

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

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| REVENUES AND SUPPORT WITHOUT DONOR RESTRICTION: | | |
| Conferences | $ 783,215 | $ 1,242,405 |
| Membership dues | 166,227 | 200,606 |
| Grants and contributions | 407,873 | 147,873 |
| Products | 57,444 | 80,777 |
| Investment income | 2,163 | 18,269 |
| Trainer group | - | 20,295 |
| Webinar | 150 | 630 |
| Miscellaneous | 20,542 | 142,480 |
| Advertising | 5,143 | 7,876 |
| Net assets released from restrictions | 60,190 | 146,381 |
| Total revenues and support | 1,502,947 | 2,007,592 |
| FUNCTIONAL EXPENSES: | | |
| Program services | 1,206,755 | 1,482,611 |
| Management and general | 527,781 | 540,451 |
| Fundraising | 36,999 | 47,740 |
| Total expenses | 1,771,535 | 2,070,802 |
| Change in net assets without donor restriction | (268,588) | (63,210) |
| REVENUES AND SUPPORT WITH DONOR RESTRICTION: | | |
| Grants and contributions | 1,080,654 | 91,225 |
| Investment income | - | 855 |
| Net assets released from restrictions | (60,190) | (146,381) |
| Change in net assets with donor restriction | 1,020,464 | (54,301) |
| Change in net assets | 751,876 | (117,511) |
| NET ASSETS, beginning of the year | 1,382,250 | 1,499,761 |
| NET ASSETS, end of the year | $ 2,134,126 | $ 1,382,250 |

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| FUNCTIONAL EXPENSES: | | | | |
| Salaries and wages | $ 410,929 | $ 249,019 | $ 24,866 | $ 684,814 |
| Conferences | 111,009 | - | - | 111,009 |
| Employee benefits | 105,328 | 66,832 | 8,574 | 180,734 |
| Printing and publications | 33,926 | - | - | 33,926 |
| Scholarships | 60,190 | - | - | 60,190 |
| Product | 30,885 | - | - | 30,885 |
| Postage and shipping | 12,547 | 10,089 | - | 22,636 |
| Marketing | 41,737 | - | - | 41,737 |
| Consultants | 4,668 | 32,297 | - | 36,965 |
| Office and storage rent | 45,129 | 5,938 | 3,304 | 54,371 |
| Website | 20,771 | - | - | 20,771 |
| Bank charges | 14,693 | 9,355 | - | 24,048 |
| Trainer group | 7,916 | - | - | 7,916 |
| Legal and accounting | - | 22,675 | - | 22,675 |
| Other contract services | 7,357 | - | - | 7,357 |
| Office supplies | 444 | 8,442 | - | 8,886 |
| Computer software | 27,445 | 28,054 | - | 55,499 |
| General services purchased | 113,731 | 8,419 | - | 122,150 |
| Travel | 66 | 584 | - | 650 |
| Miscellaneous | 24,317 | - | 255 | 24,572 |
| Telephone | 1,200 | 14,728 | - | 15,928 |
| Equipment rental and repair | - | 1,087 | - | 1,087 |
| Dues and subscriptions | - | 1,392 | - | 1,392 |
| Insurance | - | 5,443 | - | 5,443 |
| Depreciation | 10,348 | - | - | 10,348 |
| Bad debt | 116,224 | - | - | 116,224 |
| Webinar | 5,895 | - | - | 5,895 |
| Moving expense | - | 63,427 | - | 63,427 |
| Total functional expenses | $ 1,206,755 | $ 527,781 | $ 36,999 | $ 1,771,535 |

