

READ FOR LITERACY, INC

Financial Statements
Years Ended August 31, 2019 and 2018
With Independent Auditor's Report

TITUS & URBANSKI, INC.
CERTIFIED PUBLIC ACCOUNTANTS
MAUMEE, OHIO

READ FOR LITERACY, INC

Financial Statements
Years Ended August 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Read for Literacy, Inc.
Toledo, OH

We have audited the accompanying financial statements of Read for Literacy, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 principals 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.



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Board of Trustees
Read for Literacy, Inc.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Read for Literacy, Inc. as of August 31, 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.

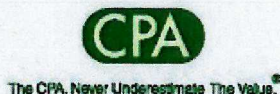
Titus & Urbanski Inc.

Certified Public Accountants

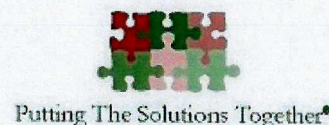
Titus & Urbanski, Inc.

Maumee, OH

February 12, 2020



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READ FOR LITERACY, INC.

Statements of Financial Position August 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Cash	\$ 20,429	\$ 15,385
Investments	591,804	542,880
Receivables	741	10,947
Prepaid Expense	2,968	3,583
<u>TOTAL ASSETS</u>	<u>\$ 615,942</u>	<u>\$ 572,796</u>
<u>LIABILITIES</u>		
Accounts Payable	1,557	1,899
Other Payable	19,834	25,226
<u>TOTAL LIABILITIES</u>	<u>21,391</u>	<u>27,125</u>
<u>NET ASSETS</u>		
Without Donor Restrictions		
Operating Fund	281,228	232,696
Designated by Board for Endowment	312,973	312,974
Total Without Donor Restrictions	594,201	545,670
With Donor Restrictions	350	-
<u>TOTAL NET ASSETS</u>	<u>594,551</u>	<u>545,670</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 615,942</u>	<u>\$ 572,796</u>

See accompanying notes to the financial statements.

READ FOR LITERACY, INC.

Statements of Activities
Year Ended August 31, 2019

<u>REVENUE AND OTHER SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grants	\$ 133,786	\$ -	\$ 133,786
Donation	119,119	350	119,469
Donation In-Kind	183,782	-	183,782
Events	130,681	-	130,681
Book Sales	289	-	289
Work Shop	-	-	-
Interest and Dividend	32,200	-	32,200
Gain or (Loss) on Investment	(39)	-	(39)
Other Income	25	-	25
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	<u>599,843</u>	<u>350</u>	<u>600,193</u>
<u>EXPENSES</u>			
Program Services	459,411	-	459,411
Management and General	44,248	-	44,248
Fund Raising	41,910	-	41,910
<u>TOTAL EXPENSES</u>	<u>545,569</u>	<u>-</u>	<u>545,569</u>
<u>SURPLUS OF REVENUE OVER EXPENSE</u>	<u>54,274</u>	<u>350</u>	<u>54,624</u>
<u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized Gain on Investment	(5,742)	-	(5,742)
<u>CHANGE IN NET ASSETS</u>	<u>48,532</u>	<u>350</u>	<u>48,882</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>545,670</u>	<u>-</u>	<u>545,670</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 594,202</u>	<u>\$ 350</u>	<u>\$ 594,552</u>

READ FOR LITERACY, INC.

Statements of Activities Year Ended August 31, 2018

<u>REVENUE AND OTHER SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grants	\$ 135,041	\$ -	\$ 135,041
Donation	98,721	-	98,721
Donation In-Kind	181,598	-	181,598
Events	115,266	-	115,266
Book Sales	342	-	342
Work Shop	-	-	-
Interest and Dividend	21,215	-	21,215
Gain or (Loss) on Investment	(1,008)	-	(1,008)
Other Income	3,632	-	3,632
<u>TOTAL REVENUE AND OTHER SUPPORT</u>	<u>554,807</u>	<u>-</u>	<u>554,807</u>
<u>EXPENSES</u>			
Program Services	501,582	-	501,582
Management and General	18,414	-	18,414
Fund Raising	42,360	-	42,360
<u>TOTAL EXPENSES</u>	<u>562,356</u>	<u>-</u>	<u>562,356</u>
<u>SURPLUS OF REVENUE OVER EXPENSE</u>	<u>(7,549)</u>	<u>-</u>	<u>(7,549)</u>
<u>OTHER CHANGE IN NET ASSETS</u>			
Unrealized Gain on Investment	32,404	-	32,404
<u>CHANGE IN NET ASSETS</u>	<u>24,855</u>	<u>-</u>	<u>24,855</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>520,815</u>	<u>-</u>	<u>520,815</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 545,670</u>	<u>\$ -</u>	<u>\$ 545,670</u>

See accompanying notes to the financial statements.

READ FOR LITERACY, INC.

