

READING IN MOTION

FINANCIAL STATEMENTS

JUNE 30, 2019

READING IN MOTION

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

CONTENTS

| | PAGE |
|---|------|
| Report of Independent Auditors | 1 |
| Statements of Financial Position | 3 |
| Statement of Activities - Year Ended June 30, 2019 | 4 |
| Statement of Activities - Year Ended June 30, 2018 | 5 |
| Statement of Functional Expenses - Year Ended June 30, 2019 | 6 |
| Statement of Functional Expenses - Year Ended June 30, 2018 | 7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |

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, 2019 and 2018, and the related statements of activities, 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, 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.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2019, Reading In Motion implemented new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

Legacy Professionals LLP

Westchester, Illinois

January 17, 2020

READING IN MOTION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------|-------------------|
| ASSETS | | |
| CASH | \$ 487,513 | \$ 459,819 |
| RECEIVABLES | | |
| Grants | 10,000 | 296,900 |
| Pledges - net | 179,120 | 56,200 |
| Program services | 24,252 | 2,490 |
| Other | <u>-</u> | <u>1,400</u> |
| Total receivables | <u>213,372</u> | <u>356,990</u> |
| Prepaid expenses | <u>25,231</u> | <u>33,586</u> |
| Inventory | <u>32,412</u> | <u>52,680</u> |
| PROPERTY AND EQUIPMENT | 88,078 | 88,078 |
| Less accumulated depreciation | <u>(88,078)</u> | <u>(87,452)</u> |
| Net property and equipment | <u>-</u> | <u>626</u> |
| SECURITY DEPOSIT | <u>32,791</u> | <u>30,946</u> |
| Total assets | <u>\$ 791,319</u> | <u>\$ 934,647</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 31,150 | \$ 28,857 |
| Deferred lease incentive | 34,869 | 50,188 |
| Deferred revenue | <u>-</u> | <u>13,000</u> |
| Total liabilities | <u>66,019</u> | <u>92,045</u> |
| NET ASSETS | | |
| Without donor restrictions | 549,270 | 352,981 |
| With donor restrictions | <u>176,030</u> | <u>489,621</u> |
| Total net assets | <u>725,300</u> | <u>842,602</u> |
| Total liabilities and net assets | <u>\$ 791,319</u> | <u>\$ 934,647</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> |
|---------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| REVENUE AND SUPPORT | | | |
| 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 | <u>429,400</u> | <u>(429,400)</u> | <u>-</u> |
| 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 | <u>2,452</u> | <u>-</u> | <u>2,452</u> |
| 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> |
| EXPENSES | | | |
| 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 | <u>122,830</u> | <u>-</u> | <u>122,830</u> |
| Total program services | 1,360,177 | - | 1,360,177 |
| Administrative and general | 122,391 | - | 122,391 |
| Fundraising and development | <u>294,606</u> | <u>-</u> | <u>294,606</u> |
| Total expenses | <u>1,777,174</u> | <u>-</u> | <u>1,777,174</u> |
| CHANGE IN NET ASSETS | 196,289 | (313,591) | (117,302) |
| NET ASSETS | | | |
| 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 ACTIVITIES
YEAR ENDED JUNE 30, 2018

