



READING IS FUNDAMENTAL, INC.

Financial Statements

For the Years Ended September 30, 2024 and 2023



**and
Report Thereon**



**Report Required in Accordance with the
Uniform Guidance**

For the Year Ended September 30, 2024



READING IS FUNDAMENTAL, INC.

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Independent Auditors' Report

The Board of Directors
Reading Is Fundamental, Inc.
Washington, DC 20002

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reading Is Fundamental, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended September 30, 2023, were audited by Marcum LLP, whose report dated February 5, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Washington, DC
February 6, 2025

READING IS FUNDAMENTAL, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2024 and 2023

	2024	2023
ASSETS		
Cash	\$ 8,448,215	\$ 8,699,583
Contributions receivable, net	812,666	2,899,416
Contracts receivable, net of allowance for credit losses of \$0 for both 2024 and 2023	1,225,908	85,446
Investments	10,978,950	8,936,203
Prepaid expenses and other assets	1,346,981	1,075,652
Operating right-of-use asset	1,216,824	1,486,755
Property and intangible assets, net	370,773	459,760
TOTAL ASSETS	\$ 24,400,317	\$ 23,642,815
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 609,481	\$ 322,484
Book awards payable	535,576	551,145
Accrued payroll and benefits	313,958	243,736
Deferred revenue	44,045	58,420
Operating lease liability	1,472,584	1,782,447
TOTAL LIABILITIES	2,975,644	2,958,232
Net Assets		
Without donor restrictions	14,859,563	13,106,331
With donor restrictions	6,565,110	7,578,252
TOTAL NET ASSETS	21,424,673	20,684,583
TOTAL LIABILITIES AND NET ASSETS	\$ 24,400,317	\$ 23,642,815

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 4,109,598	\$ 3,291,354	\$ 7,400,952
Program service revenue	2,882,667	-	2,882,667
Investment income, net	1,701,721	695,681	2,397,402
Federal grants	1,250,000	-	1,250,000
Donated goods and services	1,073,174	-	1,073,174
Other revenue	61,123	-	61,123
Net assets released from restrictions:			
Satisfaction of program restrictions	5,000,177	(5,000,177)	-
TOTAL REVENUE AND SUPPORT	16,078,460	(1,013,142)	15,065,318
EXPENSES			
Program Services:			
Print programs	5,372,838	-	5,372,838
Digital programs	2,375,045	-	2,375,045
Community literacy awareness	2,157,806	-	2,157,806
Total Program Services	9,905,689	-	9,905,689
Supporting Services:			
Fundraising	2,842,937	-	2,842,937
Management and general	1,576,602	-	1,576,602
Total Supporting Services	4,419,539	-	4,419,539
TOTAL EXPENSES	14,325,228	-	14,325,228
CHANGE IN NET ASSETS	1,753,232	(1,013,142)	740,090
NET ASSETS, BEGINNING OF YEAR	13,106,331	7,578,252	20,684,583
NET ASSETS, END OF YEAR	\$ 14,859,563	\$ 6,565,110	\$ 21,424,673

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 3,305,526	\$ 4,700,293	\$ 8,005,819
Program service revenue	1,183,934	-	1,183,934
Investment income, net	712,266	342,962	1,055,228
Federal grants	743,571	-	743,571
Donated goods and services	3,454,378	-	3,454,378
Other revenue	597,849	-	597,849
Net assets released from restrictions:			
Satisfaction of time restrictions	28,000	(28,000)	-
Satisfaction of program restrictions	6,273,432	(6,273,432)	-
	16,298,956	(1,258,177)	15,040,779
EXPENSES			
Program Services:			
Print programs	3,933,120	-	3,933,120
Digital programs	2,121,048	-	2,121,048
Community literacy awareness	5,021,214	-	5,021,214
	11,075,382	-	11,075,382
Supporting Services:			
Fundraising	2,017,002	-	2,017,002
Management and general	1,472,208	-	1,472,208
	3,489,210	-	3,489,210
	14,564,592	-	14,564,592
CHANGE IN NET ASSETS	1,734,364	(1,258,177)	476,187
NET ASSETS, BEGINNING OF YEAR	11,371,967	8,836,429	20,208,396
NET ASSETS, END OF YEAR	\$ 13,106,331	\$ 7,578,252	\$ 20,684,583

