EISNERAMPER

CHILDREN'S LITERACY INITIATIVE

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

CHILDREN'S LITERACY INITIATIVE

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Literacy Initiative

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Literacy Initiative, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 on the previous page present fairly, in all material respects, the financial position of Children's Literacy Initiative as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
December 3, 2020

CHILDREN'S LITERACY INITIATIVE

Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 9,998,277**	$ 3,563,849
Certificates of deposit	**-**	423,000
Investments	**1,161,647**	1,156,881
Accounts receivable, net of allowance for doubtful accounts	**4,229,938**	4,503,891
Contributions receivable:		
Governmental grants	**575,006**	608,601
Philanthropic grants	**740,479**	759,028
Inventory, net	**233,147**	500,119
Prepaid expenses and other assets	**237,555**	198,491
Total current assets	**17,176,049**	11,713,860
Philanthropic grants receivable, net of current portion and discount	**-**	614,387
Property and equipment, net	**177,726**	210,371
	$ 17,353,775	$ 12,538,618
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,157,003**	$ 3,079,224
Loan payable	**1,860,089**	-
Deferred revenue	**365,453**	-
Total current liabilities	**5,382,545**	3,079,224
Loan payable, net of current portion	**2,325,111**	-
Deferred rent, net of current portion	**63,265**	33,020
Total liabilities	**7,770,921**	3,112,244
NET ASSETS		
Without donor restrictions	**7,917,011**	7,736,822
With donor restrictions	**1,665,843**	1,689,552
Total net assets	**9,582,854**	9,426,374
	$ 17,353,775	$ 12,538,618

CHILDREN'S LITERACY INITIATIVE

Statements of Activities and Changes in Net Assets

	Year Ended June 30,					
	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues:						
School district contracts	**$ 22,823,090**	**$ -**	**$ 22,823,090**	$ 24,009,558	$ -	$ 24,009,558
Governmental grants	**3,986,757**	**-**	**3,986,757**	5,580,323	-	5,580,323
Philanthropic grants and contributions	**2,482,317**	**772,735**	**3,255,052**	2,386,734	1,594,811	3,981,545
Investment income, net	**33,073**	**-**	**33,073**	79,474	-	79,474
Other income	**36,128**	**-**	**36,128**	69,346	-	69,346
Net assets released from restrictions	**796,444**	**(796,444)**	**-**	1,217,032	(1,217,032)	-
	30,157,809	**(23,709)**	**30,134,100**	33,342,467	377,779	33,720,246
Expenses:						
Program - literacy development	**25,477,025**	**-**	**25,477,025**	27,433,511	-	27,433,511
General and administrative	**2,992,815**	**-**	**2,992,815**	2,456,595	-	2,456,595
Fundraising	**1,507,780**	**-**	**1,507,780**	1,477,096	-	1,477,096
	29,977,620	**-**	**29,977,620**	31,367,202	-	31,367,202
Change in net assets	**180,189**	**(23,709)**	**156,480**	1,975,265	377,779	2,353,044
Net assets at beginning of year	**7,736,822**	**1,689,552**	**9,426,374**	5,761,557	1,311,773	7,073,330
Net assets at end of year	**$ 7,917,011**	**$ 1,665,843**	**$ 9,582,854**	$ 7,736,822	$ 1,689,552	$ 9,426,374

