EISNERAMPER

CHILDREN'S LITERACY INITIATIVE

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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, 2021 and 2020, 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
November 2, 2021

CHILDREN'S LITERACY INITIATIVE

Statements of Financial Position

	June 30, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 11,881,351**	$ 9,998,277
Investments	**1,513,144**	1,161,647
Accounts receivable, net of allowance for doubtful accounts	**2,270,819**	4,229,938
Contributions receivable:		
Governmental grants	**520,809**	575,006
Philanthropic grants	**410,850**	740,479
Inventory, net	**199,087**	233,147
Prepaid expenses and other assets	**137,787**	237,555
Total current assets	**16,933,847**	17,176,049
Philanthropic grants receivable, net of current portion and discount	**155,241**	-
Property and equipment, net	**164,093**	177,726
	$ 17,253,181	$ 17,353,775
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	**$ 2,516,128**	$ 3,157,003
Loan payable	**4,228,678**	1,860,089
Deferred revenue	**306,134**	365,453
Total current liabilities	**7,050,940**	5,382,545
Loan payable, net of current portion	**1,956,522**	2,325,111
Deferred rent, net of current portion	**61,852**	63,265
Total liabilities	**9,069,314**	7,770,921
NET ASSETS		
Without donor restrictions	**6,593,446**	7,917,011
With donor restrictions	**1,590,421**	1,665,843
Total net assets	**8,183,867**	9,582,854
	$ 17,253,181	$ 17,353,775

CHILDREN'S LITERACY INITIATIVE

Statements of Activities and Changes in Net Assets

	Year Ended June 30,					
	2021			2020		
	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	**$ 16,829,264**	**$ -**	**$ 16,829,264**	$ 22,823,090	$ -	$ 22,823,090
Governmental grants	**2,918,118**	**-**	**2,918,118**	3,986,757	-	3,986,757
Philanthropic grants and contributions	**1,975,450**	**926,000**	**2,901,450**	2,482,317	772,735	3,255,052
Investment income, net	**318,781**	**-**	**318,781**	33,073	-	33,073
Other income	**60,155**	**-**	**60,155**	36,128	-	36,128
Net assets released from restrictions	**1,001,422**	**(1,001,422)**	**-**	796,444	(796,444)	-
	23,103,190	**(75,422)**	**23,027,768**	30,157,809	(23,709)	30,134,100
Expenses:						
Program - literacy development	**20,450,879**	**-**	**20,450,879**	25,477,025	-	25,477,025
General and administrative	**2,798,327**	**-**	**2,798,327**	2,992,815	-	2,992,815
Fundraising	**1,177,549**	**-**	**1,177,549**	1,507,780	-	1,507,780
	24,426,755	**-**	**24,426,755**	29,977,620	-	29,977,620
Change in net assets	**(1,323,565)**	**(75,422)**	**(1,398,987)**	180,189	(23,709)	156,480
Net assets at beginning of year	**7,917,011**	**1,665,843**	**9,582,854**	7,736,822	1,689,552	9,426,374
Net assets at end of year	**$ 6,593,446**	**$ 1,590,421**	**$ 8,183,867**	$ 7,917,011	$ 1,665,843	$ 9,582,854

See notes to financial statements

CHILDREN'S LITERACY INITIATIVE

Statements of Functional Expenses

	Year Ended June 30,							
	2021				2020			
	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	**$ 13,944,641**	**$ 2,038,884**	**$ 857,659**	**$ 16,841,184**	$ 16,594,809	$ 2,230,427	$ 1,125,903	$ 19,951,139
Employee benefits	**2,380,909**	**348,119**	**146,437**	**2,875,465**	2,258,786	303,592	153,251	2,715,629
	16,325,550	**2,387,003**	**1,004,096**	**19,716,649**	18,853,595	2,534,019	1,279,154	22,666,768
Advertising	**32,873**	**4,807**	**2,022**	**39,702**	20,153	2,709	1,367	24,229
Bad debt	**-**	**-**	**-**	**-**	-	70,000	-	70,000
Books	**404,379**	**-**	**-**	**404,379**	546,117	-	-	546,117
Insurance	**184,219**	**26,935**	**11,330**	**222,484**	184,649	24,818	12,528	221,995
Legal and accounting	**194,466**	**28,433**	**11,961**	**234,860**	96,193	12,929	6,526	115,648
Maintenance	**507,710**	**74,234**	**31,226**	**613,170**	404,453	54,361	27,441	486,255
Office	**215,248**	**31,471**	**13,239**	**259,958**	643,672	86,513	43,671	773,856
Professional fees	**1,106,807**	**161,829**	**68,074**	**1,336,710**	1,393,703	89,357	50,886	1,533,946
Program consultants	**804,054**	**-**	**-**	**804,054**	2,027,127	-	-	2,027,127
Program materials	**103,559**	**-**	**-**	**103,559**	398,553	-	-	398,553
Recruiting	**168,615**	**24,654**	**10,371**	**203,640**	147,581	19,836	10,013	177,430
Rent	**366,115**	**53,531**	**22,518**	**442,164**	429,501	53,688	53,688	536,877
Travel	**10,583**	**1,547**	**651**	**12,781**	304,574	40,936	20,664	366,174
	20,424,178	**2,794,444**	**1,175,488**	**24,394,110**	25,449,871	2,989,166	1,505,938	29,944,975
Depreciation	**26,701**	**3,883**	**2,061**	**32,645**	27,154	3,649	1,842	32,645
	$ 20,450,879	**$ 2,798,327**	**$ 1,177,549**	**$ 24,426,755**	$ 25,477,025	$ 2,992,815	$ 1,507,780	$ 29,977,620