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2024

	Program Services			Supporting Services				
	Print Programs	Digital Programs	Community Literacy Awareness	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and benefits	\$ 1,336,397	\$ 899,127	\$ 656,501	\$ 2,892,025	\$ 891,387	\$ 694,039	\$ 1,585,426	\$ 4,477,451
Books and program materials	3,184,558	28,216	46,137	3,258,911	4,387	937	5,324	3,264,235
Professional services	273,294	600,620	179,602	1,053,516	924,795	380,150	1,304,945	2,358,461
Donated goods and services	143,856	105,439	524,438	773,733	174,391	74,304	248,695	1,022,428
Printing and reproduction	22,069	74,403	276,048	372,520	407,513	555	408,068	780,588
Advertising	884	222,807	155,809	379,500	23,584	128,577	152,161	531,661
Rent and other occupancy	150,742	101,419	74,051	326,212	100,546	79,056	179,602	505,814
Postage and delivery	30,204	50	162,991	193,245	200,192	1,239	201,431	394,676
Technology	49,208	214,296	31,304	294,808	29,757	39,915	69,672	364,480
Other services and fees	42,016	42,000	17,264	101,280	47,564	129,846	177,410	278,690
Travel	116,449	20,908	22,299	159,656	23,394	35,972	59,366	219,022
Depreciation and amortization	12,217	58,418	6,002	76,637	8,149	6,345	14,494	91,131
Communication services	10,944	7,342	5,360	23,646	7,278	5,667	12,945	36,591
TOTAL EXPENSES	\$ 5,372,838	\$ 2,375,045	\$ 2,157,806	\$ 9,905,689	\$ 2,842,937	\$ 1,576,602	\$ 4,419,539	\$ 14,325,228

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Program Services			Supporting Services				
	Print Programs	Digital Programs	Community Literacy Awareness	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Salaries and benefits	\$ 631,906	\$ 814,320	\$ 786,657	\$ 2,232,883	\$ 733,546	\$ 782,173	\$ 1,515,719	\$ 3,748,602
Books and program materials	2,561,697	58,443	13,785	2,633,925	-	-	-	2,633,925
Professional services	218,220	425,134	502,738	1,146,092	546,503	370,597	917,100	2,063,192
Donated goods and services	161,583	115,632	3,021,297	3,298,512	3,828	83,057	86,885	3,385,397
Printing and reproduction	51,385	66,086	309,120	426,591	350,805	1,428	352,233	778,824
Advertising	23,657	261,055	40,662	325,374	106,087	29,283	135,370	460,744
Rent and other occupancy	67,519	87,011	84,055	238,585	78,380	83,576	161,956	400,541
Postage and delivery	56,005	110	155,883	211,998	142,897	1,847	144,744	356,742
Technology	22,209	210,086	26,801	259,096	27,721	32,876	60,597	319,693
Other services and fees	4,664	7,949	24,595	37,208	11,781	71,359	83,140	120,348
Travel	124,263	6,683	43,201	174,147	3,892	5,431	9,323	183,470
Depreciation and amortization	3,805	60,622	4,737	69,164	4,417	2,977	7,394	76,558
Communication services	6,207	7,917	7,683	21,807	7,145	7,604	14,749	36,556
TOTAL EXPENSES	\$ 3,933,120	\$ 2,121,048	\$ 5,021,214	\$ 11,075,382	\$ 2,017,002	\$ 1,472,208	\$ 3,489,210	\$ 14,564,592

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 740,090	\$ 476,187
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	91,131	76,558
Change in discount on contributions receivable	(26,306)	-
Change in allowance for doubtful contributions receivable	(6,400)	-
Amortization of operating right-of-use asset	269,931	265,099
Unrealized gains on investments	(1,480,703)	(709,190)
Realized gains on sales of investments	(324,641)	(48,874)
Loss on disposal of property and intangible assets	23,136	-
Changes in assets and liabilities:		
Contributions receivable	2,119,456	(389,102)
Federal grant receivable	-	6,429
Contracts receivable	(1,140,462)	274,108
Prepaid expenses and other assets	(271,329)	(167,771)
Accounts payable and accrued expenses	286,997	41,778
Book awards payable	(15,569)	(253,538)
Accrued payroll and benefits	70,222	8,635
Deferred revenue	(14,375)	(140,978)
Operating lease liability	(309,863)	(295,879)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	11,315	(856,538)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and intangible assets	(25,280)	(219,131)
Proceeds from maturities and sale of investments	1,291,162	1,160,019
Purchases of investments	(1,528,565)	(1,364,841)
NET CASH USED IN INVESTING ACTIVITIES	(262,683)	(423,953)
NET DECREASE IN CASH	(251,368)	(1,280,491)
CASH, BEGINNING OF YEAR	8,699,583	9,980,074
CASH, END OF YEAR	\$ 8,448,215	\$ 8,699,583

The accompanying notes are an integral part of these financial statements.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023

(1) Mission, Organization, Programs and Funding

(a) *Mission*

Reading Is Fundamental, Inc. (RIF) is committed to achieving a literate America by inspiring a passion for reading among all children, providing quality content and resources to make an impact, and engaging communities in the solution to give every child the fundamentals for success. RIF creates innovative literacy solutions that address key literacy issues and supports the implementation of these programs to ensure that children have the opportunity to read and succeed. Through RIF's eBook platform and arrangements with book publishers and distributors, RIF maximizes the impact of every dollar and donation, helping children achieve their full potential through the life-changing power of literacy. RIF provides books and literacy resources to reach children in need where they are with the help of thousands of volunteers and local programs throughout the country.

(b) *Organization*

RIF's program and content offerings provide books and resources for families, educators, and literacy advocates to create a culture of reading in the classroom and at home.

