

READING IN MOTION

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020 (Restated)

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Reading In Motion

Report on the Financial Statements

We have audited the accompanying financial statements of Reading In Motion (RIM), which comprise the statements of financial position as of June 30, 2021 and 2020 (Restated), and the related statements of activities, of functional expenses, and of 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Reading In Motion as of June 30, 2021 and 2020 (Restated), 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.

Wells, CPA LLC

6500 Busch Blvd., Suite 120 Columbus, Ohio 43229

Other Matter

The financial statements for the year ended June 30, 2020 were audited by other auditors. Their opinion was dated March 19, 2021 and was unmodified.

Wells, CPA

Columbus, Ohio

February 7, 2022

READING IN MOTION
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and 2020 (Restated)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash (Note 6)	\$ 129,620	\$ 125,504
Receivables, net of allowance of \$14,500 and \$0 for the years 2021 and 2020, respectively		
Grants	-	75,000
Pledges	18,500	139,600
Program Services	85,376	25,872
Other	-	2,575
Total Recievables	<u>103,876</u>	<u>243,047</u>
Prepaid Expenses	12,592	49,237
Inventory	37,916	19,698
Property and Equipment		
Furniture and Fixtures	30,754	30,754
Software	58,660	58,660
Project in Progress	268,340	40,141
Less Accumulated Depreciation	<u>(88,820)</u>	<u>(88,449)</u>
Net Property and Equipment	<u>268,934</u>	<u>41,106</u>
Cash Restricted by Donors (Note 6)	126,082	508,832
Security Deposit	-	34,581
TOTAL ASSETS	<u>\$ 679,020</u>	<u>\$ 1,022,005</u>
LIABILITIES AND NET ASSETS		
Accounts Payable	206,658	216,778
Deferred Lease Incenive	-	16,535
Deferred Revenue	35,900	31,500
PPP Loan Payable	<u>264,800</u>	<u>250,400</u>
Total Liabilities	<u>507,358</u>	<u>515,213</u>
Net Assets		
Without Donor Restrictions	45,580	(2,040)
With Donor Restrictions	<u>126,082</u>	<u>508,832</u>
Total Net Assets	<u>171,662</u>	<u>506,792</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 679,020</u>	<u>\$ 1,022,005</u>

The accompanying notes are an integral part of the financial statements

READING IN MOTION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020 (Restated)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support Grants and Contributions						
Foundations	\$ 530,025	\$ -	\$ 530,025	\$ 751,153	\$ 487,832	\$ 1,238,985
Corporate	31,106	-	31,106	45,834	-	45,834
Individual and Board Grants	179,627	-	179,627	287,933	21,000	308,933
Special Events-Net	4,335	-	4,335	2,193	-	2,193
In-Kind	5,402	-	5,402	203	-	203
Net Assets Released From Restrictions	382,750	(382,750)	-	176,030	(176,030)	-
Total Grants and Contributions	<u>1,151,945</u>	<u>(382,750)</u>	<u>769,195</u>	<u>1,263,346</u>	<u>332,802</u>	<u>1,596,148</u>
Revenue from Operations						
Program Services	285,470	-	285,470	384,609	-	384,609
Other Income						
Interest	1,251	-	1,251	2,158	-	2,158
PPP Loan Forgiveness	250,400	-	250,400	648	-	648
Total Other Income	<u>537,121</u>	<u>-</u>	<u>537,121</u>	<u>2,806</u>	<u>-</u>	<u>2,806</u>
Total Revenue and Support	<u>1,689,066</u>	<u>(382,750)</u>	<u>1,306,316</u>	<u>1,650,761</u>	<u>332,802</u>	<u>1,983,563</u>
Expenses						
Program Services						
Benchmarks	437,759	-	437,759	694,110	-	694,110
Spanish	184,750	-	184,750	249,264	-	249,264
National Expansion	300,030	-	300,030	401,583	-	401,583
Research and development	124,977	-	124,977	126,616	-	136,908
Total Program Services	<u>1,047,516</u>	<u>-</u>	<u>1,047,516</u>	<u>1,471,573</u>	<u>-</u>	<u>1,471,573</u>
Administrative and General	332,828	-	332,828	149,845	-	149,845
Fundraising and Development	261,102	-	261,102	380,653	-	380,653
Total Expenses	<u>1,641,446</u>	<u>-</u>	<u>1,641,446</u>	<u>2,002,071</u>	<u>-</u>	<u>2,002,071</u>
Change in Net Assets	47,620	(382,750)	(335,130)	(351,310)	332,802	(18,508)
Net Assets						
Beginning Net Assets	(2,040)	508,832	506,792	549,270	176,030	725,300
Restatement due to Pension Accrual (See Note 4)	-	-	-	(200,000)	-	(200,000)
Ending Net Assets	<u>\$ 45,580</u>	<u>\$ 126,082</u>	<u>\$ 171,662</u>	<u>\$ (2,040)</u>	<u>\$ 508,832</u>	<u>\$ 506,792</u>

