

Reading Recovery Council of
North America, Inc.
Audited Financial Statements

As of and for the Years Ended
June 30, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Reading Recovery Council of North America, Inc. (the Council), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
October 20, 2022

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>ASSETS</u>	
	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 774,690	\$ 1,022,670
Cash held for others	38,039	33,539
Receivables, net	342,606	339,827
Court settlement receivable, current portion	-	3,600
Inventory	77,174	68,080
Prepaid expenses	20,506	32,849
Total current assets	<u>1,253,015</u>	<u>1,500,565</u>
PROPERTY AND EQUIPMENT, net	32,516	28,625
PLEDGE RECEIVABLE, long-term	335,000	670,000
COURT SETTLEMENT RECEIVABLE, long-term	-	5,538
CERTIFICATES OF DEPOSIT, long-term	156,772	156,056
Total assets	<u>\$ 1,777,303</u>	<u>\$ 2,360,784</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 120,179	\$ 36,998
Accrued expenses	83,430	49,212
Cash held for others	38,039	33,539
Deferred revenue, membership dues	105,140	106,909
Deferred revenue, conferences	6,795	-
Total current liabilities	<u>353,583</u>	<u>226,658</u>
NET ASSETS:		
Without donor restriction	575,132	964,296
With donor restriction	848,588	1,169,830
Total net assets	<u>1,423,720</u>	<u>2,134,126</u>
Total liabilities and net assets	<u>\$ 1,777,303</u>	<u>\$ 2,360,784</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, 2022 AND 2021

	2022	2021
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTION:		
Conferences	\$ 820,046	\$ 783,215
Membership dues	197,041	166,227
Grants and contributions	29,396	407,873
Products	76,670	57,444
Investment income	1,264	2,163
Trainer group	630	-
Webinar	-	150
Miscellaneous	39,275	20,542
Advertising	5,143	5,143
Net assets released from restrictions	384,460	60,190
Total revenues and support	1,553,925	1,502,947
FUNCTIONAL EXPENSES:		
Program services	1,226,155	1,206,755
Management and general	576,915	527,781
Fundraising	140,019	36,999
Total expenses	1,943,089	1,771,535
Change in net assets without donor restriction	(389,164)	(268,588)
REVENUES AND SUPPORT WITH DONOR RESTRICTION:		
Grants and contributions	63,218	1,080,654
Net assets released from restrictions	(384,460)	(60,190)
Change in net assets with donor restriction	(321,242)	1,020,464
Change in net assets	(710,406)	751,876
NET ASSETS, beginning of the year	2,134,126	1,382,250
NET ASSETS, end of the year	\$ 1,423,720	\$ 2,134,126

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, 2022

	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries and wages	\$ 324,939	\$ 280,993	\$ 122,353	\$ 728,285
Conferences	230,769	-	-	230,769
Employee benefits	144,428	106,589	17,416	268,433
Printing and publications	30,987	104	-	31,091
Scholarships	49,460	-	-	49,460
Product	34,765	-	-	34,765
Postage and shipping	16,288	4,362	-	20,650
Marketing	28,314	-	-	28,314
Consultants	6,114	15,704	-	21,818
Office and storage rent	15,309	51,936	-	67,245
Website	22,456	-	-	22,456
Bank charges	16,350	11,487	-	27,837
Legal and accounting	-	24,366	-	24,366
Other contract services	900	-	-	900
Office supplies	284	9,685	-	9,969
Computer software	20,300	21,904	-	42,204
General services purchased	250,281	5,488	-	255,769
Travel	2,197	5,974	-	8,171
Miscellaneous	12,260	6,883	250	19,393
Telephone	2,244	7,526	-	9,770
Equipment rental and repair	-	3,162	-	3,162
Dues and subscriptions	-	7,949	-	7,949
Insurance	-	3,665	-	3,665
Depreciation	11,615	-	-	11,615
Bad debt	-	9,138	-	9,138
Webinar	5,895	-	-	5,895
Total functional expenses	<u>\$ 1,226,155</u>	<u>\$ 576,915</u>	<u>\$ 140,019</u>	<u>\$ 1,943,089</u>

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, 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	<u>\$ 1,206,755</u>	<u>\$ 527,781</u>	<u>\$ 36,999</u>	<u>\$ 1,771,535</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, 2022 AND 2021

	2022	2021
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (710,406)	\$ 751,876
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	11,615	10,348
Bad debt expense	9,138	116,224
Reinvested interest	(716)	(1,102)
(Increase) decrease in operating assets:		
Receivables	332,221	(1,030,897)
Inventory	(9,094)	(13,308)
Prepaid expenses	12,343	(27,378)
Increase (decrease) in operating liabilities:		
Accounts payable	83,181	(2,864)
Accrued expenses	34,218	(979)
Deferred revenue, membership dues	(1,769)	7,383
Deferred revenue, conference	6,795	(45,745)
Deferred revenue, Paycheck Protection Program	-	(20,343)
Net cash used by operating activities	<u>(232,474)</u>	<u>(256,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	(15,506)	(11,026)
Proceeds from maturity of certificates of deposit	-	201,898
Net cash (used) provided by investing activities	<u>(15,506)</u>	<u>190,872</u>
Net decrease in cash and cash equivalents	<u>(247,980)</u>	<u>(65,913)</u>
CASH AND CASH EQUIVALENTS, beginning of the year	1,022,670	1,088,583
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 774,690</u>	<u>\$ 1,022,670</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.