(c) *RIF's Program Services*

RIF is the leading champion for children's literacy through meaningful research, quality content and equal access to impact all children with the power of reading. RIF believes that every child deserves an opportunity to own books, learn how to read and obtain the fundamental building blocks to achieve his or her highest potential. RIF creates content and programs, in both print and digital formats, that address key literacy issues and supports the implementation of these programs in sites across the country. Through community literacy awareness and engagement activities, RIF is expanding its reach and influence throughout the entire RIF community.

Print Programs

Books for Ownership is RIF's flagship reading program where children choose new books and participate in reading activities with teachers, parents, volunteers, and community members. This program educates, builds community, and inspires children to make greater choices for themselves – to choose learning, and to choose success in school and in life. Funded by a variety of individual donors, corporations, and foundation partners, and working through local community programs, RIF distributes books to children that are free to the children and their families. This program gives children agency, allowing them to choose their own books from a wide range of titles appropriate to their reading level. The distributions, which occur throughout the year, also include parent and community engagement and provide an opportunity for the employees of funders to actively participate in the program.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2024 and 2023

(1) Mission, Organization, Programs and Funding (continued)

(c) RIF's Program Services (continued)

Print Programs (continued)

Focusing on access and choice, students in communities throughout the country participate in a Books for Ownership program selecting new, age-appropriate books to take home and own. The program's integrated approach to literacy provides supporting resources to teachers and families. By motivating children to read through book choice, engaging them in topics that appeal to them, and providing them with more opportunities to read, this program will enable children to become more proficient readers and, through reading, learn. These books are further supported through digital resources on RIF's Literacy Central to ensure ongoing reading engagement.

Literacy Kits are an innovative model for book distribution within the Books for Ownership program and engage volunteers at a broader scale. Literacy Kits provide students with critical access to books and reading resources and the opportunity to build their at-home libraries. The program empowers volunteers in local communities to assemble kits for each participating student that contain up to 3 books, literacy engagement activities, and other resources to create a joy of reading. The volunteers distribute the kits to students in under resourced communities through schools or school-adjacent organizations. The recipient organizations are encouraged to host book celebration events that incorporate family and community engagement, cultivating a culture of literacy. Funded by a variety of corporate and foundation partners, often as an employee engagement activity, and working with local community programs, RIF coordinates the distribution of these pre-made kits to students that are free to them and their families. The books included in the kits are further supported through digital resources on RIF's Literacy Central.

RIF continues to offer its *Read for Success* program, an innovative reading intervention addressing the literacy backslide that traditionally happens during the summer months. Read for Success is centered around motivating children to read by providing access to high-quality classroom book collections, books for students to choose and own, enriching STEAM-themed classroom activities, professional development for teachers, and parent engagement resources. Tested over two years among 33,000 students from 16 states, RIF's Read for Success program helped reverse the trend of summer learning loss for more than half the participating students. In addition, 57% of the students saw gains in reading proficiency when tested from spring to fall.

Digital Programs

- RIF's digital portfolio of products includes Literacy Central, Literacy Network, the Literacy App, and Skybrary.
 - **Literacy Central** is an online destination for teachers, parents, and literacy volunteers to get thousands of free digital resources tied directly to the books children love and teachers turn to every day. The portal provides tools to

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(1) **Mission, Organization, Programs and Funding (continued)**

(c) ***RIF's Program Services (continued)***

Digital Programs (continued)

easily organize and keep reading resources in one place with customizable book lists, printable lesson plans, activities, games, reading passages, calendars, and videos.

- **Literacy Network** is RIF's community portal designed to support RIF programs and volunteers across the country and, most importantly, reach more children with life-changing literacy support. This is the destination for all of the resources and support needed to be an effective local literacy champion – whether an individual who wants to volunteer, one of RIF's community partners, a school that wants to implement a RIF program, or one of our local RIF programs.
- **Skybrary** is a subscription-based interactive, digital library of more than 900 high-quality eBooks and video exploration field trips that engage readers and help foster a lifelong love of learning. This online resource allows children to explore other thematic activities that support the book. Skybrary School features the same carefully curated library of digital books along with added features just for educators. Teachers can access lesson plans and teaching guides inspired by the books and videos in the library for extended learning as well as track and manage students' usage of the books and videos.

Community Literacy Awareness and Other Programs

RIF promotes awareness of the critical impact of early literacy through a broad range of activities, sharing resources through its website and social media platforms, distribution of its thematic book collections, and leveraging media through public service announcements. RIF's literacy services include family and community engagement and literacy training for educators and community organizations. Family and community engagement activities are designed to help parents take a leading role in encouraging their children's literacy development. With the guidance of RIF's volunteers, parents participate in workshops, book distributions, and reading celebrations.

RIF conducts literacy training for early childhood educators. This training is designed to support children's emerging language and literacy skills while including parents as their children's first teachers. The training is done through a "train the trainer" model that prepares participants to return to their communities and deliver the training to their colleagues and communities.

RIF hosts other literacy events which promote literacy and inform others about its mission.