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

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| FUNCTIONAL EXPENSES: | | | | |
| Salaries and wages | $ 498,293 | $ 281,647 | $ 27,412 | $ 807,352 |
| Conferences | 338,652 | - | - | 338,652 |
| Employee benefits | 160,205 | 92,576 | 8,888 | 261,669 |
| Printing and publications | 47,397 | 639 | 301 | 48,337 |
| Scholarships | 82,380 | - | - | 82,380 |
| Board and committee expense | 46,120 | 715 | - | 46,835 |
| Product | 14,918 | 30,221 | - | 45,139 |
| Postage and shipping | 35,506 | 3,783 | 172 | 39,461 |
| Marketing | 75,276 | - | - | 75,276 |
| Consultants | 24,154 | 25,026 | - | 49,180 |
| Office and storage rent | 52,973 | 11,635 | 4,200 | 68,808 |
| Website | 6,478 | - | - | 6,478 |
| Bank charges | 23,650 | 10,673 | - | 34,323 |
| Trainer group | 12,141 | - | - | 12,141 |
| Legal and accounting | 4,248 | 15,690 | - | 19,938 |
| Other contract services | 16,082 | - | - | 16,082 |
| Office supplies | 8,101 | 6,189 | 325 | 14,615 |
| Computer software | 11,613 | 15,179 | - | 26,792 |
| General services purchased | - | 18,505 | - | 18,505 |
| Travel | 2,646 | 3,796 | - | 6,442 |
| Miscellaneous | 2,010 | - | 6,442 | 8,452 |
| Telephone | 3,360 | 7,800 | - | 11,160 |
| Equipment rental and repair | - | 3,906 | - | 3,906 |
| Dues and subscriptions | 710 | 578 | - | 1,288 |
| Insurance | - | 5,370 | - | 5,370 |
| Depreciation | 9,462 | - | - | 9,462 |
| Bad debt | 3,084 | - | - | 3,084 |
| Webinar | 3,140 | - | - | 3,140 |
| Staff Development | 12 | 110 | - | 122 |
| Moving expense | - | 6,413 | - | 6,413 |
| Total functional expenses | $ 1,482,611 | $ 540,451 | $ 47,740 | $ 2,070,802 |

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

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 751,876 | $ (117,511) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation expense | 10,348 | 9,462 |
| Bad debt expense | 116,224 | 3,084 |
| Reinvested interest | (1,102) | (4,651) |
| (Increase) decrease in operating assets: | | |
| Receivables | (1,030,897) | (44,582) |
| Court settlement receivable | - | 1,200 |
| Inventory | (13,308) | (7,004) |
| Prepaid expenses | (27,378) | (345) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (2,864) | (104,582) |
| Accrued expenses | (979) | 12,802 |
| Deferred revenue, membership dues | 7,383 | 33,455 |
| Deferred revenue, conference | (45,745) | 18,760 |
| Deferred revenue, Paycheck Protection Program | (20,343) | 20,343 |
| Net cash used by operating activities | (256,785) | (179,569) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for the purchase of property and equipment | (11,026) | (11,233) |
| Net purchases of certificates of deposit | - | (200,806) |
| Proceeds from maturity of certificates of deposit | 201,898 | 874,600 |
| Net cash provided by investing activities | 190,872 | 662,561 |
| Net (decrease) increase in cash and cash equivalents | (65,913) | 482,992 |
| CASH AND CASH EQUIVALENTS, beginning of the year | 1,088,583 | 605,591 |
| CASH AND CASH EQUIVALENTS, end of the year | $ 1,022,670 | $ 1,088,583 |

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Council

The Reading Recovery Council of North America, Inc. (the “Council”) is a not-for-profit Council, formed in May 1996. The purpose of the Council is to preserve the integrity of the Reading Recovery Program and improve its effectiveness, to provide Reading Recovery to every child who needs individual help in learning to read and write, to strengthen the context within which Reading Recovery is implemented, and to increase knowledge about how children and teachers learn.