CHILDREN'S LITERACY INITIATIVE

Statements of Cash Flows

	Year Ended June 30, 2021	Year Ended June 30, 2020
Cash flows from operating activities:		
Change in net assets	**$ (1,398,987)**	$ 156,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments	**(303,158)**	2,495
Bad debt expense	**-**	70,000
Depreciation	**32,645**	32,645
Change in assets and liabilities:		
Accounts receivable	**1,959,119**	203,953
Contributions receivable - governmental grants	**54,197**	33,595
Contributions receivable - philanthropic grants	**174,388**	632,936
Inventory	**34,060**	266,972
Prepaid expenses	**99,768**	(39,064)
Accounts payable and accrued expenses	**(640,875)**	77,779
Deferred revenue	**(59,319)**	365,453
Deferred rent	**(1,413)**	30,245
Net cash provided by (used in) operating activities	**(49,575)**	1,833,489
Cash flows from investing activities:		
Proceeds from sales of investments	**115,701**	1,081,095
Purchase of investments	**(164,040)**	(1,088,356)
Purchase of property and equipment	**(19,012)**	-
Proceeds from redemptions of certificates of deposit	**-**	423,000
Net cash provided by (used in) investing activities	**(67,351)**	415,739
Cash flows from financing activities:		
Proceeds from loan payable	**2,000,000**	4,185,200
Net increase in cash and cash equivalents	**1,883,074**	6,434,428
Cash and cash equivalents at beginning of year	**9,998,277**	3,563,849
Cash and cash equivalents at end of year	**$ 11,881,351**	$ 9,998,277

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

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which provided a five-step analysis of contracts to determine when and how revenue is recognized and replaced most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity received or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2019. The Organization adopted ASC 606 with a date of initial application of July 1, 2020.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Revenue recognition: (continued)

School district contracts (continued)

The Organization adopted ASC 606 using the modified retrospective method, recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening net assets balance as of July 1, 2020.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 was applied only to contracts that were not completed at the initial date of adoption. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. There were no significant changes that resulted from adoption and, therefore, there was no adjustment to the net assets balance on the date of adoption. The Organization does not expect the adoption of the new revenue standard to have a material impact on its statements of activities and changes in net assets on an ongoing basis.

The Organization earns revenue from contracts with customers through services provided to various school districts.

Prior to July 1, 2020, the Organization recognized revenue from school districts when the services had been provided only to the extent allowed under the contract.

For periods commencing on July 1, 2020, revenue is recognized as performance obligations in each contract is satisfied for the amount of consideration the Organization expects to be entitled to receive for the related service.

The performance obligations include coaching hours, seminars and materials to be supplied by the Organization. The performance obligations are either recognized over time or at a point in time based on the wording in the contracts. Revenues related to contracts that call for a rate per service hour are recognized at the point in time the service is provided as that is when the obligation is considered satisfied. Revenues related to contracts that require a service be provided over a school year or similar period of time are generally recognized equally over time as the obligations are generally satisfied consistently over the contract term. The transaction price is generally the rate or fee associated with each performance obligation as specified by the contract. Invoices are sent monthly and payment is due within 30 days of the invoice date.

Revenue recognized over time amounted to $13,705,481 and $13,628,017 for the years ended June 30, 2021 and 2020, respectively, and revenues recognized at a point in time amounted to $3,123,783 and $9,195,073 for the years ended June 30, 2021 and 2020, respectively. Amounts earned but not received are included as accounts receivable and amounts received but not earned are included as deferred revenue (contract liability) on the statements of financial position.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Revenue recognition: (continued)

Philanthropic grants and contributions (continued)

The Organization recognizes unconditional contributions when cash, securities or other assets or an unconditional promise to give is received, and are recorded after discounting to the present value of the expected future cash flows. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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 $234,869 and $4,410,391 as of June 30, 2021 and 2020, 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.