RIF engages with independent outside experts to evaluate RIF's program activities to identify areas of need and establish procedures for continuous quality improvement.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting and Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

(b) *Contracts Receivable and Credit Policies*

Contracts receivable are primarily derived from contracts with customers and are recorded at net realizable value. At each statement of financial position date, RIF recognizes an allowance for expected credit losses for its contracts receivable. In addition, also at the reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a pooled basis where similar risk characteristics exist. RIF utilized the loss rate methodology to determine historical credit losses for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations as well as current and future economic conditions. Uncollectable accounts are written off when all efforts to collect these receivables have been exhausted and there is no possibility of recovery. Recoveries of receivables previously written off are recorded when received as an offset to credit loss expenses in the year of recovery, in accordance with the RIF's accounting policy election. During the years ended September 30, 2024 and 2023, there were no contract receivable write-offs.

As of September 30, 2024 and 2023, no allowance for expected credit losses was recorded for contracts receivable as management considers all amounts to be fully collectible.

(c) *Investments*

Investments are reported at fair value and consist of mutual funds and money market funds held for investment purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses on investments, including changes in fair value, are reported as investment income in the accompanying statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by the donor.

(d) *Fair Value of Financial Instruments*

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and requires disclosures about fair value measurements for assets and liabilities measured at fair

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies (continued)

(d) Fair Value of Financial Instruments (continued)

value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of September 30, 2024 and 2023, only RIF's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

(e) Property and Intangible Assets and Related Depreciation and Amortization

Property is recorded at cost for purchases and at estimated fair value when acquired by contribution. Depreciation or amortization for furniture, equipment and software is recorded on a straight-line basis over the useful lives of the assets, which are estimated to be three to five years with no salvage value. Costs related to developing internal-use software are capitalized while costs incurred during the preliminary and post-implementation operation stages are expensed. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

(f) Right of Use Asset and Lease Liability

RIF determines if an arrangement is or contains a lease at inception. Leases, excluding those with terms of one year or less, are included in operating right-of-use (ROU) asset and operating lease liability in the statement of financial position. The ROU asset and operating lease liability are recognized at the commencement date of the lease agreements based on the present value of lease payments over the lease

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies (continued)

(f) *Right of Use Asset and Lease Liability (continued)*

term using the risk-free rate and are adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as rent and other occupancy expense in the accompanying statements of functional expenses. The operating lease liability is reduced as cash payments are made under the terms of the leases. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term.

(g) *Classification of Net Assets*

RIF's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of RIF at the discretion of RIF's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. As of both September 30, 2024 and 2023, the Board had designated approximately \$3.5 million of net assets without donor restrictions to serve as a working capital reserve to secure RIF's long-term financial viability.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of RIF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

(h) *Contributions*

Unconditional contributions are recognized as revenue in the period in which they are received or when unconditional promises to give are made. Unconditional contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions as to their use, or those that are intended to fund future periods, are reported as increases in net assets with donor restrictions in the accompanying statements of activities. Donor restrictions are considered satisfied, and net assets with donor restrictions are reclassified to net assets without donor restrictions, when those restrictions are met and/or the stipulated time periods have elapsed. These amounts are shown as net assets released from restrictions in the accompanying statements of activities. Conditional contributions are not recognized as revenue until such time as the conditions are substantially met, that is, when the barrier(s) in the agreement are

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies (continued)

(h) Contributions (continued)

met. Any conditional amounts received in advance are included in refundable grant advances in the accompanying statements of financial position. Revenue recognized on contributions that have been committed to RIF but have not been received is reflected as contributions receivable in the accompanying statements of financial position. Contributions receivable are stated at net realizable value. An allowance for doubtful accounts is determined based on an annual review of receivable balances, including the age of the balance and the historical experience with the donor. Receivables that are expected to be collected in more than one year are recorded at net present value when the discount is significant to the financial statements. Amortization of the discount is included in contributions in the accompanying statements of activities.

(i) Program Service Revenue

Program service revenue consists of contract and subscription revenue. Contract revenue is recognized over time or at a point of time as performance obligations are satisfied, dependent on the nature of the contract with the customer and identified performance obligations.

RIF delivers programming to certain purchasers by contract. Such contract revenue primarily consists of the purchase of literacy kits and services related to literacy events and employee engagement activities. Revenue generated from the purchase of literacy kits is recognized when the literacy kits are delivered to the customer. Revenue generated from services related to literacy events and employee engagement activities is recognized as services are performed. Funds received under these contracts that have not yet been earned are reflected as deferred revenue in the accompanying statements of financial position.

RIF licenses subscriptions to the Skybrary app to both consumers and classrooms on either a monthly, semi-annual, or annual basis. Revenue from monthly subscriptions is recognized in the month the subscription begins while revenue from semi-annual and annual subscriptions is recognized ratably over the term of the subscription. These amounts are included in subscriptions revenue in the accompany statements of activities. Funds received under these subscriptions that have not yet been earned are reflected as deferred revenue in the accompanying statements of financial position.

(j) Federal Grant Revenue

Federal grant revenue consists of conditional grants with the U.S. Department of Education. Revenue is conditioned upon RIF incurring qualified expense and is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. As of September 30, 2024 and 2023, there were no federal grants receivable or federal grant refundable advances.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies (continued)

(k) Donated Goods and Services

Donated goods represent the value of donated advertising, media, and books. Donated services represent legal assistance and consulting services and are recognized as donated services at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Donations are recorded based on their fair value at the date of donation and are included in the community literacy awareness, digital programs, print programs, and management and general expenses in the accompanying statements of activities and functional expenses when utilized. Donated goods and services are not sold and were utilized by RIF for its programs and supporting services. There were no donor-imposed restrictions associated with the donated goods and services.