CHILDREN'S LITERACY INITIATIVE

Statements of Functional Expenses

	Year Ended June 30,							
	2020				2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Literacy Development	General and Administrative	Fundraising	Total	Literacy Development	General and Administrative	Fundraising	Total
Payroll and payroll taxes	**$ 16,594,809**	**$ 2,230,427**	**$ 1,125,903**	**$ 19,951,139**	$ 15,475,791	$ 1,868,258	$ 1,106,363	$ 18,450,412
Employee benefits	**2,258,786**	**303,592**	**153,251**	**2,715,629**	2,083,156	251,481	148,925	2,483,562
	18,853,595	**2,534,019**	**1,279,154**	**22,666,768**	17,558,947	2,119,739	1,255,288	20,933,974
Advertising	**20,153**	**2,709**	**1,367**	**24,229**	26,624	3,214	1,903	31,741
Bad debt	**-**	**70,000**	**-**	**70,000**	-	10,000	-	10,000
Books	**546,117**	**-**	**-**	**546,117**	2,106,986	-	-	2,106,986
Insurance	**184,649**	**24,818**	**12,528**	**221,995**	156,049	18,838	11,156	186,043
Legal and accounting	**96,193**	**12,929**	**6,526**	**115,648**	88,960	10,739	6,360	106,059
Maintenance	**404,453**	**54,361**	**27,441**	**486,255**	634,123	76,552	45,334	756,009
Office	**643,672**	**86,513**	**43,671**	**773,856**	600,235	72,460	42,911	715,606
Professional fees	**1,393,703**	**89,357**	**50,886**	**1,533,946**	1,054,606	11,463	13,253	1,079,322
Program consultants	**2,027,127**	**-**	**-**	**2,027,127**	3,159,311	-	-	3,159,311
Program materials	**398,553**	**-**	**-**	**398,553**	956,201	-	-	956,201
Recruiting	**147,581**	**19,836**	**10,013**	**177,430**	236,140	28,507	16,882	281,529
Rent	**429,501**	**53,688**	**53,688**	**536,877**	427,254	53,406	53,406	534,066
Travel	**304,574**	**40,936**	**20,664**	**366,174**	390,042	47,086	27,884	465,012
	25,449,871	**2,989,166**	**1,505,938**	**29,944,975**	27,395,478	2,452,004	1,474,377	31,321,859
Depreciation	**27,154**	**3,649**	**1,842**	**32,645**	38,033	4,591	2,719	45,343
	$ 25,477,025	**$ 2,992,815**	**$ 1,507,780**	**$ 29,977,620**	$ 27,433,511	$ 2,456,595	$ 1,477,096	$ 31,367,202

CHILDREN'S LITERACY INITIATIVE

Statements of Cash Flows

	Year Ended June 30, 2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 156,480**	$ 2,353,044
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments	**2,495**	(47,362)
Bad debt expense	**70,000**	10,000
Depreciation	**32,645**	45,343
Change in assets and liabilities:		
Accounts receivable	**203,953**	(2,228,086)
Contributions receivable - governmental grants	**33,595**	(485,810)
Contributions receivable - philanthropic grants	**632,936**	(760,538)
Inventory	**266,972**	100,816
Prepaid expenses	**(39,064)**	(51,103)
Accounts payable and accrued expenses	**77,779**	888,130
Deferred revenue	**365,453**	-
Deferred rent	**30,245**	10,162
Net cash provided by (used in) operating activities	**1,833,489**	(165,404)
Cash flows from investing activities:		
Proceeds from sales of investments	**1,081,095**	1,251,670
Purchase of investments	**(1,088,356)**	(456,864)
Purchase of property and equipment	**-**	(171,727)
Proceeds from redemptions of certificates of deposit	**423,000**	698,000
Purchase of certificates of deposit	**-**	(791,000)
Net cash provided by investing activities	**415,739**	530,079
Cash flows from financing activities:		
Proceeds from loan payable	**4,185,200**	-
Net increase in cash and cash equivalents	**6,434,428**	364,675
Cash and cash equivalents at beginning of year	**3,563,849**	3,199,174
Cash and cash equivalents at end of year	**$ 9,998,277**	$ 3,563,849
Supplemental disclosure of noncash investing activities:		
Disposal of fully depreciated property and equipment	**$ -**	$ 602,189

NOTE A - NATURE OF OPERATIONS

Since 1988, Children's Literacy Initiative (the "Organization") has worked with pre-kindergarten through third grade teachers to transform instruction so that children can become powerful readers, writers, and thinkers. The Organization's focus on improving literacy instruction in the early grades is grounded in research: reading proficiently by the end of third grade is key for future success, and teaching quality has a greater effect on student achievement than any other in-school factor. The Organization provides educators with training and coaching in effective literacy instruction, outfits classrooms with learning materials and children's books, and extends its in-school services through its online professional development portal. The Organization provides these services to school districts in numerous cities and counties including, Philadelphia, Pennsylvania, Newark, New Jersey, Elizabeth, New Jersey, Passaic, New Jersey, Houston, Texas, Denver, Colorado, Broward County, Florida, Chicago, Illinois, Omaha, Nebraska and Boston, Massachusetts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Organization in the preparation of the financial statements.

[1] Basis of presentation:

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[2] Classification of net assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor-imposed (or certain grantor-imposed) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain 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. Net assets with donor 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. The Organization reports contributions with donor restrictions as support without donor restrictions if the restrictions are met in the same reporting period as when the contributions are received.