[3] 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.

[4] 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.

[5] 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Accounts receivable: (continued)

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, 2021 or 2020, there was an allowance of $-0- and $70,000, respectively.

[6] 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, 2021 or 2020.

[7] 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.

[8] 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, 2021 and 2020, 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.

[9] 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 (the "SBA").

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Advertising:

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2021 and 2020 was $39,702 and $24,229, respectively.

[11] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, general and administrative, and fundraising as incurred. Payroll, payroll taxes, and employee 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, travel, legal and accounting, professional fees, maintenance, recruiting, office, depreciation, insurance, and advertising – based on usage or time and effort as estimated by management.

[12] 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.

[13] 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, 2021 and 2020, 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, 2021 or 2020.

[14] Upcoming accounting pronouncements:

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.

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, 2021 and 2020:

	2021	2020
Current financial assets:		
Cash and cash equivalents	**$ 11,881,351**	$ 9,998,277
Investments	**1,513,144**	1,161,647
Accounts receivable, net of allowance for doubtful accounts	**2,270,819**	4,229,938
Contributions receivable:		
Governmental grants	**520,809**	575,006
Philanthropic grants	**410,850**	740,479
Financial assets available to meet cash needs for general expenditures within one year	**$ 16,596,973**	$ 16,705,347

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, 2021 and 2020, $1,800,000 of which it could draw upon 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, 2021 and 2020:

	2021	2020
School District of Philadelphia	**$ 1,673,856**	$ 581,842
Passaic Board of Education	**385,724**	428,641
Omaha Public Schools	**67,013**	601,156
Pan American Charter School	**39,630**	66,663
Mastery Charter Schools	**34,878**	-
Independence Charter School	**23,445**	-
Fund for School District of Philadelphia	**20,872**	-
Chicago Public Schools	**16,551**	23,592
Newark Public Schools	**-**	1,343,709
Broward County Public Schools	**-**	1,028,766
Frederick Douglass Mastery Charter School	**-**	82,548
Kearny Board of Education	**-**	67,275
York City School District	**-**	24,600
University Heights Charter School	**-**	17,773
Community Education Alliance	**-**	8,970
Willingboro Public Schools	**-**	8,814
Sioux Falls School District	**-**	3,900
Mitchell Elementary School	**-**	2,467
Others	**8,850**	9,222
	2,270,819	4,299,938
Less allowance for doubtful accounts	**-**	70,000
	$ 2,270,819	$ 4,229,938

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30, 2021 and 2020:

		2021		
Due Within	**Gross Governmental Contributions Receivable**	**Gross Philanthropic Contributions Receivable**	*** Discount**	**Net Contributions Receivable**
1 year	**$ 520,809**	**$ 410,850**	**$ -**	**$ 931,659**
1 to 5 years	**-**	**156,672**	**1,431**	**155,241**
	$ 520,809	**$ 567,522**	**$ 1,431**	**$ 1,086,900**

		2020		
Due Within	**Gross Governmental Contributions Receivable**	**Gross Philanthropic Contributions Receivable**	*** Discount**	**Net Contributions Receivable**
1 year	$ 575,006	$ 740,479	$ -	$ 1,315,485

* The gross grants receivable that are due in future periods that are discounted to present value using an interest rate of 0.46%.

NOTE F - INVENTORY

Inventory consists of the following as of June 30, 2021 and 2020:

	2021	**2020**
Books	**$ 203,557**	$ 237,617
Less inventory allowance	**(4,470)**	(4,470)
	$ 199,087	$ 233,147

CHILDREN'S LITERACY INITIATIVE

Notes to Financial Statements
June 30, 2021 and 2020

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2021 and 2020:

	2021	2020
Computer equipment and software	**$ 283,348**	$ 283,348
Office equipment	**77,363**	77,363
Leasehold improvements	**190,740**	171,728
	551,451	532,439
Less accumulated depreciation	**(387,358)**	(354,713)
	$ 164,093	$ 177,726

Depreciation was $32,645 for each of the years ended June 30, 2021 and 2020.

NOTE H - INVESTMENTS

Investments consist of the following as of June 30, 2021 and 2020:

	2021		
	Costs	Market Value	Unrealized Gain
Equity	**$ 667,754**	**$ 1,024,225**	**$ 356,471**
Mutual funds	**472,012**	**488,919**	**16,907**
	$ 1,139,766	**$ 1,513,144**	**$ 373,378**

	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

NOTE H - INVESTMENTS (CONTINUED)

Investment income is comprised of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	**$ 28,531**	$ 47,015
Realized gains	**11,822**	19,047
Unrealized gains (losses)	**291,336**	(21,542)
Investment fees	**(12,908)**	(11,447)
	$ 318,781	$ 33,073

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, 2021 and 2020.