(l) Grant Expense – Book Awards

Grant funds received that are restricted for book awards to be distributed to local programs and partners are expensed in the year in which the unconditional book award is made to the local program and partner organizations. Unconditional grant funds transferred to local programs' or partner organizations' bookstore accounts for book awards that are not used by local programs or partner organizations in the year awarded are recorded as book awards payable in the accompanying statements of financial position. As of September 30, 2024 and 2023, all book awards payable were scheduled to be paid within one year. As of September 30, 2024 and 2023, there were no conditional amounts related to the book awards payable.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Accordingly, actual results may differ from management's estimates.

(n) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to a specific functional area of RIF are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Salary expenses are allocated based on time and effort tracked by time sheets. Employee benefits, occupancy expenses, depreciation expense, computer services, and certain other shared costs are allocated proportionately among the programs and supporting services in proportion to salaries incurred for each program. Costs that are part of the direct mail and digital campaigns that qualify under accounting standards as joint costs are allocated based on the line counts of the direct mail pieces and the content of the digital campaigns.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(2) Summary of Significant Accounting Policies (continued)

(o) Recently Adopted Accounting Pronouncements

In June 2016, FASB issued ASC Topic 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the RIF that are subject to the guidance in FASB ASC 326 were contracts receivable. RIF adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

(3) Investments

Investments, at fair value, consisted of the following as of September 30:

	2024	2023
Equity mutual funds	\$ 7,035,896	\$ 5,228,598
Corporate and government bond mutual funds	3,712,412	3,320,474
Money market funds	230,642	387,131
Total Investments	\$ 10,978,950	\$ 8,936,203

Investment income (loss) consisted of the following for the years ended September 30:

	2024	2023
Interest from cash	\$ 365,576	\$ 104,009
Interest and dividend income from investments	272,414	235,191
Realized gains	324,641	48,874
Unrealized gains	1,480,703	709,190
Investment management fees	(45,932)	(42,036)
Investment Income, Net	\$ 2,397,402	\$ 1,055,228

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(3) Investments (continued)

The following table summarizes RIF's investments measured at fair value on a recurring basis as of September 30, 2024, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds	\$ 7,035,896	\$ 7,035,896	\$ -	\$ -
Corporate and government bond mutual funds	3,712,412	3,712,412	-	-
Money market funds	<u>230,642</u>	<u>230,642</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 10,978,950</u>	<u>\$ 10,978,950</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes RIF's investments measured at fair value on a recurring basis as of September 30, 2023, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds	\$ 5,228,598	\$ 5,228,598	\$ -	\$ -
Corporate and government bond mutual funds	3,320,474	3,320,474	-	-
Money market funds	<u>387,131</u>	<u>387,131</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,936,203</u>	<u>\$ 8,936,203</u>	<u>\$ -</u>	<u>\$ -</u>

RIF used the following methods and significant assumptions to estimate fair value for investments recorded at fair value:

Equity mutual funds, corporate and government bond mutual funds, and money market funds – These are valued at the net asset value (NAV) of shares held at year-end and based on quoted prices in active markets. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of outstanding shares. The NAV is a quoted price in an active market and is classified within Level 1 of the fair value hierarchy.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(4) Contributions Receivable

Contributions receivable consist of amounts due from foundations, trusts, corporations, and individuals. As of September 30, 2024 and 2023, the amounts were scheduled to be paid as follows:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 812,666	\$ 1,832,122
One to five years	<u>-</u>	<u>1,100,000</u>
Total Contributions Receivable	812,666	2,932,122
Less: Discount on multi-year pledges	-	(26,306)
Less: Allowance for doubtful accounts	<u>-</u>	<u>(6,400)</u>
Contributions Receivable, Net	<u>\$ 812,666</u>	<u>\$ 2,899,416</u>

Receivables due in one to five years are shown at the present value of estimated future cash flows using a discount rate of 2.45%, which is based on available data for treasury bill interest rates as of the date the unconditional promise to give was made with an additional 2% to account for risk.

As of September 30, 2024 and 2023, 98% and 94%, respectively, of the net contributions receivable balance was due from two donors.

As of September 30, 2024 and 2023, an Employee Retention Tax Credit (ERTC) receivable of \$545,121 is included in contributions receivable. The full amount is considered fully collectible and is due within one year. RIF submitted its application for the ERTC in September 2023. The ERTC receivable balance remains uncollected as of the date the financial statements were available to be issued.

(5) Donated Goods and Services

For the years ended September 30, 2024 and 2023, RIF recognized approximately \$710,000 and \$3,000,000, respectively, in revenue related to contributions of donated media and advertising. The reported fair value of the donated media and advertising is based on prices that would have been paid if RIF had purchased the donated media or advertising. The total fair value of donated media and advertising is included in donated goods and services revenue and program services and fundraising expenses in the accompanying statements of activities.