The accompanying notes are an integral part of the financial statements

READING IN MOTION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020 (Restated)

	2021	2020
Cash Flows From Operating Activities		
Change in Net Assets	\$ (335,130)	\$ (18,508)
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	371	371
Forgiveness of PPP Loan	(250,400)	-
Change In Assets and Liabilities		
Receivables	139,171	(29,675)
Prepaid Expenses	36,645	(24,006)
Inventory	(18,218)	12,714
Security Deposit	34,581	(1,790)
Accounts Payable	(10,120)	(14,372)
Deferred Lease Incentive	(16,535)	(18,334)
Deferred Revenue	4,400	31,500
Net Cash Provided by Operating Activities	(415,235)	(62,100)
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(228,199)	(41,477)
Net Cash Used in Investing Activities	(228,199)	(41,477)
Cash Flows From Financing Activities		
Proceeds from Loan	264,800	250,400
Net Cash Provided by Financing Activities	264,800	250,400
Net Increase In Cash	(378,634)	146,823
Cash at Beginning of Year	634,336	487,513
Cash at End of Year (Note 6)	\$ 255,702	\$ 634,336

The accompanying notes are an integral part of the financial statements

READING IN MOTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Benchmarks	Spanish	National Expansion	Research and Development	Total	Administrative and General	Fundraising and Development	Total
Expenses								
Salary and Payroll Tax Expenses	\$ 308,987	\$ 128,143	\$ 232,137	\$ 82,105	\$ 751,372	\$ 147,751	\$ 158,801	\$ 1,057,924
Employee Benefits	33,351	13,831	25,056	8,862	81,100	15,949	17,141	114,190
	<u>342,338</u>	<u>141,974</u>	<u>257,193</u>	<u>90,967</u>	<u>832,472</u>	<u>163,700</u>	<u>175,942</u>	<u>1,172,114</u>
Bank Processing Fees	-	-	-	-	-	675	6,899	7,574
Depreciation Expense	-	-	-	-	-	371	-	371
Donor and Staff Recognition	99	59	85	79	322	324	130	776
Dues and Subscriptions	3,661	1,558	799	1,093	7,111	1,756	9,041	17,908
Insurance	1,745	2,098	3,819	1,284	8,946	8,506	2,293	19,745
Meals and Entertainment	-	-	-	-	-	167	200	367
Office Supplies and Equipment	385	160	-	102	647	830	145	1,622
Postage Expense	237	134	-	172	543	666	382	1,591
Printing Expense	354	210	812	284	1,660	2,773	1,854	6,287
Professional Fees	18,190	7,957	11,679	7,065	44,891	36,444	18,733	100,068
Program Supplies and materials	26,869	8,485	10,560	-	45,914	-	-	45,914
Rent and Utilities	27,511	16,309	-	22,091	65,911	90,176	36,215	192,302
Telephone	1,074	637	2,750	863	5,324	3,521	1,414	10,259
Training Expense	11	7	-	9	27	37	62	126
Miscellaneous	1,124	666	2,474	903	5,167	2,382	7,792	15,341
Travel and Transportation Expense	246	102	-	65	413	-	-	413
Warehouse and Processing Expense	13,915	4,394	9,859	-	28,168	-	-	28,168
Bad Debt Expense	-	-	-	-	-	20,500	-	20,500
Totals	<u>\$ 437,759</u>	<u>\$ 184,750</u>	<u>\$ 300,030</u>	<u>\$ 124,977</u>	<u>\$ 1,047,516</u>	<u>\$ 332,828</u>	<u>\$ 261,102</u>	<u>\$ 1,641,446</u>