Net Assets and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with principles generally accepted in the United States of America (“GAAP”). Under these principles, the Council is required to report the changes in, and totals of, each net asset class based on the existence of donor restrictions. Net assets, revenues, expenses, gains, and losses are classified based on the existence of Board of Directors (“Board”) designated or donor-imposed restrictions, where applicable. Accordingly, net assets and changes therein are reported as follows:

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Council reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of these financial statements, the Council considers all short-term, highly liquid investments that are readily convertible to a known amount of cash and short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Cash Held for Others

The Council records its cash held for others according to GAAP. The Council did not report the receipt of these funds as a contribution, since the transfer was subject to the resource providers’ unilateral right to redirect the use of the assets to another beneficiary. See Note 7 for the corresponding transactions.

Certificates of Deposit

The Council values certificates of deposit at principal, plus accrued interest. Certificates of deposit with original maturities of less than one year are classified as short-term. Certificates of deposit that have original maturities of greater than one year are classified as long-term. Interest income attributable to the certificates of deposit is $1,102 and $4,651 for the years ended June 30, 2021 and 2020, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of publications and products produced by the Council for resale, and are carried at the lower of cost or net realizable value, determined on a first in, first-out basis.

Receivables

Receivables consist of amounts due from both members and nonmembers, for publications and products, and from conference participants. Receivables are presented net of an allowance for doubtful accounts, which represents the amount management expects to collect. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance, based on its assessment of the current status of individual accounts. Receivables are considered past due when they are outstanding more than 90 days. Periodically, the Council’s management reviews past due receivables and accounts for all receivables deemed uncollectible after all reasonable collection efforts have been exhausted. There were no receivables 90 days or more outstanding as of June 30, 2021. Receivables 90 days or more outstanding were $29,111 as of June 30, 2020. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt. The allowance for doubtful accounts was $10,000 and $31,691 as of June 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment greater than $1,000 are carried at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in revenues, gains, and other support.

Accounting Pronouncement Adopted

In May, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 entitled “Revenue from Contracts with Customers (Topic 606)”. The Council adopted this ASU on July 1, 2020. The new guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the guidance is that an entity should recognize revenue for the transfer of promised goods or 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. Additionally, the guidance requires expanded disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue from contracts with customers. The provisions of the ASU were applied using the modified retrospective transition method, which requires a one-time adjustment to opening retained earnings for the cumulative impact of adopting the new guidance. No adjustment was required as of July 1, 2020 as there was no impact to previously reported revenue or expenses associated with adopting the new standard. For the Council, the most significant impact of the new standard is the addition of newly required disclosures within the notes to the financial statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Deferred Revenue

Effective with the July 1, 2020 adoption of ASU 2014-09, the Council recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Council expects to receive in exchange for those goods or services. To determine revenue recognition for contracts that the Council determines are within the scope of Topic 606, the Council performs the following five steps:

- Identify the contract(s) with a customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract,
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Conferences

The Council records conference revenue at the point in time when the performance obligation is satisfied which is when the conference occurs. Amounts collected before a conference is held are deferred as a contract liability until the performance obligation is satisfied.

Membership Dues

Membership dues represent amounts charged by the Council to its members for the general rights of membership and providing access to valuable training and information. All membership dues are considered exchange transactions, no contribution element is present. Management considers payment of dues based on prices determined by the Council, to constitute member acceptance of the offered benefits. The receipt of membership dues are deferred as a contract liability and recognized as revenue ratably over the membership period as the Council satisfies its performance obligation to provide membership benefits. The membership dues deferred revenue balance represents unsatisfied contractual performance obligations related to membership as of June 30, 2021.

Grants

A portion of the Council's revenue is derived from cost-reimbursable contracts and grants from various agencies. Certain grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Council's grant support activity is subject to review by the granting entities.

Contributions

The Council receives contributions from individuals, corporations, foundations, and other charitable organizations. Contributions and gifts are recognized as revenues at fair value at the date of the donor's unconditional promise to give. These contributions and gifts are considered to be available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give, specifically those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributed Services

The Council receives donated services in the form of volunteered time for committees and conference activities. In accordance with generally accepted accounting principles, contributions of services are recognized, at their estimated fair value, if the services received a) create or enhance non-financial assets or, b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind revenues are offset by recording a corresponding program expense. Contributed services and promises to give services that do not meet the aforementioned criteria are not recognized. Due to the nature and dollar amount of the Council's donated services, these values have not been recognized in the financial statements.