[3] Revenue recognition:

School district contracts

The Organization receives revenue from fee-for-service contracts with various school districts. Fee-for-service revenue has been recognized when the services have been provided only to the extent allowed under the contract. Deferred revenue is recorded when the Organization bills for work not yet performed on fee-for-service contracts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Revenue recognition (continued):

Governmental grants

The Organization receives government grants and contracts. These grants and contracts provide funding to be used for purposes indicated in the grant agreements. As the government is not receiving a benefit as a result of these transactions, the grants and contracts are considered to be contributions to the Organization. The grant and contract agreements contain spending requirements. As these stipulations create a barrier that must be achieved, government grants and contracts are considered to be conditional contributions until such time as the barriers are overcome. Contributions from these grant and contract agreements are therefore recognized as revenue when costs are incurred and specific service requirements are met, as required by the agreements. Conditional government grants of $4,410,391 and $7,825,609 as of June 30, 2020 and 2019, respectively, will be recognized in subsequent years as costs are incurred and service requirements are met (see Note O).

Until the financial information required by the funding sources is accepted, costs billed for program services under cost reimbursement contracts are subject to review and possible disallowance. In management's opinion, the potential for material disallowances is remote, and, therefore, is not a barrier that would prevent the recognition of revenue.

Philanthropic grants and contributions

The Organization receives philanthropic grants and contributions from individuals, corporations and foundations including unconditional promises to give. These grants and contributions provide funding to be used to support the mission of the Organization. As the donors are not receiving a benefit as a result of these transactions, the grants and contributions are considered to be contribution revenue to the Organization. Some grants and contributions require that funds be expended for a specific purpose or over a specific period of time, and are considered to be net assets with donor restrictions.

[4] Cash and cash equivalents:

Cash and cash equivalents consist of cash accounts at financial institutions and nonbank money market funds. The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. These investments are managed in accordance with the Board-approved investment policy.

[5] Certificates of deposit:

There were no certificates of deposit as of June 30, 2020. Certificates of deposit as of June 30, 2019 included two certificates of deposit for $203,000 and $220,000 with maturity dates of August 7, 2019 and November 14, 2019, respectively, and which bore interest at rates of 2.30% and 2.40%, respectively.

[6] Investments:

All investments are stated at their fair values. Fair values for stocks and mutual funds are based on quoted market prices. Invested cash and investments in money markets are valued at cost which approximates fair value. Interest and dividends and unrealized gains and losses are included in change in net assets in the accompanying statements of activities and changes in net assets as investment income. Investments received by gift are recorded at fair value at the date of receipt.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Accounts receivable:

Accounts receivable are uncollateralized school district obligations due under normal trade terms requiring payment within 30 days from invoice date.

Accounts receivable are stated at the amount billed to the school district. Account balances from invoices aged over 90 days are considered delinquent.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of June 30, 2020 or 2019, there was an allowance of $70,000 and $-0-, respectively.

[8] Contributions receivable:

Contributions receivable are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution. All balances are expected to be collected; therefore, no allowance has been recorded as of either June 30, 2020 or 2019.

[9] Inventory:

Inventory consists of various books and literacy materials and is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Management provides an inventory allowance based on its historical experience with obsolescence and transitional items.

[10] Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Contributed property and equipment are recorded at fair value at the date of donation. The Organization capitalizes all additions over $5,000, while all other costs that do not improve or extend the useful lives of the respective assets are expensed in the period in which they occur.

The Organization computes depreciation using the straight-line method over the following estimated useful lives:

Computer equipment and software	3 - 5 years
Office equipment	5 years
Furniture	5 - 7 years
Leasehold improvements	Lesser of 5 - 10 years or life of lease

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Loan payable:

The Organization has elected to record the Paycheck Protection Program loan ("PPP Loan") as a loan payable. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is formally approved by the bank and the U.S. Small Business Administration ("SBA").

[12] Advertising:

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2020 and 2019 was $24,229 and $31,741, respectively.

[13] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, general and administrative, and fundraising as incurred. Salaries, payroll taxes, and benefits are charged to the different functions based on the employees, actual functions performed. Expenses related to more than one function are allocated among the functions benefited, as follows: rent, utilities, travel, accounting and legal, professional fees, maintenance, recruiting, office, depreciation, insurance, and advertising – based on usage or time and effort as estimated by management.

