

**READING IN MOTION**

FINANCIAL STATEMENTS

JUNE 30, 2020

**READING IN MOTION**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
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, 2020 and 2019, 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 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 audits 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, 2020 and 2019, 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.

***Emphasis of Matter***

As discussed in Note 2, during the year ended June 30, 2020, Reading In Motion adopted new accounting standards clarifying the scope and accounting guidance for contributions received and contributions made. Our opinion is not modified with respect to this matter.

*Legacy Professionals LLP*

Westchester, Illinois

March 19, 2021

**READING IN MOTION**  
**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
CASH	\$ 634,336	\$ 487,513
RECEIVABLES		
Grants	75,000	10,000
Pledges - net	139,600	179,120
Program services	25,872	24,252
Other	<u>2,575</u>	<u>-</u>
Total receivables	<u>243,047</u>	<u>213,372</u>
Prepaid expenses	<u>49,237</u>	<u>25,231</u>
Inventory	<u>19,698</u>	<u>32,412</u>
PROPERTY AND EQUIPMENT	<u>101,803</u>	<u>88,078</u>
Less accumulated depreciation	<u>(88,449)</u>	<u>(88,078)</u>
Net property and equipment	<u>13,354</u>	<u>-</u>
SECURITY DEPOSIT	<u>34,581</u>	<u>32,791</u>
Total assets	<u>\$ 994,253</u>	<u>\$ 791,319</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 116,778	\$ 31,150
Deferred lease incentive	16,535	34,869
Deferred revenue	31,500	-
PPP loan payable	<u>250,400</u>	<u>-</u>
Total liabilities	<u>415,213</u>	<u>66,019</u>
<b>NET ASSETS</b>		
Without donor restrictions	70,208	549,270
With donor restrictions	<u>508,832</u>	<u>176,030</u>
Total net assets	<u>579,040</u>	<u>725,300</u>
Total liabilities and net assets	<u>\$ 994,253</u>	<u>\$ 791,319</u>

See accompanying notes to financial statements.

**READING IN MOTION**  
**STATEMENT OF ACTIVITIES**  
YEAR ENDED JUNE 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions			
Foundations	\$ 751,153	\$ 487,832	\$ 1,238,985
Corporate	45,834	-	45,834
Individual and Board	287,933	21,000	308,933
Special events - net	2,193	-	2,193
In-kind	203	-	203
Net assets released from restrictions	<u>176,030</u>	<u>(176,030)</u>	<u>-</u>
Total grants and contributions	<u>1,263,346</u>	<u>332,802</u>	<u>1,596,148</u>
Revenue from operations			
Program services	<u>384,609</u>	<u>-</u>	<u>384,609</u>
Other income			
Interest	2,158	-	2,158
Miscellaneous	<u>648</u>	<u>-</u>	<u>648</u>
Total other income	<u>2,806</u>	<u>-</u>	<u>2,806</u>
Total revenue and support	<u>1,650,761</u>	<u>332,802</u>	<u>1,983,563</u>
<b>EXPENSES</b>			
Program services			
Benchmarks	739,814	-	739,814
Spanish	265,913	-	265,913
National Expansion	424,100	-	424,100
Research and development	<u>136,908</u>	<u>-</u>	<u>136,908</u>
Total program services	1,566,735	-	1,566,735
Administrative and general	164,428	-	164,428
Fundraising and development	<u>398,660</u>	<u>-</u>	<u>398,660</u>
Total expenses	<u>2,129,823</u>	<u>-</u>	<u>2,129,823</u>
CHANGE IN NET ASSETS	(479,062)	332,802	(146,260)
<b>NET ASSETS</b>			
Beginning of year	<u>549,270</u>	<u>176,030</u>	<u>725,300</u>
End of year	<u>\$ 70,208</u>	<u>\$ 508,832</u>	<u>\$ 579,040</u>

See accompanying notes to financial statements.