### Advertising Costs

Advertising costs are expensed as incurred. The Council incurred no advertising expense during the years ended June 30, 2021 and 2020. Certain advertisements and promotional items are included in National Conference marketing expenses.

### Leases

The Council charges operating leases to expense over the lease term as they become payable. If rental payments are not made on a straight-line basis and escalate throughout the lease term, rental expense is recognized on a straight-line basis unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased property.

### Income Taxes

The Council is exempt from Federal income tax, pursuant to Internal Revenue Code Section 501(c)(3) as a public charity. Therefore, the Council has no liability for federal income tax on exempt activities. However, the Council may be subjected to tax on unrelated business income. For the years ended June 30, 2021 and 2020, the Council had no unrelated business income.

GAAP requires the Council to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of financial position along with interest and penalties that would be payable to the taxing authorities upon examination. The Council believes that none of the tax positions taken would materially impact the financial statements, and no such liabilities have been recorded.

### Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Allocation of Functional Expenses

The Council allocates costs between program, supporting services, and fundraising expenses. Expenses are allocated based on the actual or estimated time each employee spends within the function. Certain other expenses are allocated specifically.

### Recently Issued But Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 entitled *Leases (Topic 842)*, which will change the Council's statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Council's annual reporting periods beginning after December 15, 2021. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

### Subsequent Events

The Council has evaluated subsequent events through November 9, 2021, the date on which the financial statements were available to be issued. Management determined that there were no transactions or events that required disclosure through the evaluation date.

## NOTE 2: UNINSURED RISK – CASH DEPOSITS

The Council maintains its cash and cash equivalent balances in financial institutions located in central Ohio. Deposits are insured by the Federal Deposit Insurance Corporation up to a coverage limit of $250,000. As a result, the Council may have balances that exceed the insured limit.

## NOTE 3: PROPERTY AND EQUIPMENT

| | 2021 | 2020 |
|---|---|---|
| Furniture and computers | $ 191,776 | $ 180,750 |
| Less: accumulated depreciation | (163,151) | (152,803) |
| Property and equipment, net | $ 28,625 | $ 27,947 |

## NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions includes the scholarship fund, the board travel fund, and the endowment fund. The Board established an endowment fund (the "Fund") for the Council in February 1998. The Fund consists of funds which are either contributed to the Council for the Fund and/or those funds which are designated by the Board from other sources of revenue. The Fund shall be invested in accordance with the Council's existing investment policies. Income from the investment of the Fund may be allocated for the Council's use on an annual basis or may be retained in the Fund to support its growth. The principal of the Fund shall not be expended without a two-thirds majority vote of the Board. The Executive Director is responsible for reporting to the Board on an annual basis the amount of the Fund and the earnings of the Fund for the previous year. The Board reviews this policy on an annual basis to determine its continued effectiveness for the Council.

The components of net assets with donor restrictions are as follows as of June 30:

| | 2021 | 2020 |
|---|---|---|
| Scholarship fund | $ 119,900 | $ 104,436 |
| Board travel fund | 5,408 | 5,408 |
| Endowment fund | 39,522 | 39,522 |
| Time restrictions | 1,005,000 | - |
| Net assets with donor restrictions | $ 1,169,830 | $ 149,366 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended June 30:

| Restriction accomplished: | 2021 | 2020 |
|---|---|---|
| Providing scholarships to individuals and school districts | $ 60,190 | $ 145,369 |
| Travel expenses incurred by Board Members | - | 1,012 |
| Net assets released from restriction | $ 60,190 | $ 146,381 |

## NOTE 5: RETIREMENT PLANS

Some of the Council's employees are covered by the Ohio Public Employees Retirement System through The Ohio State University (the "University"). The Council was originally established by the University, therefore some of the Council's personnel are employed by the University. Eligible employees are those who are employed by the University, are full-time, and have met the age requirements. The benefits are based on years of service. The Council reimburses the University for expenses related to the plan, but has no liability associated with the plan.