Statements of Functional Expenses
Year Ended August 31, 2019

	Program Services	Supporting Services		Total
	Client Services	Management & General	Fund Raising	
Salaries and Wages	\$ 144,473	\$ 28,266	\$ 6,369	\$ 179,108
Employee Fringe Benefits and Taxes	13,511	2,559	533	16,603
<u>TOTAL SALARIES & RELATED EXPENSES</u>	157,984	30,825	6,902	195,711
Travel and Meeting	1,993	-	53	2,046
Insurance	1,559	949	1,045	3,553
Telephone	1,060	-	-	1,060
Postage and Office Supplies	7,581	165	55	7,801
Training	41	-	-	41
Volunteer Recognition	3,700	-	-	3,700
Advertising and Promotions	116,316	2,875	1,320	120,511
Books	10,180	-	-	10,180
Dues and Subscriptions	776	2,483	-	3,259
Background Checking	3,936	-	-	3,936
Spelling Bee	-	-	5,780	5,780
Race Event and Fundraising	-	-	20,254	20,254
Professional Fees	12,520	-	-	12,520
Claire's Day Expense	66,266	-	6,439	72,705
Staff Professional Expense	439	-	-	439
Rent and Technology Support Expense	75,000	-	-	75,000
Bank Charge	60	6,951	62	7,073
<u>TOTAL EXPENSES</u>	<u>\$ 459,411</u>	<u>\$ 44,248</u>	<u>\$ 41,910</u>	<u>\$ 545,569</u>

READ FOR LITERACY, INC.

Statements of Functional Expenses
Year Ended August 31, 2018

	Program Services	Supporting Services		Total
	Client Services	Management & General	Fund Raising	
Salaries and Wages	\$ 187,310	\$ 8,190	\$ 6,633	\$ 202,133
Employee Fringe Benefits and Taxes	22,318	1,323	520	24,161
<u>TOTAL SALARIES & RELATED EXPENSES</u>	209,628	9,513	7,153	226,294
Travel and Meeting	3,617	2,940	207	6,764
Insurance	2,165	163	970	3,298
Telephone	1,882	-	-	1,882
Postage and Office Supplies	5,827	686	390	6,903
Training	611	-	-	611
Volunteer Recognition	4,746	-	-	4,746
Advertising and Promotions	112,359	377	-	112,736
Books	12,553	-	-	12,553
Dues and Subscriptions	1,089	40	-	1,129
Background Checking	4,154	-	-	4,154
Spelling Bee	-	-	5,419	5,419
Race Event and Fundraising	-	-	21,439	21,439
Professional Fees	12,530	-	-	12,530
Claire's Day Expense	53,706	-	6,747	60,453
Staff Professional Expense	1,641	-	-	1,641
Rent and Technology Support Expense	75,000	-	-	75,000
Bank Charge	74	4,695	35	4,804
<u>TOTAL EXPENSES</u>	<u>\$ 501,582</u>	<u>\$ 18,414</u>	<u>\$ 42,360</u>	<u>\$ 562,356</u>

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Statements of Cash Flows Years Ended August 31, 2019 and 2018

	2019	2018
<u>INCREASE IN NET ASSETS</u>	\$ 48,882	\$ 24,855
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Realized (Gain) Loss on Investment	39	1,008
Unrealized (Gain) Loss on Investment	5,742	(32,404)
(Increase) Decrease in Operating Assets		
Accounts Receivable	9,987	9,341
Interest Receivable	219	1,387
Prepaid Expense	615	723
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(342)	(3,448)
Other Payable	(5,392)	(23,182)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	59,750	(21,720)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds From Sale of Investments	62,555	431,870
Purchase of Investments and Equipment	(117,261)	(426,835)
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	(54,706)	5,035
<u>NET INCREASE / (DECREASE) IN CASH</u>	5,044	(16,685)
<u>CASH AT BEGINNING OF YEAR</u>	15,385	32,070
<u>CASH AT END OF YEAR</u>	\$ 20,429	\$ 15,385

See accompanying notes to the financial statements.

READ FOR LITERACY, INC.

Notes to Financial Statements Years Ended August 31, 2019 and 2018

Note A - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting. Under the accrual method of accounting, revenues and expense are identified with specific periods of time and are recorded as incurred or received unconditionally, along with acquired assets and incurred liabilities, without regard to the date of receipt or payment of cash.

Organization

Read for Literacy, Inc. provides a range of literacy services and trainings that enable children, adults and families the opportunity to achieve success.

Income Taxes

Read for Literacy, Inc. is a nonprofit organization exempt from federal income tax under section 501 (c) (3) of the U.S. Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending August 31, 2019 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

READ FOR LITERACY, INC.