**READING IN MOTION**  
**STATEMENT OF ACTIVITIES**  
YEAR ENDED JUNE 30, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions			
Foundations	\$ 481,250	\$ 100,000	\$ 581,250
Corporate	89,539	15,000	104,539
Individual and Board	315,400	809	316,209
Special events - net	21,680	-	21,680
Net assets released from restrictions	429,400	(429,400)	-
Total grants and contributions	<u>1,337,269</u>	<u>(313,591)</u>	<u>1,023,678</u>
Revenue from operations			
Program services	<u>631,982</u>	<u>-</u>	<u>631,982</u>
Other income			
Interest	1,760	-	1,760
Miscellaneous	2,452	-	2,452
Total other income	<u>4,212</u>	<u>-</u>	<u>4,212</u>
Total revenue and support	<u>1,973,463</u>	<u>(313,591)</u>	<u>1,659,872</u>
<b>EXPENSES</b>			
Program services			
Benchmarks	596,170	-	596,170
Spanish	213,416	-	213,416
National Expansion	328,933	-	328,933
Sales and marketing	98,828	-	98,828
Research and development	122,830	-	122,830
Total program services	<u>1,360,177</u>	<u>-</u>	<u>1,360,177</u>
Administrative and general	122,391	-	122,391
Fundraising and development	294,606	-	294,606
Total expenses	<u>1,777,174</u>	<u>-</u>	<u>1,777,174</u>
CHANGE IN NET ASSETS	196,289	(313,591)	(117,302)
<b>NET ASSETS</b>			
Beginning of year	<u>352,981</u>	<u>489,621</u>	<u>842,602</u>
End of year	<u>\$ 549,270</u>	<u>\$ 176,030</u>	<u>\$ 725,300</u>

See accompanying notes to financial statements.

**READING IN MOTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
YEAR ENDED JUNE 30, 2020

	Program Services				Total	Administrative and General	Fundraising and Development	Total
	Benchmarks	Spanish	National Expansion	Research and Development				
Salary and payroll tax expense	\$ 426,316	\$ 174,800	\$ 340,849	\$ 82,833	\$ 1,024,798	\$ 44,571	\$ 209,576	\$ 1,278,945
Employee benefits	90,616	31,958	37,589	21,118	181,281	33,846	33,457	248,584
	516,932	206,758	378,438	103,951	1,206,079	78,417	243,033	1,527,529
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 & 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
Total	\$ 739,814	\$ 265,913	\$ 424,100	\$ 136,908	\$ 1,566,735	\$ 164,428	\$ 398,660	\$ 2,129,823

See accompanying notes to financial statements.



**READING IN MOTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
YEAR ENDED JUNE 30, 2019

	Program Services					Administrative and General	Fundraising and Development	Total	
	Benchmarks	Spanish	National Expansion	Sales and Marketing	Research and Development				Total
Salary and payroll tax expense	\$ 401,839	\$ 136,492	\$ 220,548	\$ 74,385	\$ 74,323	\$ 907,587	\$ 43,533	\$ 118,415	\$ 1,069,535
Employee benefits	43,334	14,719	23,784	8,021	8,015	97,873	4,694	12,770	115,337
	445,173	151,211	244,332	82,406	82,338	1,005,460	48,227	131,185	1,184,872
Bad debt	-	-	-	-	-	-	9,840	-	9,840
Bank processing fees	474	218	163	-	193	1,048	438	11,062	12,548
Depreciation expense	177	81	-	-	72	330	164	132	626
Donor and staff recognition	539	247	19	248	218	1,271	494	920	2,685
Dues and subscriptions	2,369	1,006	20,259	2,137	809	26,580	1,546	6,478	34,604
Insurance	6,413	2,948	2,201	-	2,604	14,166	5,922	4,788	24,876
Meals & entertainment	4,084	1,294	7,569	1,912	843	15,702	817	4,211	20,730
Meeting expense	1,640	557	155	-	303	2,655	-	-	2,655
Office supplies and equipment	2,545	876	2,018	418	537	6,394	774	967	8,135
Postage expense	679	223	245	-	167	1,314	273	658	2,245
Printing expense	1,963	870	1,468	2,246	739	7,286	1,569	2,996	11,851
Professional fees	32,605	13,526	8,760	7,371	19,220	81,482	19,086	101,343	201,911
Program supplies and materials	38,597	16,884	20,283	-	-	75,764	-	-	75,764
Rent and utilities	32,441	14,912	-	-	13,175	60,528	29,954	24,223	114,705
Repairs and maintenance expense	83	38	-	-	34	155	75	62	292
Telephone	3,158	1,452	1,700	-	1,282	7,592	2,916	2,358	12,866
Training expense	164	59	25	-	36	284	25	1,098	1,407
Travel and transportation expense	5,258	1,840	12,954	2,090	260	22,402	271	2,125	24,798
Warehouse and processing expense	17,808	5,174	6,782	-	-	29,764	-	-	29,764
Total	<u>\$ 596,170</u>	<u>\$ 213,416</u>	<u>\$ 328,933</u>	<u>\$ 98,828</u>	<u>\$ 122,830</u>	<u>\$ 1,360,177</u>	<u>\$ 122,391</u>	<u>\$ 294,606</u>	<u>\$ 1,777,174</u>