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.

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.

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 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.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$716 and \$1,102 for the years ended June 30, 2022 and 2021, respectively.

Inventory

Inventory consists of publications and products purchased 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, 2022 and 2021. 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 as of June 30, 2022 and 2021.

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

Effective with the July 1, 2020 adoption of Accounting Standards Update ("ASU") 2014-09 entitled "Revenue from Contracts with Customers (Topic 606)," 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.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Deferred Revenue (Continued)

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, 2022.

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.

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.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

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, 2022 and 2021. 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, 2022 and 2021, 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.

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 Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board 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.

In September 2020, the FASB issued ASU No. 2020-07, entitled *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires enhanced disclosures by category of gifts-in-kind. The amendments in this ASU were implemented as of July 1, 2021.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Council has evaluated subsequent events through October 20, 2022, 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

	<u>2022</u>	<u>2021</u>
Furniture and computers	\$ 207,282	\$ 191,776
Less: accumulated depreciation	(174,766)	(163,151)
Property and equipment, net	<u>\$ 32,516</u>	<u>\$ 28,625</u>

NOTE 4: CONTRACT LIABILITIES

<u>Deferred revenue, membership dues</u>	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 106,909	\$ 99,526
Revenues recognized	(197,041)	(166,227)
Cash received in advance	195,272	173,610
Deferred revenue, end of year	<u>\$ 105,140</u>	<u>\$ 106,909</u>

<u>Deferred revenue, conferences</u>	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ -	\$ 45,745
Revenues recognized	(820,046)	(783,215)
Cash received in advance	826,841	737,470
Deferred revenue, end of year	<u>\$ 6,795</u>	<u>\$ -</u>

NOTE 5: 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.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Scholarship fund	\$ 133,608	\$ 119,900
Board travel fund	5,408	5,408
Endowment fund	39,572	39,522
Time restrictions	<u>670,000</u>	<u>1,005,000</u>
Net assets with donor restrictions	<u>\$ 848,588</u>	<u>\$ 1,169,830</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>	<u>2022</u>	<u>2021</u>
Providing scholarships to individuals and school districts	\$ 49,460	\$ 60,190
Time restriction	<u>335,000</u>	<u>-</u>
Net assets released from restriction	<u>\$ 384,460</u>	<u>\$ 60,190</u>

NOTE 6: 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, 2022, 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		\$ 774,690
Receivables, net		342,606
Financial assets, at year-end		<u>1,117,296</u>
Less: those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions		<u>(513,588)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 603,708</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.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: 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 \$70,406 and \$55,458 for the years ended June 30, 2022 and 2021, 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>
2023	\$ 28,982
2024	30,758
2025	29,547
2026	37,135
2027	39,073
Thereafter	<u>34,068</u>
	<u>\$ 199,563</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 \$13,721 as of June 30, 2022, to recognize the lease payments on a straight-line basis.

NOTE 8: AFFILIATE GROUPS

The Council collects and holds affiliation fees for the North American Trainers Group, an affiliate group. As of June 30, 2022 and 2021, the Council held \$38,039 and \$33,539 respectively. These amounts are included in cash held for others on the statements of financial position.

NOTE 9: 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 through 2025. Each contract has its own timetable and cancellation penalties for each service. The maximum potential total cancellation liability from these contracts is approximately \$400,000 as of June 30, 2022.

NOTE 10: RETIREMENT PLANS

Some of the Council's employees were 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 were employed by the University making them eligible for the plan. The Council reimbursed the University for expenses related to the plan, but has no liability associated with the plan.

Certain full-time employees of the Council employed through the University also participated in a 403(b) plan. The Council makes no contributions to this plan. As of June 30, 2022, the Council no longer has any personnel employed by the University.

READING RECOVERY COUNCIL OF NORTH AMERICA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: RETIREMENT PLANS (CONTINUED)

In addition, the Council sponsors 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, 2022 and 2021, the Council contributed \$36,426 and \$25,417, respectively, to this plan.

NOTE 11: 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. The vendor is obligated to make monthly payments to the Council of \$300. No payments on the award have been received since the year ended June 30, 2020. During the year ended June 30, 2022, management determined it was appropriate to write off the remaining balance but continues to pursue collection of the award in full.

NOTE 12: 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 ASC 958-605 to the funds received as part of the PPP program as it has high confidence that the Council was an eligible recipient and met 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 and the note payable was formally forgiven during the year ended June 30, 2021.