Notes to Financial Statements
Years Ended August 31, 2019 and 2018

Note A - Summary of Significant Accounting Policies (continued)

Promise to Give

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions, which have donor restrictions expiring in the current year, are reported as increases in unrestricted net assets. All the other donor-restricted contributions are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished). All of the Organizations promise to give are expected to be received within the next year.

Basis of Presentation

A description of the Organization's net asset categories is as follows:

Net assets without donor restrictions are resources available to support operations.

Net Assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments with maturity dates of three months or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

READ FOR LITERACY, INC.

Notes to Financial Statements Years Ended August 31, 2019 and 2018

Note A - Summary of Significant Accounting Policies (continued)

In-Kind Donation

The Organization's operations are dependent upon volunteer tutors who donate their time. The Organization receives services from 764 and 694 tutors and each tutor donates around 101 and 92 hours in the fiscal year 2019 and 2018, respectively. The management estimates the total value received from the services of volunteer tutors during 2019 and 2018 is approximately \$1,976,623 and \$1,571,395, respectively.

The Organization is provided office space, furniture, IT services and HR support free of charge by Toledo Main Library. The management estimates the value of the rent and utility is around \$75,000 annually.

A description of the Organization's net asset categories is as follows:

The Organization also received free advertisement from Toledo Blade. The value of the advertisement is \$108,782 and \$106,542 for fiscal year 2019 and 2018, respectively.

Note B - Cash

The cash consist of the following:

	2019	2018
Cash on Hand	\$ 750	\$ 3,000
Cash in Bank	19,679	12,385
Total	<u>\$ 20,429</u>	<u>\$ 15,385</u>

Note C - Investment

The Organization's investments as of August 31, 2019 and 2018, at fair market value, consist of the following:

	2019	2018
Corporate Notes	\$ -	\$ 20,083
Equity and Mutual Funds	568,094	520,881
Money Market Funds	23,710	1,916
Total Investment	<u>\$ 591,804</u>	<u>\$ 542,880</u>

READ FOR LITERACY, INC.

Notes to Financial Statements Years Ended August 31, 2019 and 2018

General Investment Guidelines

Read for Literacy ("RFL") funds shall be invested in diversified portfolios taking into consideration the strategic asset allocation and overall investment objectives for each fund. Acceptable investment vehicles include but are not limited to stocks, bonds, mutual funds, exchange traded funds and other prudent investments.

Operating Funds Account

The operating funds are those funds that may be made available for RFL's operating expenses should the need arise as determined by the organization's other policies or procedures. Considering these possible withdrawals, RFL's overall investment objective is to maintain a balanced, conservative portfolio.

Endowment Funds Account

The endowment funds are being held for the long term with few, if any, anticipated regular withdrawals. Considering the long-term nature of this fund RFL's overall investment objective is a growth-oriented portfolio which prioritizes the below desired outcomes as follows:

1. Capital Appreciation
2. Capital Preservation
3. Income Production

Note D - Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic, Fair Value Measurements and Disclosures, Establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

READ FOR LITERACY, INC.

Notes to Financial Statements Years Ended August 31, 2019 and 2018

Note D - Fair Value Measurements - Continued

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at August 31, 2019 and 2018.

Equity, mutual funds, and money market funds: Valued at the closing price reported on the active market on which the individual securities are traded and classified as level 1 investments.

Corporate notes: valued by the quoted prices of similar assets on an active market. These assets are classified as level 2 investments.

The Preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies are assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of August 31, 2019 and 2018.

	2019 Fair Value		
	Total	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
Corporate Notes	\$ -	\$ -	\$ -
Equity and Mutual Funds	568,094	568,094	-
Money Market Funds	23,710	23,710	-
Total Investment	<u>\$ 591,804</u>	<u>\$ 591,804</u>	<u>\$ -</u>

	2018 Fair Value		
	Total	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
Corporate Notes	\$ 20,083	\$ -	\$ 20,083
Equity and Mutual Funds	520,881	520,881	-
Money Market Funds	1,916	1,916	-
Total Investment	<u>\$ 542,880</u>	<u>\$ 522,797</u>	<u>\$ 20,083</u>

READ FOR LITERACY, INC.

Notes to Financial Statements
Years Ended August 31, 2019 and 2018

Note E - Property and Equipment

Property and equipment are stated at cost or at fair value at the date of receipt for donated items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets in excess of \$500 are capitalized.

Property and equipment at August 31, 2019 and 2018 consisted of the following:

	2019	2018
Furniture & Fixtures	\$ 13,309	\$ 13,309
Office Equipment	36,257	36,257
Subtotal	\$ 49,566	\$ 49,566
Less Accumulated Depreciation & Amortization	(49,566)	(49,566)
Property and Equipment, net	\$ -	\$ -

Note H - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through February 12, 2020, the date which the financial statements were available to be issued and has determined that no adjustments are necessary to the accounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which require disclosure.