[14] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

[15] Federal tax status:

The Internal Revenue Service has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of general and administrative expenses. There were no income tax related interest and penalties recorded for either of the years ended June 30, 2020 or 2019.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] New accounting pronouncement:

In June 2018, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis. The Organization has adopted the ASU as of and for the year ended June 30, 2020. The adoption of this ASU required enhanced disclosures and an analysis of the classification of existing governmental contracts. The analysis found that the certain existing governmental contracts should be considered contributions, which resulted in a change as this revenue had previously been reported as an exchange transaction. This change had no impact on net assets as all conditions on the prior year governmental contracts were considered to be met as of both June 30, 2019 and 2018, but did require reclassification of receivables from accounts receivable to contributions receivable on the statements of financial position.

[17] Upcoming accounting pronouncements:

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. For nonpublic business entities, ASU 2020-05 deferred the date of implementation to fiscal years beginning after December 15, 2019. The Organization does not believe the adoption of this guidance will have a material impact on its financial statements, although additional disclosures will be required.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires entities that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. For nonpublic business entities, ASU 2020-05 deferred the date of implementation to fiscal years beginning after December 15, 2021. The guidance is required to be applied by the modified retrospective transition approach. Management is currently assessing the impact of the adoption of the new guidance on its financial statements and related disclosures.

[18] Reclassification:

Certain amounts in the 2019 financial statements have been reclassified to conform with the current year presentation.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30, 2020 and 2019:

	2020	2019
Current financial assets:		
Cash and cash equivalents	**$ 9,998,277**	$ 3,563,849
Certificates of deposit	**-**	423,000
Investments	**1,161,647**	1,156,881
Accounts receivable, net	**4,229,938**	4,503,891
Contributions receivable:		
Governmental grants	**575,006**	608,601
Philanthropic grants	**740,479**	759,028
Financial assets available to meet cash needs for general expenditures within one year	**$ 16,705,347**	$ 11,015,250

General expenditures include program service expenses, general and administrative expenses, and fundraising expenses expected to be paid in the subsequent year.

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term liquid investments. As more fully described in Note J, the Organization also has a committed line-of-credit in the amount of $1,800,000 as of both June 30, 2020 and 2019, $1,800,000 of which it could draw upon in both 2020 and 2019 in the event of an unanticipated liquidity need.

NOTE D - ACCOUNTS RECEIVABLE

The Organization's accounts receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Newark Public Schools	**$ 1,343,709**	$ 1,562,987
Broward County Public Schools	**1,028,766**	70,000
Omaha Public Schools	**601,156**	-
School District of Philadelphia	**581,842**	1,881,647
Passaic Board of Education	**428,641**	34,655
Frederick Douglass Mastery Charter School	**82,548**	-
Kearny Board of Education	**67,275**	-
Pan American Charter School	**66,663**	-
York City School District	**24,600**	-
Chicago Public Schools	**23,592**	-
University Heights Charter School	**17,773**	-
Community Education Alliance	**8,970**	23,940
Willingboro Public Schools	**8,814**	211,497
Sioux Falls School District	**3,900**	-
Mitchell Elementary School	**2,467**	-
Elizabeth Public Schools	**-**	572,877
Bridgeton Board of Education	**-**	35,800
Mastery Charter Schools	**-**	32,040
Augusta County School Board	**-**	28,695
Highbridge Advisory Council	**-**	20,400
East Greenwich Township Board of Education	**-**	14,007
Houston Independent School District	**-**	10,000
Others	**9,222**	5,346
	4,299,938	4,503,891
Less allowance for doubtful accounts	**70,000**	-
	$ 4,229,938	$ 4,503,891

CHILDREN'S LITERACY INITIATIVE

Notes to Financial Statements
June 30, 2020 and 2019

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2020 and 2019:

2020

Due Within	Gross Governmental Contributions Receivable	Gross Philanthropic Contributions Receivable	* Discount	Net Contributions Receivable
1 year	**$ 575,006**	**$ 740,479**	**$ -**	**$ 1,315,485**

2019

Due Within	Gross Governmental Contributions Receivable	Gross Philanthropic Contributions Receivable	* Discount	Net Contributions Receivable
1 year	$ 608,601	$ 759,028	$ -	$ 1,367,629
1 to 5 years	-	635,579	21,192	614,387
	$ 608,601	$ 1,394,607	$ 21,192	$ 1,982,016

* The gross grants receivable that are due in future periods are discounted to present value using an interest rate of 1.71%.