For the years ended September 30, 2024 and 2023, RIF recognized approximately \$239,000 and \$320,000 respectively, in revenue related to donated books to support literacy programs. Donated books are reported at \$3 per book for items received on or before December 31, 2021 and \$4 per book thereafter. This represents the estimated fair

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(5) Donated Goods and Services (continued)

value based on management's analysis of the average cost for similar books. The total fair value of donated books received during the years ended September 30, 2024 and 2023, is included in donated goods and services revenue. Donated books used in RIF's programmatic work and recognized as an expense during the years ended September 30, 2024 and 2023, totaled approximately \$188,000 and \$230,000 respectively, and are included in program services expenses in the accompanying statements of activities. To the extent donated books received in a given year are not used in RIF's programs in that same year, they are included in other assets in the accompanying statements of financial position for later use in fulfilling RIF's mission.

Additionally, RIF recognized approximately \$124,000 and \$131,000 of donated legal and consulting services for the years ended September 30, 2024 and 2023, respectively. These services, which require specialized skill, are recognized as donated contributions at fair value when provided. The estimated fair value of these professional services are based on current market rates for similar professional services. These amounts are included in donated goods and services revenue and program services and management and general in the accompanying statements of activities.

(6) Property and Intangible Assets

Property and intangible assets consisted of the following as of September 30:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 310,408	\$ 285,128
Computers, software, and website design	1,200,550	1,098,316
Software under development	<u>-</u>	<u>150,360</u>
Total Property and Intangible Assets	1,510,958	1,533,804
Less: Accumulated Depreciation and Amortization	<u>(1,140,185)</u>	<u>(1,074,044)</u>
Property and Intangible Assets, Net	<u>\$ 370,773</u>	<u>\$ 459,760</u>

Total depreciation and amortization expense was \$91,131 and \$76,558 for the years ended September 30, 2024 and 2023, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(7) Revenue from Contracts with Customers

RIF's liabilities from subscriptions and contract services consisted of the following as of September 30:

	2024	2023	2022
Skybrary subscriptions	\$ 44,045	\$ 55,381	\$ 101,692
Contract services	-	3,039	97,706
Deferred Revenue	\$ 44,045	\$ 58,420	\$ 199,398

All deferred revenue is expected to be recognized as revenue within one year.

RIF's receivables from subscriptions and contract services are included in contracts receivable in the accompanying statements of financial position and consisted of the following as of September 30:

	2024	2023	2022
Skybrary subscriptions	\$ 21,708	\$ 27,517	\$ 23,939
Contract services	1,204,200	57,929	335,615
Contracts Receivable	\$ 1,225,908	\$ 85,446	\$ 359,554

All receivables from subscriptions and contract services with customers are scheduled to be collected within one year.

As of September 30, 2024, and 2023, no allowance for expected credit losses was recorded for contracts receivable as management considers all amounts to be fully collectible.

As of September 30, 2024, 98% of the contracts receivable balance was due from one customer. As of September 30, 2023, there was no concentration of contracts receivable.

The following table shows RIF's revenue from subscriptions and other contracts services with customers disaggregated by service type:

	2024	2023
Skybrary subscriptions	\$ 224,802	\$ 329,244
Contract services	2,657,865	854,690
Program Service Revenue	\$ 2,882,667	\$ 1,183,934

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(8) Net Assets

(a) Net Assets Without Donor Restrictions

As of September 30, 2024 and 2023, RIF's net assets without donor restrictions were as follows:

	2024	2023
Undesignated – operating	\$ 11,354,607	\$ 9,601,375
Board-designated:		
Endowment – Working Capital Reserve fund *	3,504,956	3,504,956
Total Net Assets Without Donor Restrictions	\$ 14,859,563	\$ 13,106,331

* Represents a quasi-endowment fund established by the Board of Directors as a working capital reserve to provide funding for various strategic initiatives of RIF, the earnings from which are for use in general operations of RIF.

(b) Net Assets With Donor Restrictions

As of September 30, 2024 and 2023, net assets with donor restrictions were restricted for the following purposes or period:

	2024	2023
Subject to expenditure for specified purpose:		
Print Programs	\$ 1,821,031	\$ 3,027,463
Community Literacy Awareness	1,085,831	1,346,840
Digital Programs	79,738	169,018
Accumulated earnings on endowment funds not appropriated for expenditure	764,879	221,300
Total Subject to Expenditure for Specified Purpose	3,751,479	4,764,621
Subject to Perpetuity:		
Endowment funds	2,813,631	2,813,631
Total Net Assets With Donor Restrictions	\$ 6,565,110	\$ 7,578,252

(9) Endowment Funds

RIF's endowment includes both board-designated and donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(9) Endowment Funds (continued)

(a) Interpretation of Relevant Law and Endowment Activity

RIF's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, RIF classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified as donor restricted net assets in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by RIF's Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, RIF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of RIF and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- RIF's other resources, and
- RIF's investment policies.