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|--------------------------------------|-----------------------------------|-------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | | | |
| Foundations | \$ 431,400 | \$ 244,400 | \$ 675,800 |
| Corporate | 65,088 | - | 65,088 |
| Individual and Board | 267,767 | - | 267,767 |
| Special events - net | 221,043 | - | 221,043 |
| In-kind | 8,450 | - | 8,450 |
| Net assets released from restrictions | <u>483,836</u> | <u>(483,836)</u> | <u>-</u> |
| Total grants and contributions | <u>1,477,584</u> | <u>(239,436)</u> | <u>1,238,148</u> |
| Revenue from operations | | | |
| Program services | <u>385,613</u> | <u>-</u> | <u>385,613</u> |
| Other income | | | |
| Interest | 134 | - | 134 |
| Miscellaneous | <u>940</u> | <u>-</u> | <u>940</u> |
| Total other income | <u>1,074</u> | <u>-</u> | <u>1,074</u> |
| Total revenue and support | <u>1,864,271</u> | <u>(239,436)</u> | <u>1,624,835</u> |
| EXPENSES | | | |
| Program services | | | |
| Benchmarks | 593,523 | - | 593,523 |
| Spanish | 218,161 | - | 218,161 |
| National Expansion | 309,946 | - | 309,946 |
| Sales and marketing | 221,493 | - | 221,493 |
| Research and development | <u>111,734</u> | <u>-</u> | <u>111,734</u> |
| Total program services | 1,454,857 | - | 1,454,857 |
| Administrative and general | 129,053 | - | 129,053 |
| Fundraising and development | <u>273,437</u> | <u>-</u> | <u>273,437</u> |
| Total expenses | <u>1,857,347</u> | <u>-</u> | <u>1,857,347</u> |
| OPERATING INCOME (LOSS) | 6,924 | (239,436) | (232,512) |
| LOSS ON WRITE-OFF OF UNCOLLECTIBLE CONTRIBUTION | <u>-</u> | <u>(100,000)</u> | <u>(100,000)</u> |
| CHANGE IN NET ASSETS | 6,924 | (339,436) | (332,512) |
| NET ASSETS | | | |
| Beginning of year | <u>346,057</u> | <u>829,057</u> | <u>1,175,114</u> |
| End of year | <u>\$ 352,981</u> | <u>\$ 489,621</u> | <u>\$ 842,602</u> |

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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

| | Program Services | | | | | | Administrative and General | Fundraising and Development | Total |
|-----------------------------------|-------------------|-------------------|-------------------------------|--------------------------------|-------------------------------------|---------------------|----------------------------------|-----------------------------------|---------------------|
| | <u>Benchmarks</u> | <u>Spanish</u> | <u>National Expansion</u> | <u>Sales and Marketing</u> | <u>Research and Development</u> | <u>Total</u> | | | |
| Salary and payroll tax expense | \$ 387,810 | \$ 136,400 | \$ 213,023 | \$ 139,996 | \$ 80,974 | \$ 958,203 | \$ 84,620 | \$ 142,190 | \$ 1,185,013 |
| Employee benefits | <u>50,283</u> | <u>17,685</u> | <u>27,620</u> | <u>18,152</u> | <u>10,499</u> | <u>124,239</u> | <u>10,971</u> | <u>18,436</u> | <u>153,646</u> |
| | 438,093 | 154,085 | 240,643 | 158,148 | 91,473 | 1,082,442 | 95,591 | 160,626 | 1,338,659 |
| Bad debt | - | - | - | - | - | - | 2,500 | - | 2,500 |
| Bank processing fees | 435 | 153 | 239 | 157 | 91 | 1,075 | 95 | 11,918 | 13,088 |
| Depreciation expense | 1,349 | 474 | 741 | 487 | 282 | 3,333 | 294 | 494 | 4,121 |
| Donor and staff recognition | 264 | 93 | 181 | 168 | 55 | 761 | 14 | 25 | 800 |
| Dues and subscriptions | 1,176 | 414 | 5,729 | 3,842 | 246 | 11,407 | - | 2,187 | 13,594 |
| Insurance | 6,741 | 2,371 | 3,702 | 2,433 | 1,407 | 16,654 | 1,472 | 2,471 | 20,597 |
| Meals & entertainment | 2,780 | 1,007 | 2,779 | 8,681 | 439 | 15,686 | 60 | 3,692 | 19,438 |
| Meeting expense | 2,126 | 748 | 940 | 767 | 444 | 5,025 | - | - | 5,025 |
| Office supplies and equipment | 897 | 315 | 2,102 | 677 | 188 | 4,179 | 309 | 294 | 4,782 |
| Postage expense | 953 | 348 | 1,264 | 416 | 199 | 3,180 | 54 | 1,307 | 4,541 |
| Printing expense | 1,933 | 680 | 2,712 | 2,612 | 404 | 8,341 | 421 | 6,676 | 15,438 |
| Professional fees | 11,775 | 4,141 | 1,393 | 18,761 | 6,062 | 42,132 | 17,451 | 65,005 | 124,588 |
| Program supplies and materials | 53,969 | 28,384 | 15,449 | - | - | 97,802 | - | - | 97,802 |
| Promotion expense | 705 | 248 | 757 | 255 | 147 | 2,112 | 153 | 259 | 2,524 |
| Rent and utilities | 43,345 | 15,245 | - | 15,647 | 9,050 | 83,287 | 9,459 | 15,892 | 108,638 |
| Repairs and maintenance expense | 81 | 29 | - | 29 | 17 | 156 | 17 | 30 | 203 |
| Telephone | 4,865 | 1,711 | 4,272 | 1,756 | 1,016 | 13,620 | 1,062 | 1,784 | 16,466 |
| Training expense | 167 | 59 | 119 | 60 | 35 | 440 | - | - | 440 |
| Travel and transportation expense | 3,236 | 2,402 | 22,534 | 6,597 | 179 | 34,948 | 101 | 777 | 35,826 |
| Warehouse and processing expense | <u>18,633</u> | <u>5,254</u> | <u>4,390</u> | <u>-</u> | <u>-</u> | <u>28,277</u> | <u>-</u> | <u>-</u> | <u>28,277</u> |
| Total | <u>\$ 593,523</u> | <u>\$ 218,161</u> | <u>\$ 309,946</u> | <u>\$ 221,493</u> | <u>\$ 111,734</u> | <u>\$ 1,454,857</u> | <u>\$ 129,053</u> | <u>\$ 273,437</u> | <u>\$ 1,857,347</u> |