NOTE F - INVENTORY

Inventory consists of the following as of June 30, 2020 and 2019:

	2020	2019
Books	**$ 237,617**	$ 504,589
Less inventory allowance	**(4,470)**	(4,470)
	$ 233,147	$ 500,119

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Computer equipment and software	**$ 283,348**	$ 283,348
Office equipment	**77,363**	77,363
Leasehold improvements	**171,728**	171,728
	532,439	532,439
Less accumulated depreciation	**(354,713)**	(322,068)
	$ 177,726	$ 210,371

Depreciation was $32,645 and $45,343 for the years ended June 30, 2020 and 2019, respectively.

NOTE H - INVESTMENTS

Investments consist of the following as of June 30, 2020 and 2019:

	2020		
	Costs	Market Value	Unrealized Gain
Equity	**$ 710,787**	**$ 780,274**	**$ 69,487**
Mutual funds	**368,818**	**381,373**	**12,555**
	$ 1,079,605	**$ 1,161,647**	**$ 82,042**

	2019		
	Costs	Market Value	Unrealized Gain
Equity	$ 308,570	$ 358,055	$ 49,485
Mutual funds	744,727	798,826	54,099
	$ 1,053,297	$ 1,156,881	$ 103,584

NOTE H - INVESTMENTS (CONTINUED)

Investment income is comprised of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	**$ 47,015**	$ 43,028
Realized gains (losses)	**19,047**	(6,061)
Unrealized gains (losses)	**(21,542)**	53,423
Investment fees	**(11,447)**	(10,916)
	$ 33,073	$ 79,474

NOTE I - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The Organization uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The following is a description of the valuation methodology used for assets measured at fair value, which has not changed from the one used as of June 30, 2020 and 2019.

Equity and mutual funds − Valued at the closing price reported on the active market on which the individual securities are traded.

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

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

NOTE I - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level, the Organization's investment assets at fair value, within the fair value hierarchy, as of June 30, 2020 and 2019:

	Investment Assets at Fair Value as of June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity	**$ 780,274**	**$ -**	**$ -**	**$ 780,274**
Mutual Funds	**381,373**	**-**	**-**	**381,373**
Total investment assets at fair value	**$ 1,161,647**	**$ -**	**$ -**	**$ 1,161,647**

	Investment Assets at Fair Value as of June 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity	$ 358,055	$ -	$ -	$ 358,055
Mutual Funds	798,826	-	-	798,826
Total investment assets at fair value	$ 1,156,881	$ -	$ -	$ 1,156,881

NOTE J - LINE-OF-CREDIT

As of June 30, 2020, the Organization has a revolving line-of-credit arrangement with PNC Bank in the amount of $1,800,000, bearing interest at 2.75% plus Daily LIBOR rate (Daily LIBOR was 0.166% as of June 30, 2020). The line-of-credit agreement is collateralized by the Organization's personal property. The agreement expires on February 23, 2021. There was no balance outstanding under the line-of-credit agreement as of either June 30, 2020 or 2019. No interest was assessed under the line-of-credit agreement for either of the years ended June 30, 2020 or 2019.

NOTE K - PPP LOAN PAYABLE

On April 18, 2020, the Organization received a $4,185,200 loan pursuant to the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") PPP Loan. Neither principle nor interest is due for a six-month deferral period through October 2020. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle on the loan that is not forgiven under the PPP Loan program at the end of the six-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next eighteen months, beginning in November 2020. The loan matures on April 18, 2022.

NOTE K - PPP LOAN PAYABLE (CONTINUED)

Scheduled future principal maturities of the PPP long-term debt as of June 30, 2020 are as follows:

Year Ending June 30,	
2021	$ 1,860,089
2022	2,325,111
	$ 4,185,200

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2020 and 2019:

	2020	2019
Subject to expenditures for specified purpose:		
Literacy Development	**$ 533,010**	$ 316,137
Subject to expenditures for specified purpose and passage of time:		
Multi-year Literacy Development Grants	**1,132,833**	1,373,415
	$ 1,665,843	$ 1,689,552

Net assets were released from donor restriction from the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions:		
Literacy Development	**$ 171,443**	$ 686,697
Satisfaction of purpose and time restrictions:		
Multi-year Literacy Development Grants	**625,001**	530,335
	$ 796,444	$ 1,217,032