During the year ended September 30, 2024, RIF's endowment had the following activity:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift Held in Perpetuity	
Endowment net assets, beginning of year	\$ 3,504,956	\$ 221,300	\$ 2,813,631	\$ 6,539,887
Investment income, net	802,982	695,681	-	1,498,663
Amounts appropriated for expenditures	-	(152,102)	-	(152,102)
Transfers	(802,982)	-	-	(802,982)
Endowment Net Assets, End of Year	\$ 3,504,956	\$ 764,879	\$ 2,813,631	\$ 7,083,466

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(9) Endowment Funds (continued)

(a) Interpretation of Relevant Law and Endowment Activity (continued)

During the year ended September 30, 2023, RIF's endowment had the following activity:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift Held in Perpetuity	
Endowment net assets, beginning of year	\$ 3,504,956	\$ 37,427	\$ 2,813,631	\$ 6,356,014
Investment income, net	421,621	342,962	-	764,583
Amounts appropriated for expenditures	-	(159,089)	-	(159,089)
Transfers	(421,621)	-	-	(421,621)
Endowment Net Assets, End of Year	\$ 3,504,956	\$ 221,300	\$ 2,813,631	\$ 6,539,887

As of September 30, 2024 and 2023, RIF's endowment funds had the following net asset composition:

2024				
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 764,879	\$ 2,813,631	\$ 3,578,510
Board-designated endowment funds	3,504,956	-	-	3,504,956
Total Endowment	\$ 3,504,956	\$ 764,879	\$ 2,813,631	\$ 7,083,466
2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 221,300	\$ 2,813,631	\$ 3,034,931
Board-designated endowment funds	3,504,956	-	-	3,504,956
Total Endowment	\$ 3,504,956	\$ 221,300	\$ 2,813,631	\$ 6,539,887

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(9) Endowment Funds (continued)

(a) Interpretation of Relevant Law and Endowment Activity (continued)

	2024	2023
The portion of endowment funds that is required to be held in perpetuity, either by explicit donor stipulation or by UPMIFA:		
General Endowment	\$ 2,686,127	\$ 2,686,127
Volunteer of the Year Awards	127,504	127,504
Total Endowment Funds to be held in Perpetuity	\$ 2,813,631	\$ 2,813,631
	2024	2023
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	\$ 702,201	\$ 194,087
With purpose restrictions -		
Volunteer of the Year Awards	62,678	27,213
Total Endowment Funds Subject to a Time Restriction	\$ 764,879	\$ 221,300

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires RIF to retain as a fund of perpetual duration. RIF's interpretation and the policy under UPMIFA is that it has the ability and will continue to spend from underwater funds. As of September 30, 2024 and 2023, no deficiencies of this nature exist in any of RIF's donor-restricted endowment funds.

(c) Return Objectives and Strategies

RIF has adopted an investment policy that emphasizes long-term growth, with a secondary objective of providing current income to support operations. Accordingly, RIF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

Earnings from the endowment funds are recorded and made available for operations through an annual allocation of up to 5% of the fund. The allocation is based on a three-year rolling average of the investment's market value, determined as of March 31 of the year prior to the budget year. Each year, as part of RIF's budgeting process, RIF reviews the appropriate level of payout for the following fiscal year. Fund disbursements are paid at the end of each quarter in the fiscal year as needed for general operations. Each fund's investment earnings is utilized as set forth in the specific applicable endowment agreement. The General Endowment fund's earnings are utilized for general operations.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(10) Pension Plan

Employees are eligible to participate in RIF's 403(b) retirement plan (the Plan). Under the Plan, RIF contributes stipulated percentages of salary to employee's individual accounts, the rights to which are immediately vested with the employees. For the years ended September 30, 2024 and 2023, total pension expense was approximately \$126,000 and \$131,000, respectively.

(11) Allocation of Joint Costs

RIF conducts direct mail and digital campaigns that include appeals for contributions as well as program components. These joint costs include vendor fees, postage, advertising, and printing and were allocated in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Program Services	\$ 777,830	\$ 617,187
Fundraising	<u>421,950</u>	<u>439,113</u>
Total Allocation of Joint Costs	<u>\$ 1,199,780</u>	<u>\$ 1,056,300</u>

(12) Leases

In September 2017, RIF entered into a lease for office space located on First Street, NE, Washington, D.C., under a noncancelable operating lease that expires in September 2028. The office lease includes incentives such as leasehold improvements up to \$584,000 and five months of abated rent payments, as well as yearly rental increases. All of the leasehold improvement allowance was utilized as of September 30, 2017. The lease required a security deposit in the amount of \$80,000 which was reduced to \$56,000 and \$26,000 in 2021 and 2022, respectively, and the \$26,000 security deposit as of both September 30, 2024 and 2023 is included in prepaid expenses and other assets in the accompanying statements of financial position.

RIF has recorded an operating right-of-use asset, net of leasehold improvements and deferred rent, and a lease obligation equal to the present value of the future lease payments due under the terms of the lease, discounted at the risk-free rate of 3.97%. As of September 30, 2024 and 2023, RIF's operating right-of-use asset was \$1,216,824 and \$1,486,755, respectively, net of accumulated amortization of \$535,030 and \$265,099, respectively. As of September 30, 2024 and 2023, RIF's operating lease liability was \$1,472,584 and \$1,782,447, respectively.