The accompanying notes are an integral part of the financial statements

READING IN MOTION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020 (Restated)

	<u>Benchamrks</u>	<u>Spanish</u>	<u>National Expansion</u>	<u>Research and Development</u>	<u>Total</u>	<u>Administrative and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Expenses								
Salary and Payroll Tax Expenses	\$ 417,065	\$ 171,007	\$ 333,453	\$ 81,036	\$ 1,002,561	\$ 43,604	\$ 205,028	\$ 1,251,193
Employee Benefits	54,163	19,102	22,468	12,623	108,356	20,230	19,998	148,584
	<u>471,228</u>	<u>190,109</u>	<u>355,921</u>	<u>93,659</u>	<u>1,110,917</u>	<u>63,834</u>	<u>225,026</u>	<u>1,399,777</u>
Bank Processing Fees	1,263	583	433	502	2,781	1,314	5,149	9,244
Depreciation Expense	102	47	-	41	190	107	74	371
Donor and Staff Recognition	770	350	67	281	1,468	674	592	2,734
Dues and Subscriptions	3,330	1,475	1,387	1,078	7,270	2,211	6,985	16,466
Insurance	2,186	1,009	749	869	4,813	2,275	1,580	8,668
Meals and Entertainment	2,384	3,433	3,393	352	9,562	689	7,912	18,163
Meeting Expense	-	-	-	-	-	-	60	60
Office Supplies and Equipment	2,821	1,187	1,342	802	6,152	2,015	1,415	9,582
Postage Expense	1,315	125	638	102	2,180	252	536	2,968
Printing Expense	1,430	661	1,520	569	4,180	1,489	7,478	13,147
Professional Fees	50,561	21,248	9,592	14,279	95,680	28,424	96,670	220,774
Program Supplies and materials	94,224	8,668	6,118	-	109,010	-	-	109,010
Promotion Expense	-	-	-	-	-	-	609	609
Rent and Utilities	32,564	15,044	-	12,946	60,554	33,902	23,550	118,006
Telephone	2,490	1,151	2,759	990	7,390	2,593	1,801	11,784
Training Expense	82	35	-	20	137	21	41	199
Miscellaneous	-	-	-	-	-	8,586	-	8,586
Travel and Transportation Expense	5,192	1,739	11,178	126	18,235	259	1,175	19,669
Warehouse and Processing Expense	22,168	2,400	6,486	-	31,054	1,200	-	32,254
Totals	<u>\$ 694,110</u>	<u>\$ 249,264</u>	<u>\$ 401,583</u>	<u>\$ 126,616</u>	<u>\$ 1,471,573</u>	<u>\$ 149,845</u>	<u>\$ 380,653</u>	<u>\$ 2,002,071</u>

The accompanying notes are an integral part of the financial statements

READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)

NOTE 1 - ORGANIZATION

Reading In Motion (RIM) was established in 1983 with the mission to get every at-risk child reading at or above grade level within the first years of school, through the power and discipline of the arts. RIM maintains the following principal programs:

Benchmarks is a world-class reading program for at-risk children. This program uses arts-based activities that are physical, kinesthetic and imaginative to address key reading skills. During the year ended June 30, 2021, 4,525 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2020, 4,400 pre-kindergarten, kindergarten and 1st grade students benefited from this program. Benchmarks includes the Extra Dosage component, which provides well-trained Extra Dosage instructors in first grade classrooms to provide additional small group instruction, at the same time the teacher is doing small group instruction in the same room.

Spanish is the Spanish language version of Benchmarks and is an adaptation designed to be used in bilingual pre-kindergarten, kindergarten, and 1st grade classrooms in which reading is taught in Spanish. This program uses music and drama-based activities to address key reading and pre-reading skills. During the year ended June 30, 2021, 635 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2020, 1,025 pre-kindergarten, kindergarten and 1st grade students benefited from this program. The Spanish adaptation accounts for the particulars of the Spanish language and its orthography, such as an emphasis on syllabic segmentation and an earlier push for encoding and decoding skills.