See accompanying notes to financial statements.

## READING IN MOTION

### STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (146,260)	\$ (117,302)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	371	626
Bad debt expense	-	9,840
Change in assets and liabilities		
Receivables	(29,675)	133,778
Prepaid expenses	(24,006)	8,355
Inventory	12,714	20,268
Security deposit	(1,790)	(1,845)
Accounts payable	85,628	2,293
Deferred lease incentive	(18,334)	(15,319)
Deferred revenue	<u>31,500</u>	<u>(13,000)</u>
Net cash provided by (used in) operating activities	<u>(89,852)</u>	<u>27,694</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(13,725)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	<u>250,400</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	146,823	27,694
<b>CASH</b>		
Beginning of year	<u>487,513</u>	<u>459,819</u>
End of year	<u>\$ 634,336</u>	<u>\$ 487,513</u>

See accompanying notes to financial statements.

# READING IN MOTION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### NOTE 1. NATURE OF THE 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, 2020, 4,400 pre-kindergarten, kindergarten, and 1<sup>st</sup> grade students benefited from this program. In 2019, 4,175 pre-kindergarten, kindergarten and 1<sup>st</sup> 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 1<sup>st</sup> 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, 2020, 1,025 pre-kindergarten, kindergarten, and 1<sup>st</sup> grade students benefited from this program. In 2019, 1,025 pre-kindergarten, kindergarten and 1<sup>st</sup> 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. 1,275 and 1,200 students participated in the Benchmarks Program during the years ended June 30, 2020 and 2019, 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 June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), which was effective for RIM's financial statements for the year ended June 30, 2020. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. There is no effect on net assets in connection with the implementation of this ASU.

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 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 has deferred the adoption of FASB ASC 606 for one year.

**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.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Basis of Presentation (continued)**

**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 that 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. At June 30, 2020 and 2019, there were no perpetual donor restrictions.

**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. At June 30, 2020 and 2019, management has determined that the effect of discounting grants due beyond one year would be immaterial. As such, as of June 30, 2020 and 2019, 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. In the year ended June 30, 2019, conditional promises to give totaling \$50,000 were not recognized as grant income or grants receivable as their conditions have not been 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 at June 30, 2020 were considered to be fully collectible; accordingly, no allowance for doubtful accounts was necessary at June 30, 2020. RIM had estimated an allowance for uncollectible pledges of \$9,840 at June 30, 2019.

**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. At June 30, 2020 and 2019, RIM carried inventory at \$19,698 and \$32,412 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. 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 year ended June 30, 2020 and \$626 for the year ended June 30, 2019.

**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.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$203 and \$0 during the years ended June 30, 2020 and 2019, 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.

**Subsequent Events** - Subsequent events have been evaluated through March 19, 2021, which is the date the financial statements were available to be issued.

**NOTE 3. CONCENTRATIONS OF SUPPORT AND REVENUE**

Approximately 91% and 65% of RIM's program services revenue is derived from Chicago Public Schools and 9% and 34% is derived from the Las Vegas schools for the years ended June 30, 2020 and 2019, respectively.

**NOTE 4. 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 5. 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 6. OPERATING LEASE**

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

The following is a schedule of future minimum rental payments required under non-cancelable lease terms of this operating lease as of June 30, 2020, excluding pro rata expenses:

Year ending June 30,	
2021	<u>\$ 101,768</u>

Rent and utilities expense was \$118,006 for the year ended June 30, 2020 and \$114,705 for the year ended June 30, 2019.