RIF rents storage space under a month-to-month lease which does not require recognition on the statements of financial position due to the short-term nature of the lease. RIF also rents office equipment under two leases which are not recognized on the statements of financial position as management has determined that the leases are insignificant to the overall financial statements.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(12) Leases (continued)

As of September 30, 2024, future minimum rental obligations under the Washington, D.C. office operating lease were as follows:

For the Year ending September 30,	
2025	\$ 384,567
2026	394,143
2027	404,046
2028	<u>414,103</u>
Total	1,596,859
Less: Present value discount	<u>(124,275)</u>
Lease Liability	<u>\$ 1,472,584</u>

Total occupancy expense, which includes RIF's portion of the rent for the noncancelable office lease, a cancelable storage space lease, and office equipment leases was approximately \$505,000 and \$400,000 for the years ended September 30, 2024 and 2023, respectively. Cash paid for all operating leases for the years ended September 30, 2024 totaled \$537,494 and \$422,122, respectively. During the years ended September 30, 2024 and 2023, there were no noncash investing and financing transactions related to leasing other than the entry to record an operating right-of-use asset of \$1,751,854 and an operating lease liability of \$2,078,326 effective October 1, 2022 as a result of the adoption of ASC Topic 842- *Leases*.

(13) Risks and Contingencies

(a) Concentration of Credit Risk

RIF maintains its cash and cash equivalents reported under investments with commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2024, and 2023 RIF had cash and cash equivalents which exceeded the maximum limit insured by the FDIC by approximately \$342,000 and \$333,000, respectively. RIF monitors the creditworthiness of its financial institutions and has not experienced any credit losses on its cash and cash equivalents.

(b) Compliance Audit

RIF has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(13) Risks and Contingencies (continued)

(b) Compliance Audit (continued)

expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by federal agencies cannot be determined at this time, although RIF expects such amounts, if any, to be insignificant.

(14) Liquidity and Availability of Financial Assets

RIF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. RIF's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2024 and 2023, were as follows:

	2024	2023
Cash	\$ 8,448,215	\$ 8,699,583
Contributions receivable, net	812,666	2,899,416
Contracts receivable	1,225,908	85,446
Investments	10,978,950	8,936,203
Total Financial Assets		
Available at September 30	21,465,739	20,620,648
Less:		
Amounts unavailable for general expenditures within one year due to donors' restrictions	(6,565,110)	(7,578,252)
Amounts unavailable to management without Board approval	(3,504,956)	(3,504,956)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 11,395,673	\$ 9,537,440

RIF has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities, and other obligations as they come due. Management is focused on sustaining the financial liquidity of RIF throughout the year. This is done through monitoring and reviewing RIF's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of RIF's cash flow related to RIF's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, to support organizational initiatives. RIF has Board-Designated net assets that could be available for current operations with Board approval, if necessary.

READING IS FUNDAMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2024 and 2023

(15) Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, RIF is exempt from federal taxes on income other than net unrelated business income. For the years ended September 30, 2024 and 2023, no provision for income taxes was required, as RIF had no net material unrelated business income.

RIF follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RIF evaluated its uncertainty in income taxes for the years ended September 30, 2024 and 2023, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2024 and 2023, there are no audits for any tax periods pending or in progress. It is RIF's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2024 and 2023, RIF had no accruals for interest and/or penalties.

(16) Reclassifications

Certain 2023 natural expense categories on the statement of functional expenses have been combined to conform to the 2024 financial statement presentation.

(17) Subsequent Events

In preparing these financial statements, RIF has evaluated, for potential recognition or disclosure, events, and transactions through February 6, 2025, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.



CBIZ CPAs P.C.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards*

To the Board of Directors of
Reading Is Fundamental, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of Reading Is Fundamental, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Washington, DC
February 6, 2025



CBIZ CPAs P.C.

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
Reading Is Fundamental, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Reading Is Fundamental, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2024. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBIZ CPAs P.C.

Washington, DC
February 6, 2025

READING IS FUNDAMENTAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Innovative Approaches to Literacy; Full-Service Community Schools; and Promise Neighborhood</i>	84.215K		\$ -	\$ 750,000
<i>Innovative Approaches to Literacy; Full-Service Community Schools; and Promise Neighborhood</i>	84.215G		-	500,000
Total for Federal Assistance Listing Number 84.215 for U.S. Department of Education			-	1,250,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,250,000</u>

See accompanying notes to this schedule.

READING IS FUNDAMENTAL, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Reading is Fundamental, Inc. (RIF) under programs of the federal government for the year ended September 30, 2024. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of RIF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of RIF.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

RIF has elected use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

READING IS FUNDAMENTAL, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weakness(es) identified?
Significant deficiency(ies) identified?

_____ Yes X No
_____ Yes X None Reported

Non-compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified?
Significant deficiency(ies) identified?

_____ Yes X No
_____ Yes X None Reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

_____ Yes X No

Identification of Major Federal Program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number(s)</u>
Innovative Approaches to Literacy; Full-Service Community Schools; and Promise Neighborhood	84.215

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

READING IS FUNDAMENTAL, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024**

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None required to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.