Certain marketing and program development expenses are considered to benefit both programs.

The **National Expansion Program** is focused on bringing RIM's best in class Benchmarks program (in English and Spanish) to other major metropolitan areas across the United States with large populations of at-risk students. Within each city, RIM will pursue a staged expansion strategy, beginning with kindergarten and then adding new grades and additional schools annually, allowing for simpler, more effective program implementation. During the year ended June 30, 2017, RIM secured agreements with schools in Las Vegas under the National Expansion Program. 1,525 and 1,275 students participated in the National Expansion Program during the years ended June 30, 2021 and 2020, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

New Accounting Pronouncements - In May 2014, FASB issued a new accounting standard, ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing, and uncertainty of the revenue recorded. Nonprofit organizations were originally expected to apply the new standard

READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

for annual periods beginning after December 14, 2018. On June 3, 2020, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the Covid-19 pandemic, FASB deferred the effective date of FASB ASC 606 for certain entities that have not yet made financial statements available for issuance that reflect the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019. Accordingly, RIM deferred the adoption of FASB ASC 606 for one year. There is no effect on the procedures followed or net assets in connection with the implementation of this ASU.

Basis of Presentation - To conform with generally accepted accounting principles, RIM is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of RIM. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of RIM, the environment in which it operates, and the purposes specified in its articles of incorporation.

Net Assets with Donor Restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. On June 30, 2021 and 2020, there were no perpetual donor restrictions. Note 10 discusses the details of the donor restricted net assets.

Cash - Cash consists of monies held in demand deposit checking accounts.

Grants Receivable - Unconditional promises to give are recognized as revenues and as assets in the period that the promises are received. On June 30, 2021 and 2020, management has determined that the effect of discounting grants due beyond one year would be immaterial. As such, as of June 30, 2021 and 2020, grants for future years are not discounted to present value. RIM considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges Receivable - Unconditional promises to give are recognized as revenue in the period that the promises are received. Conditional promises to give are recognized when the conditions are substantially met. Pledges receivable may contain amounts that will be collected over a period longer than one year. No estimate for the present value of these amounts has been made, as discount would be immaterial. Pledges receivable on June 30, 2021 were considered to be fully collectible; accordingly, no allowance for doubtful accounts was necessary on June 30,

READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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2021.

Inventory - Inventory consists of supplies that are used in RIM's various programs. Inventory is valued at the lower of cost or market using the first-in, first-out method. On June 30, 2021 and 2020, RIM carried inventory at \$37,916 and \$19,698, respectively.

Property and Equipment - Property and equipment consist of office equipment, computer equipment, and software carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. In addition, software labor costs that are incurred during the preliminary project and post-implementation and operation stages are expensed. Labor costs incurred during the application development stage are capitalized. Depreciation is computed on the straight-line method over the estimated three-to-five-year useful lives of the assets.

Depreciation expense was \$371 for years ended June 30, 2021 and 2020, respectively.

Deferred Lease Incentive - As part of a leasing arrangement, RIM received an incentive in the form of free rent from the landlord. RIM recognizes this incentive as a reduction of rental expense on a straight-line basis over the term of the lease. No incentive is recognized in the current year as the lease has been terminated.

Deferred Revenue - Grants and program service revenue received in advance for future programs are recorded as deferred revenue. Recognition as revenue occurs when the program takes place.

Revenue Recognition - RIM receives a significant portion of its operating revenue from school contracts, the sale of educational materials, grants, and contributions.

RIM receives certain fees in advance of providing the related services. Such amounts are deferred upon receipt and recognized as revenue when earned. At year end, deferred revenue represents school contract fees received for the next calendar year applicable to future years.

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, RIM reports the support as net assets without restrictions.

In-kind Donations - From time to time, RIM receives donated goods and services. These in-kind donations are recorded as contributions at their estimated fair value at the date of donation, and as expenses in the statements of activities. In-kind donations totaled \$5,402 and \$203 during

READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses - The costs of providing the various program services are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on estimates of time and effort.