See accompanying notes to financial statements.

READING IN MOTION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (117,302) | \$ (332,512) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 626 | 4,121 |
| Bad debt expense | 9,840 | 102,500 |
| Change in assets and liabilities | | |
| Receivables | 133,778 | 51,100 |
| Prepaid expenses | 8,355 | (23,668) |
| Inventory | 20,268 | 16,337 |
| Security deposit | (1,845) | (2,040) |
| Accounts payable | 2,293 | 17,119 |
| Deferred lease incentive | (15,319) | (13,435) |
| Deferred revenue | <u>(13,000)</u> | <u>(15,250)</u> |
| Net cash provided by (used in) operating activities | <u>27,694</u> | <u>(195,728)</u> |
| NET INCREASE (DECREASE) IN CASH | 27,694 | (195,728) |
| CASH | | |
| Beginning of year | <u>459,819</u> | <u>655,547</u> |
| End of year | <u>\$ 487,513</u> | <u>\$ 459,819</u> |

See accompanying notes to financial statements.

READING IN MOTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019, 4,175 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2018, 3,500 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, 2019, 1,025 pre-kindergarten, kindergarten, and 1st grade students benefited from this program. In 2018, 1,125 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, which resulted in 1,200 and 450 students participating in the Benchmarks Program during the years ended June 30, 2019 and 2018, 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 August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for the Association's financial statements for the year ended June 30, 2019. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

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 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, 2019 and 2018, 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, 2019 and 2018, management has determined that the effect of discounting grants due beyond one year would be immaterial. As such, as of June 30, 2019 and 2018, 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. However, in the prior year there was a previously recorded grant receivable for \$100,000 that was deemed to be uncollectible and the expense was recognized in the period ending June 30, 2018. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give totaling \$50,000 have not have recognized as grant income or grants receivable as their conditions have not been met as of June 30, 2019.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. RIM has estimated an allowance for uncollectible pledges of \$9,840 at June 30, 2019. Pledges receivable at June 30, 2018 were considered to be fully collectible; accordingly, no allowance for doubtful accounts was necessary at June 30, 2018.

Inventory - Inventory consists of supplies that are used in RIM's various programs. During the year ended June 30, 2019 RIM changed accounting systems and now tracks inventory at the lower of cost or market using the first-in, first-out method. The year ended June 30, 2018 inventory was valued using the average cost method. At June 30, 2019 and 2018, RIM carried inventory at \$32,412 and \$52,680 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 \$626 for year ended June 30, 2019 and \$4,121 for the year ended June 30, 2018.

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.

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. Investment income and realized and unrealized gains and losses resulting from contributions are reported as net assets with donor restrictions or without donor restrictions, as directed by the donor. There were no investments during the years ended June 30, 2019 and 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$0 and \$8,450 during the years ended June 30, 2019 and 2018, 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. 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 January 17, 2020, which is the date the financial statements were available to be issued.