**NOTE 7. 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 matches employee deferrals at 25% up to a maximum of 4% of the employee's salary. 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 has accrued an estimated \$100,000 towards resolving the issue. Total matching contributions made and accrued to the plan were \$118,945 for the year ended June 30, 2020 and \$6,672 for the year ended June 30, 2019.

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2020 and 2019, net assets with donor restrictions consisted of grants and contributions from the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Anonymous	\$ 357,832	\$ 60,221
McShane Foundation	<u>-</u>	<u>50,000</u>
Total subject to expenditure for a specified purpose	<u>357,832</u>	<u>110,221</u>
Subject to passage of time:		
Anonymous	21,000	809
CME Group	-	15,000
Crown Family Philanthropies	55,000	-
Davee Foundation	-	50,000
Polk Bros Foundation	<u>75,000</u>	<u>-</u>
Total subject to passage of time	<u>151,000</u>	<u>65,809</u>
Total net assets with donor restrictions	<u>\$ 508,832</u>	<u>\$ 176,030</u>



**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

For the years ended June 30, 2020 and 2019, grants and contributions provided by the following were released from restrictions:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Anonymous	\$ 60,221	\$ -
McShane Foundation	50,000	-
Andrew Family Foundation	-	125,000
Service Club of Chicago	-	6,900
Windsong Trust	-	125,000
Expiration of time restrictions:		
Davee Foundation	50,000	-
CME Group	15,000	15,000
Anonymous	809	-
Children's Care Foundation	-	20,000
Crown Family Philanthropies	-	60,000
McGraw Foundation	-	2,500
Polk Bros Foundation	-	75,000
Total	<u>\$ 176,030</u>	<u>\$ 429,400</u>

**NOTE 9. LINE OF CREDIT**

At June 30, 2020, 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, 2020 and 2019.

**NOTE 10. SPECIAL EVENTS**

RIM held one special event during the year ended June 30, 2020 and three special events during the year ended June 30, 2019. Proceeds from these special events are shown net of their related expenses on the statements of activities as follows:

	<u>2020</u>	<u>2019</u>
Contributions/sponsorships	\$ 2,193	\$ 16,670
Ticket sales	-	16,190
Event expenses	-	(11,180)
Total	<u>\$ 2,193</u>	<u>\$ 21,680</u>

#### **NOTE 11. 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. 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. The PPP loan was forgiven subsequent to year end.

#### **NOTE 12. 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.

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>2020</u>	<u>2019</u>
Cash	\$ 634,336	\$ 487,513
Receivables (due within one year)	<u>212,047</u>	<u>213,372</u>
Financial assets available for general expenditures within one year	<u>\$ 846,383</u>	<u>\$ 700,885</u>

#### **NOTE 13. RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2020 and 2019, there were numerous contributions made by members of the Board of Directors to RIM. These transactions totaled \$145,646 in the year ended June 30, 2020 and were \$205,800 in the year ended June 30, 2019.

#### **NOTE 14. IMPACT OF COVID-19 AND NEWLY ENACTED LEGISLATION**

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen, which may negatively impact Reading In Motion's operations and financial condition. The potential impact and duration of the pandemic is unknown as of the date the financial statements were available to be issued.

RIM has taken aggressive steps to ensure that it can continue to function while a portion of its staff shelter at home to mitigate the effects of the pandemic. This includes the establishment of remote connectivity and teleworking capability for numerous staff, including essential administrative staff.

The CARES Act was enacted in March 2020. The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the coronavirus outbreak, which among other things contains numerous tax, funding and other provisions. In December 2020, the Consolidated Appropriations Act, 2021 was signed into law and contained numerous provisions. As stated in note 11, RIM received a PPP loan during the fiscal year for \$250,400. The PPP loan is the main stimulus for small businesses to come out of the CARES Act. RIM utilized these funds to assist with payroll and other costs during the COVID-19 pandemic. Additionally, RIM continues to evaluate the impact of the newly enacted legislation on its operations and cash flow.