Special Events - Proceeds from special events are shown net of related expenses.

Estimates - 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 in the financial statements. Actual results could differ from those estimates.

Reclassification - Certain 2020 amounts have been reclassified to conform with the 2021 financial statement presentation.

Subsequent Events - Subsequent events have been evaluated through February 7, 2022, which is the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF SUPPORT AND REVENUE

Approximately 88% and 91% of RIM's program services revenue is derived from Chicago Public Schools and 12% and 9% is derived from the Las Vegas schools for the years ended June 30, 2021 and 2020, respectively.

NOTE 4 – RESTATEMENT OF FINANCIAL STATEMENTS

As a result of our review of the project in progress, reported on the statement of financial position, capitalization, it was discovered that costs incurred during the application development stage were not capitalized during fiscal year 2020. This resulted in an overstatement of salary and payroll tax expenses and understatement in assets and net assets during that fiscal period. RIM has restated its results for the affected period. The effect of the restatement was to increase fixed assets for 2020 by \$27,752. Net assets without donor restrictions were increased by \$27,752.

As a result of our review of the 401k match expenses (See Note 9), it was discovered that costs incurred during the fiscal year were attributable to previous periods. During fiscal year 2020 it was determined that 401k match amounts for the periods 2000-2019 were understated and \$100,000 was accrued related to this understatement. The expense was included in 401k match expense in the 2020 audited financials. This amount was attributable to prior periods and a restatement was made to reduce 401K match expense for 2020. The amount of the understatement of the 401K match was subsequently determined to be \$200,000. Net assets

**READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)**

NOTE 4 – RESTATEMENT OF FINANCIAL STATEMENTS (Continued)

without donor restriction as of June 30, 2019 were reduced by \$200,000 for the effect of the \$100,000 restatement in 2020 as well as the additional \$100,000 in excess of those reported in the fiscal year ended June 30, 2020 financial statements.

NOTE 5 – CONCENTRATION OF CREDIT RISK

Cash consists of monies held in checking and savings accounts and highly liquid interest-bearing accounts without significant withdrawal restrictions. RIM places its cash with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to \$250,000 per financial institution. Balances may at times exceed insured limits.

NOTE 6 – CASH AND RESTRICTED CASH

Assets reserved for purposes designated by the donor are reflected as restricted cash on the statements of financial position. The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	<u>2021</u>	<u>2020</u>
Cash – Unrestricted	\$129,620	\$125,504
Cash Restricted by Donor	<u>126,082</u>	<u>508,832</u>
Total Cash	<u>\$255,702</u>	<u>\$634,336</u>

NOTE 7 – INCOME TAXES

RIM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under Section 170(b)(1)(A). RIM has been classified as an organization other than a private foundation under Section 509(a)(2).

Accounting principles generally accepted in the United States of America require RIM to evaluate tax positions taken by RIM and recognize a tax liability if RIM has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. RIM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8 – OPERATING LEASE

RIM leased office space under a lease agreement expiring on April 30, 2025. As an incentive to extend the lease, the landlord provided free rent for ten months over the first two years of the lease. This lease incentive was being amortized on a straight-line basis through the early termination date. There is an option to terminate the lease effective April 30, 2021 with proper notice and a termination fee which includes rent abatement, brokerage commissions and tenant improvement costs and allowances. Additionally, the lease also calls for a pro rata share of the increase in real estate taxes and the costs of operating the building. On August 1, 2020, RIM

**READING IN MOTION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Restated)**

NOTE 8 – OPERATING LEASE (Continued)

exercised the option to terminate their lease April 30, 2021.

Rent and utilities expense was \$192,302 and \$118,006 for the years ended June 30, 2021 and 2020, respectively. The 2021 amount includes the above discussed lease termination fees.

NOTE 9 – PENSION PLAN

Full-time employees are automatically enrolled in a contributory defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code and may opt out of the plan if they choose. RIM determines a matching contribution every year.

During the year ended June 30, 2020, RIM identified a payroll processing error that incorrectly limited the calculation match. RIM is working with the provider of the 401(k) to resolve this issue and accrued an estimated \$200,000 towards resolving the issue. This amount is reflected in Accounts Payable on the Statement of Position. Total matching contributions made and accrued to the plan were \$0 and \$3,324 for the years ended June 30, 2021 and 2020, respectively.

