

# **Reading Recovery Council of North America, Inc.**

*Audited Financial Statements*

As of and for the Years Ended  
June 30, 2019 and 2018



Rea & associates

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December 2, 2019

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

INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018, 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, 2019 and 2018, 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

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2019 AND 2018

	<u>ASSETS</u>	
	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 605,591	\$ 576,224
Cash held for others	34,332	87,553
Certificates of deposit, short-term	872,508	393,755
Receivables, net	53,656	66,401
Court settlement receivable, current portion	3,600	3,600
Inventory	47,768	42,367
Prepaid expenses	5,126	6,347
Total current assets	<u>1,622,581</u>	<u>1,176,247</u>
PROPERTY AND EQUIPMENT, net	26,176	15,237
COURT SETTLEMENT RECEIVABLE, long-term	6,738	10,038
CERTIFICATES OF DEPOSIT, long-term	153,487	725,787
Total assets	<u>\$ 1,808,982</u>	<u>\$ 1,927,309</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 144,444	\$ 122,767
Accrued expenses	37,389	42,013
Cash held for others	34,332	87,553
Deferred revenue, membership dues	66,071	81,287
Deferred revenue, conferences	26,985	57,299
Total current liabilities	<u>309,221</u>	<u>390,919</u>
<b>NET ASSETS:</b>		
Without donor restriction	1,296,094	1,230,730
With donor restriction	203,667	305,660
Total net assets	<u>1,499,761</u>	<u>1,536,390</u>
Total liabilities and net assets	<u>\$ 1,808,982</u>	<u>\$ 1,927,309</u>

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, 2019 AND 2018

	2019	2018
<b>REVENUES AND SUPPORT WITHOUT DONOR RESTRICTION:</b>		
Conferences	\$ 1,722,811	\$ 1,298,785
Membership dues	241,627	241,393
Grants and contributions	46,827	46,774
Products	30,386	36,917
Investment income	17,882	5,856
Trainer group	23,885	31,290
Webinar	1,785	6,320
Miscellaneous	1,997	7,711
Advertising	5,143	5,143
Net assets released from restrictions	208,221	160,303
<b>Total revenues and support</b>	<b>2,300,564</b>	<b>1,840,492</b>
<b>EXPENSES:</b>		
Program Services	1,698,902	1,503,681
Management and General	478,986	476,809
Fundraising	57,312	61,424
<b>Total expenses</b>	<b>2,235,200</b>	<b>2,041,914</b>
<b>Change in net assets without donor restriction</b>	<b>65,364</b>	<b>(201,422)</b>
<b>REVENUES AND SUPPORT WITH DONOR RESTRICTION:</b>		
Grants and contributions	105,863	193,096
Investment income	365	345
Net assets released from restrictions	(208,221)	(160,303)
<b>Change in net assets with donor restriction</b>	<b>(101,993)</b>	<b>33,138</b>
<b>Change in net assets</b>	<b>(36,629)</b>	<b>(168,284)</b>
<b>NET ASSETS, beginning of the year</b>	<b>1,536,390</b>	<b>1,704,674</b>
<b>NET ASSETS, end of the year</b>	<b>\$ 1,499,761</b>	<b>\$ 1,536,390</b>