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, 2021 and 2020:

	Investment Assets at Fair Value as of June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity	**$ 1,024,225**	**$ -**	**$ -**	**$ 1,024,225**
Mutual Funds	**488,919**	**-**	**-**	**488,919**
Total investment assets at fair value	**$ 1,513,144**	**$ -**	**$ -**	**$ 1,513,144**

	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

NOTE J - LINE-OF-CREDIT

As of June 30, 2021, 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 0.08875% as of June 30, 2021). The line-of-credit agreement is collateralized by the Organization's personal property. The agreement expires on February 23, 2022. There was no balance outstanding under the line-of-credit agreement as of either June 30, 2021 or 2020. No interest was assessed under the line-of-credit agreement for either of the years ended June 30, 2021 or 2020.

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 was due for a six-month deferral period through October 2020. This loan may be forgiven subject to bank approval in accordance with the SBA guidelines. Any outstanding principle on the loan that was not forgiven under the PPP Loan program at the end of the six-month deferral period would convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next 18 months, beginning in November 2020. The loan matures on April 18, 2022. On August 4, 2021, the Organization's first PPP Loan for $4,185,200 was forgiven in full.

On March 22, 2021, the Organization received a second loan for $2,000,000 pursuant to the CARES Act PPP. Neither principle nor interest is due until the earlier of the determination of loan forgiveness, if forgiveness is denied, or ten months after the end of the forgiveness period, which is expected to be July 2022. If forgiveness has been applied for but not approved by July 2022, the deferral period is to be extended until such time as the forgiveness application is either approved or denied. If the loan forgiveness is either denied or not applied for, monthly payments of principal and interest would commence, with all outstanding principal and interest due at maturity in March 2026.

Forgiveness of debt income will be recognized in the period any above amounts are forgiven.

NOTE K - PPP LOAN PAYABLE (CONTINUED)

Scheduled future principal maturities of the PPP long-term debt as of June 30, 2021 are as follows:

Year Ending June 30,	
2022	$ 4,228,678
2023	521,736
2024	521,736
2025	521,736
2026	391,314
	$ 6,185,200

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditures for specified purpose:		
Literacy Development	**$ 434,676**	$ 533,010
Subject to expenditures for specified purpose and passage of time:		
Multi-year Literacy Development Grants	**1,155,745**	1,132,833
	$ 1,590,421	$ 1,665,843

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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions:		
Literacy Development	**$ 499,143**	$ 171,443
Satisfaction of purpose and time restrictions:		
Multi-year Literacy Development Grants	**502,279**	625,001
	$ 1,001,422	$ 796,444

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, 2021, the Organization was obligated under these lease arrangements as follows:

Year Ending June 30,	Total	Offices	Equipment
2021	$ 486,410	$ 448,015	$ 38,395
2022	496,415	459,335	37,080
2023	507,835	470,755	37,080
2024	426,264	416,994	9,270
2025	380,031	380,031	-
Thereafter	1,224,045	1,224,045	-
	$ 3,521,000	$ 3,399,175	$ 121,825

Total office lease expense reported under these leases amounted to $442,164 and $536,877 for the years ended June 30, 2021 and 2020, respectively. The Organization maintains offices in Philadelphia, Pennsylvania and Irvington, New Jersey. Total equipment lease expense reported under these leases amounted to $45,260 and $71,083 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, deferred rent related to these leases totaled $96,323 and $63,265, 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 $415,612 and $497,614 for the years ended June 30, 2021 and 2020, 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. In September 2020, the grant was extended through September 2021. 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, 2021 and 2020, the Organization has recorded $1,735,697 and $2,439,825, respectively, (for a cumulative total of $19,211,669) of revenue under this U.S. Department of Education grant. There were no match revenues for either of the years ended June 30, 2021 or 2020.

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 ended June 30, 2021 and 2020, the Organization has recorded $865,072 and $984,517, respectively, (for a cumulative total of $2,327,078) of revenue under this U.S. Department of Education grant. The amounts exclude match revenues of $45,000 and $95,921 (for a cumulative total of $149,372) for the years ended June 30, 2021 and 2020, 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, 2021, two government grants accounted for approximately 11% of total revenue and one school district contract accounted for approximately 59% of total revenue. These sources comprised $520,809 of contributions receivable – governmental grants and $1,673,856 of accounts receivable as of June 30, 2021.

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.

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 November 2, 2021, which is the date the financial statements were available to be issued.