Subsequent to year end, the matching contributions that were accrued from the years between 2000 and 2019 were made to bring the individual accounts whole.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

On June 30, 2021 and 2020, net assets with donor restrictions consisted of grants and contributions from the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Anonymous	\$95,082	\$357,832
Total Subject to expenditure for specific purpose	<u>95,082</u>	<u>357,832</u>
Subject to passage of time:		
Anonymous	11,000	21,000
Crown Family Philanthropies	20,000	55,000
Polk Foundation	-	75,000
Total subject to passage of time	<u>31,000</u>	<u>151,000</u>
Total net assets with donor restrictions	<u>\$126,082</u>	<u>\$508,832</u>

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NOTE 10 – NET ASSESTS WITH DONOR RESTRICTIONS (Continued)

For the years ended June 30, 2021 and 2020, grants and contributions provided by the following were released from restrictions:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Anonymous	\$262,750	\$60,221
McShane Foundation	-	50,000
Expiration of time restriction:		
Davee Foundation	-	50,000
CME Group	-	15,000
Anonymous	10,000	809
Crown Family Philanthropies	35,000	-
Polk Bros Foundation	75,000	-
Total releases from restriction	<u>\$382,750</u>	<u>\$176,030</u>

NOTE 11 – LINE OF CREDIT

RIM has a line of credit in the amount of \$120,000 which is collateralized by all of the assets of RIM. The line of credit was not utilized during the years ended June 30, 2021 and 2020.

NOTE 12 – SPECIAL EVENTS

Proceeds from these special events are shown net of their related expenses on the statements of activities as follows:

	<u>2021</u>	<u>2020</u>
Contributions/Sponsorships	\$4,335	\$2,193
Total	<u>\$4,335</u>	<u>\$2,193</u>

NOTE 13 – LOAN PAYABLE

In April 2020, RIM qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program established under the CARES Act and implemented by the U.S. Small Business Administration (SBA), for an aggregate principal amount of \$250,400. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs and covered occupancy expenses during the 24-week period beginning on the date of first disbursement of the PPP loan. Not more than 40% of the forgiven amount can be attributable to non-payroll costs. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The PPP loan was forgiven in December 2020.

In March 2021, RIM qualified for and received a second loan pursuant to the Paycheck Protection Program (PPP), a program established under the CARES Act and implemented by the

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NOTE 13 – LOAN PAYABLE (Continued)

U.S. Small Business Administration (SBA), for an aggregate principal amount of \$264,800. The loan provides for customary events of default, including those related to failure to make payment and breaches of representations. RIM may prepay the principal of the PPP loan at any time without incurring any prepayment charges. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs and covered occupancy expenses during the 24-week period beginning on the date of first disbursement of the PPP loan. Not more than 40% of the forgiven amount can be attributable to non-payroll costs. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. RIM expects to receive forgiveness of the PPP Loan. The total Loan is considered a long-term liability at this time.

In November 2021, RIM received forgiveness for their 2nd Paycheck Protection Program loan. The entirety of the loan, including interest was forgiven through the Small Business Administration in the amount of \$264,800.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF RESOURCES

RIM receives significant grants and contributions restricted by donors. RIM considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged.

RIM has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses, estimated as \$410,362 based on the expenditures for the year ended June 30, 2021.

Financial assets available for general expenditures, that is, without contractual or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$129,620	\$125,504
Cash Restricted by donors	126,082	508,832
Receivables	103,876	243,047
Less:		
Accounts Payable	206,658	216,778
Deferred Lease Incentive	-	16,535
Financial assets available for general expenditures within one year	<u>\$152,920</u>	<u>\$644,370</u>

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NOTE 15 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021, and 2020, there were numerous contributions made by members of the Board of Directors to RIM. These transactions totaled \$80,151 in the year ended June 30, 2021 and were \$145,646 in the year ended June 30, 2020.

NOTE 16 – CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact RIM's net income. Other financial impact could occur though such potential impact is unknown at this time.