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, 2019

	Program Services	Management and General	Fundraising	Total
<b>FUNCTIONAL EXPENSES:</b>				
Salaries and wages	\$ 468,657	\$ 265,786	\$ 27,856	\$ 762,299
Conferences	432,993	-	-	432,993
Employee benefits	173,468	86,434	11,011	270,913
Printing and publications	67,611	650	1,019	69,280
Scholarships	194,755	-	8,555	203,310
Board and committee expense	61,422	660	-	62,082
Product	1,578	8,644	-	10,222
Postage and shipping	44,553	5,137	432	50,122
Marketing	56,951	-	-	56,951
Consultants	14,605	23,247	-	37,852
Office and storage rent	56,687	4,890	4,490	66,067
Website	13,565	-	-	13,565
Bank charges	28,090	12,823	-	40,913
Trainer group	20,814	-	-	20,814
Legal and accounting	-	25,175	-	25,175
Other contract services	15,492	-	-	15,492
Office supplies	11,156	4,608	-	15,764
Computer software	3,363	8,540	-	11,903
General services purchased	111	6,177	-	6,288
Travel	6,661	5,062	-	11,723
Miscellaneous	-	-	3,949	3,949
Grants	12,830	-	-	12,830
Telephone	2,842	9,991	-	12,833
Equipment rental and repair	135	3,459	-	3,594
Dues and subscriptions	2,808	1,451	-	4,259
Insurance	-	5,296	-	5,296
Depreciation	6,735	-	-	6,735
Bad debt	1,020	956	-	1,976
<b>Total functional expenses</b>	<b>\$ 1,698,902</b>	<b>\$ 478,986</b>	<b>\$ 57,312</b>	<b>\$ 2,235,200</b>

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, 2018

	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries and wages	\$ 432,015	\$ 257,027	\$ 32,469	\$ 721,511
Conferences	346,778	-	-	346,778
Employee benefits	166,764	90,654	3,785	261,203
Printing and publications	70,824	281	611	71,716
Scholarships	141,655	-	15,000	156,655
Board and committee expense	58,368	720	-	59,088
Product	1,872	10,336	-	12,208
Postage and shipping	44,295	7,344	308	51,947
Marketing	66,814	-	-	66,814
Consultants	17,677	22,952	-	40,629
Office and storage rent	52,646	7,323	4,261	64,230
Website	16,713	-	-	16,713
Bank charges	21,566	13,511	-	35,077
Trainer group	18,669	-	-	18,669
Legal and accounting	-	27,800	-	27,800
Other contract services	17,182	-	-	17,182
Office supplies	4,762	4,761	30	9,553
Computer software	3,622	8,300	-	11,922
General services purchased	29	1,976	-	2,005
Travel	6,031	4,244	-	10,275
Miscellaneous	24	-	4,960	4,984
Grants	3,648	-	-	3,648
Telephone	2,832	8,702	-	11,534
Equipment rental and repair	-	4,233	-	4,233
Dues and subscriptions	2,704	1,363	-	4,067
Insurance	-	5,282	-	5,282
Depreciation	6,191	-	-	6,191
Total functional expenses	<u>\$ 1,503,681</u>	<u>\$ 476,809</u>	<u>\$ 61,424</u>	<u>\$ 2,041,914</u>

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, 2019 AND 2018

	2019	2018
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (36,629)	\$ (168,284)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	6,735	6,191
Reinvested interest	(11,021)	(4,609)
(Increase) decrease in operating assets:		
Receivables	12,745	12,753
Court settlement receivable	3,300	3,300
Inventory	(5,401)	(860)
Prepaid expenses	1,221	(1,221)
Increase (decrease) in operating liabilities:		
Accounts payable	21,677	(35,204)
Accrued expenses	(4,624)	(5,980)
Deferred revenue, membership dues	(15,216)	(11,148)
Deferred revenue, conference	(30,314)	(9,121)
Deferred revenue, NATG	-	(10,600)
Net cash used by operating activities	<u>(57,527)</u>	<u>(224,783)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for the purchase of property and equipment	(17,674)	(4,072)
Net purchases of certificates of deposit	(235,587)	(716,830)
Proceeds from maturity of certificates of deposit	340,155	621,452
Net cash (used by) provided by investing activities	<u>86,894</u>	<u>(99,450)</u>
Net increase (decrease) in cash and cash equivalents	29,367	(324,233)
CASH AND CASH EQUIVALENTS, beginning of the year	576,224	900,457
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 605,591</u>	<u>\$ 576,224</u>

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



READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE 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.

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. 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 accounting principles generally accepted in the United States of America ("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 8 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 \$11,021 and \$4,609 for the years ended June 30, 2019 and 2018, respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Receivables 90 days or more outstanding were \$11,613 and \$26,174 as of June 30, 2019 and 2018, respectively. 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 \$21,856 and \$31,091 as of June 30, 2019 and 2018, 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.