NOTE M - OPERATING LEASES

The Organization conducts its operations from facilities that are leased under operating leases expiring through July 2029. The Organization also has office equipment leases expiring through October 2024. As of June 30, 2020, the Organization was obligated under these lease arrangements as follows:

Year Ending June 30,	Total	Offices	Equipment
2021	$ 479,237	$ 436,791	$ 42,446
2022	486,410	448,015	38,395
2023	496,415	459,335	37,080
2024	507,835	470,755	37,080
2025	426,264	416,994	9,270
Thereafter	1,604,076	1,604,076	-
	$ 4,000,237	$ 3,835,966	$ 164,271

Total office lease expense reported under these leases amounted to $536,877 and $534,066 for the years ended June 30, 2020 and 2019, respectively. The Organization maintains offices in Philadelphia, Pennsylvania, Irvington, New Jersey, Chicago, Illinois, Houston, Texas and Denver, Colorado. Total equipment lease expense reported under these leases amounted to $71,083 and $73,062 for the years ended June 30, 2020 and 2019, respectively, and is included in maintenance expense on the statements of functional expenses. Leases which required scheduled increases are recognized on the straight-line method. As of June 30, 2020 and 2019, deferred rent related to these leases totaled $63,265 and $33,020, respectively.

NOTE N - RETIREMENT PLAN

The Organization has a defined-contribution plan where the Organization has the option to make a discretionary nonelective contribution based on the relationship of an employee's annual salary to the total compensation of all participants. There are no age or service requirements. All full-time employees and part-time employees with over 1,000 hours worked are eligible to make elective deferrals through payroll deductions up to the Internal Revenue Service limits. The Organization's contribution was $497,614 and $444,981 for the years ended June 30, 2020 and 2019, respectively. Participants are 100% vested in the defined-contribution plan.

NOTE O - FEDERAL GRANTS - U.S. DEPARTMENT OF EDUCATION

In January 2016, the Organization was awarded a $19,446,538 five-year grant from the U.S. Department of Education. The grant is being used to implement the Organization's early literacy professional development program in Elizabeth, New Jersey, Houston, Texas, Denver, Colorado, and Broward County, Florida. For the years ended June 30, 2020 and 2019, the Organization has recorded $2,439,825 and $5,102,834, respectively, (for a cumulative total of $17,475,972) of revenue under this U.S. Department of Education grant. The amounts exclude match revenues of $-0- and $190,000 (for a cumulative total of $1,948,522) for the years ended June 30, 2020 and 2019, respectively.

In October 2018, the Organization was awarded a $3,892,707 five-year grant from the U.S. Department of Education. The grant is being used to continue the Organization's early literacy professional development program. For the years the ended June 30, 2020 and 2019, the Organization has recorded $984,517 and $477,489, respectively, (for a cumulative total of $1,462,006) of revenue under this U.S. Department of Education grant. The amounts exclude match revenues of $95,921 and $8,541 (for a cumulative total of $104,372) for the years ended June 30, 2020 and 2019, respectively.

NOTE P - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS AND CONTINGENCIES

Concentrations in government grants and school district contracts

The Organization earns substantial revenue from certain government grants and school district contracts.

During the year ended June 30, 2020, one government grant accounted for approximately 12% of total revenue and two school district contracts accounted for approximately 61% of total revenue. These sources comprised $242,006 of contributions receivable – governmental grants and $1,925,551 of accounts receivable as of June 30, 2020, respectively.

During the year ended June 30, 2019, one government grant accounted for approximately 17% of total revenue and one school district contract accounted for approximately 61% of total revenue. These sources comprised $608,601 of contributions receivable – governmental grants and $3,444,635 of accounts receivable as of June 30, 2019, respectively.

Concentration of credit and market risks

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist primarily of cash and investments. At times, the Organization may have cash deposits and temporary cash investments with major financial institutions which exceed Federal Deposit Insurance Corporation limits. Management does not believe cash is subject to undue risk when balances exceed federally insured limits.

The Organization invests in investment securities that are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

The extent of the impact of the coronavirus (COVID-19) outbreak on the financial performance of the Organization's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Organization's investment results may be materially adversely affected.

Other uncertainties

The extent of the impact and effects of the recent outbreak of COVID-19 on the operation and financial performance of the Organization's business are unknown. However, the Organization does not expect that the outbreak will have a material adverse effect on its business or financial results at this time.

NOTE Q - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 3, 2020, which is the date the financial statements were available to be issued.