NOTE 3. CONCENTRATIONS OF SUPPORT AND REVENUE

Approximately 65% and 91% of RIM's program services revenue is derived from Chicago Public Schools and 34% and 3% is derived from the Las Vegas schools for the years ended June 30, 2019 and 2018, 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.

The following is a schedule of future minimum rental payments required under noncancelable lease terms of this operating lease as of June 30, 2019, excluding pro rata expenses:

| | |
|----------------------|-------------------|
| Year ending June 30, | |
| 2020 | \$ 120,237 |
| 2021 | <u>101,768</u> |
| Total | <u>\$ 222,005</u> |

Rent and utilities expense was \$114,705 for the year ended June 30, 2019 and \$108,638 for the year ended June 30, 2018.

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. The matching contributions made to the plan were \$6,672 for the year ended June 30, 2019 and \$3,373 for the year ended June 30, 2018.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions consisted of grants and contributions from the following:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Subject to expenditure for specified purpose: | | |
| Anonymous | \$ 60,221 | \$ 60,221 |
| McShane Foundation | 50,000 | - |
| Andrew Family Foundation | - | 125,000 |
| Windsong Trust | - | 125,000 |
| Total subject to expenditure for a specified purpose | <u>110,221</u> | <u>310,221</u> |
| Subject to passage of time: | | |
| Davee Foundation | 50,000 | - |
| CME Group | 15,000 | 15,000 |
| Anonymous | 809 | - |
| Polk Bros Foundation | - | 75,000 |
| Crown Family Philanthropies | - | 60,000 |
| Children's Care Foundation | - | 20,000 |
| Service Club of Chicago | - | 6,900 |
| McGraw Foundation | - | 2,500 |
| Total subject to passage of time | <u>65,809</u> | <u>179,400</u> |
| Total net assets with donor restrictions | <u>\$ 176,030</u> | <u>\$ 489,621</u> |

For the years ended June 30, 2019 and 2018, grants and contributions provided by the following were released from restrictions:

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|-------------------|-------------------|
| Purpose restrictions accomplished: | | |
| Andrew Family Foundation | \$ 125,000 | \$ 125,000 |
| Windsong Trust | 125,000 | 125,000 |
| Service Club of Chicago | 6,900 | - |
| Expiration of time restrictions: | | |
| Polk Bros Foundation | 75,000 | - |
| Crown Family Philanthropies | 60,000 | 60,000 |
| Children's Care Foundation | 20,000 | - |
| CME Group | 15,000 | 15,000 |
| McGraw Foundation | 2,500 | 5,000 |
| A Better Chicago | - | 100,000 |
| Anonymous | - | 53,836 |
| Total | <u>\$ 429,400</u> | <u>\$ 483,836</u> |

NOTE 9. LINE OF CREDIT

At June 30, 2019, 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, 2019 and 2018.

NOTE 10. SPECIAL EVENTS

RIM held three special events during the year ended June 30, 2019 and six special events during the year ended June 30, 2018. Proceeds from these special events are shown net of their related expenses on the statements of activities as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|------------------|-------------------|
| Contributions/sponsorships | \$ 16,670 | \$ 227,500 |
| Ticket sales | 16,190 | 134,990 |
| Event expenses | <u>(11,180)</u> | <u>(141,447)</u> |
| Total | <u>\$ 21,680</u> | <u>\$ 221,043</u> |

NOTE 11. 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 donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|---|-------------------|
| Cash | \$ 487,513 |
| Receivables (due within one year) | <u>213,372</u> |
| | 700,885 |
| Less: amounts not available to be used within one year: | |
| Net assets with donor restrictions | <u>(176,030)</u> |
| Financial assets available for general expenditures within one year | <u>\$ 524,855</u> |

NOTE 12. RELATED PARTIES

During the years ended June 30, 2019 and 2018, there were numerous contributions made by members of the Board of Directors to RIM. These transactions totaled \$205,800 in the year ended June 30, 2019 and were \$147,639 in the year ended June 30, 2018.