The Council also has a 403(b) plan covering all full-time employees employed through the University, who have met the age requirements and agree to make contributions to the plan. The Council makes no contributions to this plan.

## NOTE 5: RETIREMENT PLANS (CONTINUED)

In addition, the Council has a 401(k) plan covering all full-time employees that are not employed by the University. The Council makes annual matching contributions of up to 6% of the participant's salary. For the years ended June 30, 2021 and 2020, the Council contributed $25,417 and $21,996, respectively, to this plan.

## NOTE 6: OPERATING LEASES

The Council has entered into certain operating lease agreements for a copier, postage meter, and office space. The leases have varying expirations through April 2028. Total expense related to these operating leases was $55,458 and $72,714 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases for each year through expiration and in the aggregate are as follows.

| For the Years Ended June 30 | Amount |
|---|---|
| 2022 | $ 29,547 |
| 2023 | 28,982 |
| 2024 | 30,758 |
| 2025 | 29,547 |
| 2026 | 37,135 |
| After 2026 | 73,141 |
| | $ 229,110 |

The Council's operating lease for office space in Columbus has incremental increases over the life of the lease. As a result, a liability has been recorded in the amount of $11,409 as of June 30, 2021, to recognize the lease payments on a straight-line basis.

## NOTE 7: AFFILIATE GROUPS

The Council collects and holds affiliation fees for the North American Trainers Group, an affiliate group. As of June 30, 2021 and 2020, the Council held $33,539 and $62,854 respectively. These amounts are included in cash held for others on the statements of financial position.

## NOTE 8: CONTRACTUAL OBLIGATIONS

The Council entered into agreements with a hotel and conference center to reserve guest rooms, meeting rooms, and food service for conferences, seminars, and meetings to be held in subsequent years. Each contract has its own timetable and cancellation penalties for each service. The maximum potential cancellation liability from these contracts is $131,000 as of June 30, 2021.

## NOTE 9: COURT SETTLEMENT

The Council was awarded a court settlement in April 2009 as a result of an agreement that was reached between the Council and one of its vendors. The court awarded the Council $52,000, of which $1,200 was received during the year ended June 30, 2020. The remaining amount has been recorded as a receivable. The vendor is obligated to make $300 payments to the Council on a monthly basis. No payments were received on the award during the year ended June 30, 2021. As of June 30, 2021, management believes the amount to be fully collectible.

## NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Council's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2021, because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Council that could be drawn upon if the Board approves the action. The Council's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

| | |
|---|---|
| Financial assets: | |
| Cash and cash equivalents | $ 1,022,670 |
| Receivables, net | 1,009,827 |
| Financial assets, at year-end | 2,032,497 |
| Less: those unavailable for general expenditure within one year due to: | |
| Contractual or donor-imposed restrictions | (834,830) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,197,667 |

<u>Liquidity Policy</u>
As part of the Council's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations come due.

## NOTE 11: GOVERNMENT ASSISTANCE

On May 8, 2020, the Council entered into a note payable agreement with a bank under the Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief, and Economic Security Act of 2020. The unsecured note had a principal amount of $104,095 maturing on May 8, 2022. Management elected to apply Accounting Standards Codification 958-605 to the funds received as part of the PPP program as it has high confidence that the Council is an eligible recipient and meets conditions for forgiveness of the loan. The Council recognized $83,752 of grant revenue as it incurred allowable expenses under PPP guidance during the year ended June 30, 2020. As of June 30, 2020, $20,343 of the PPP proceeds had not been used for allowable expenses and were recorded as deferred revenue. The remaining deferred revenue balance of $20,343 was recognized during the year ended June 30, 2021.