Revenue Recognition and Deferred Revenue

The Council's revenue recognition and deferred revenue policies are as follows:

Conferences

The Council records conference revenue when earned. Amounts collected before the fiscal year end and prior to when the conference has been held are deferred and will be recognized in the following fiscal year, once the conference has been completed.

Membership Dues

Membership receipts are deferred upon collection, and recognized ratably throughout the membership period.

Contributions

Contributions and gifts are recorded at fair value at the date of the donor's promise to give, which often coincides with the date of cash receipt. These contributions and gifts are considered to be available for unrestricted use, unless specifically restricted by the donor.

Grants

The Council receives grants from various agencies. Revenue is recognized when earned, which is at the time qualifying expenses are incurred. The Council's grant support activity is subject to review by the granting entities.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. The Council incurred no advertising expense during the years ended June 30, 2019 and 2018. 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 should be 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, 2019 and 2018, the Council had no unrelated business income.

Generally accepted accounting principles require 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.

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.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the previous reporting model for not-for-profit organizations and enhances their required disclosures. The major changes relevant to the Council include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions, (b) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Council has adopted this ASU as of and for the year ended June 30, 2019, and it has been applied retroactively.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 entitled "Revenue from Contracts with Customers (Topic 606)," which will change the Council's method of revenue recognition. This new standard is effective for the Council's annual reporting periods beginning after December 15, 2018. Early implementation is permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

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, 2019. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2018, the FASB issued ASU No. 2018-08, "Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)." The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Council follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Reclassifications

Certain expenses on the statement of activities and changes in net assets for the year ended June 30, 2018 have been reclassified, with no effect on change in net assets, to be consistent with the classifications adopted as of and for the year ended June 30, 2019.

Subsequent Events

The Council has evaluated subsequent events through December 2, 2019, 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

Property and equipment consists of the following as of June 30:

	2019	2018
Furniture and computers	\$ 169,518	\$ 151,843
Less: accumulated depreciation	(143,342)	(136,606)
Property and equipment, net	<u>\$ 26,176</u>	<u>\$ 15,237</u>

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2019	2018
Scholarship fund	\$ 150,582	\$ 249,237
Board travel fund	6,420	10,123
Endowment fund, beginning of the year	46,300	45,955
Interest income earned on the Fund	365	345
Endowment fund, end of the year	<u>\$ 203,667</u>	<u>\$ 305,660</u>

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:

<u>Restriction accomplished:</u>	2019	2018
Providing scholarships to individuals and school districts	\$ 204,518	\$ 157,460
Travel expenses incurred by Board Members	3,703	2,843
Net assets released from restriction	<u>\$ 208,221</u>	<u>\$ 160,303</u>

NOTE 5: RETIREMENT PLAN

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.

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, 2019 and 2018, the Council contributed \$18,591 and \$16,258, respectively, to the plan.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 July 2021. Total expense related to these operating leases was \$68,039 and \$68,463 for the years ended June 30, 2019 and 2018, respectively.

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

<u>For the Years Ended June 30</u>	<u>Amount</u>
2020	\$ 69,441
2021	2,925
2022	244
	<u>\$ 72,610</u>

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 \$1,387 as of June 30, 2019, and \$4,376 as of June 30, 2018 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, 2019 and 2018, the Council held \$34,322 and \$87,553 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 \$493,500 as of June 30, 2019.

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 \$3,300 and \$3,300 was received during the years ended June 30, 2019 and 2018, respectively. The remaining amount has been recorded as a receivable. The vendor is obligated to make \$300 payments to the Council on a monthly basis. As of June 30, 2019, 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, 2019, 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:

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets:	
Cash and cash equivalents	\$ 605,591
Certificates of deposit, short-term	872,508
Court settlement receivable, current portion	3,600
Accounts receivable	53,656
Financial assets, at year-end	<u>1,535,355</u>
Less: those unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions	<u>(203,667)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,331,688</u>

Liquidity Policy

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.