



FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reach Out and Read of Greater New York, Inc.
New York, New York

We have audited the accompanying financial statements of Reach Out and Read of Greater New York, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 above present fairly, in all material respects, the financial position of Reach Out and Read of Greater New York, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Reach Out and Read of Greater New York, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, *Non-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019. Our opinion is not modified with respect to this matter.

Wegner CPAs, LLP
New York, New York
February 24, 2021

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REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 425,733	\$ 493,826
Unconditional promises to give	325,625	74,015
Prepaid expenses	24,406	6,580
Other assets	12,150	13,448
Investments	28,660	27,339
Total assets	\$ 816,574	\$ 615,208
LIABILITIES		
Accounts payable	\$ 14,088	\$ 35,470
Accrued expenses	11,882	5,424
Payroll liabilities	-	1,625
Refundable advance	-	72,500
Paycheck Protection Program loan	385,000	-
Total liabilities	410,970	115,019
NET ASSETS		
Without donor restrictions	306,604	492,189
With donor restrictions	99,000	8,000
Total net assets	405,604	500,189
Total liabilities and net assets	\$ 816,574	\$ 615,208

See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grants and contributions	\$ 250,738	\$ 630,500	\$ 881,238
In-kind contributions	92,905	-	92,905
Special events	2,409	-	2,409
Investment income, net	1,321	-	1,321
Other income	364	-	364
Net assets released from purpose restrictions	539,500	(539,500)	-
Total revenues	887,237	91,000	978,237
EXPENSES			
Program services	730,177	-	730,177
Management and general	231,821	-	231,821
Fundraising	110,824	-	110,824
Total expenses	1,072,822	-	1,072,822
Change in net assets	(185,585)	91,000	(94,585)
Net assets at beginning of year	492,189	8,000	500,189
Net assets at end of year	<u>\$ 306,604</u>	<u>\$ 99,000</u>	<u>\$ 405,604</u>

See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grants and contributions	\$ 210,448	\$ 470,000	\$ 680,448
In-kind contributions	175,457	-	175,457
Special events	191,498	-	191,498
Less: costs of direct benefits to donors	(57,558)	-	(57,558)
Investment income, net	1,620	-	1,620
Other income	14,781	-	14,781
Net assets released from purpose restrictions	470,000	(470,000)	-
Total revenues	1,006,246	-	1,006,246
EXPENSES			
Program services	803,704	-	803,704
Management and general	234,133	-	234,133
Fundraising	126,695	-	126,695
Total expenses	1,164,532	-	1,164,532
Change in net assets	(158,286)	-	(158,286)
Net assets at beginning of year	650,475	8,000	658,475
Net assets at end of year	<u>\$ 492,189</u>	<u>\$ 8,000</u>	<u>\$ 500,189</u>

See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 225,454	\$ 76,511	\$ 79,219	\$ 381,184
Purchased books	327,992	-	-	327,992
Professional fees	17,544	131,686	17,544	166,774
Donated books	82,740	-	-	82,740
Rent and utilities	41,190	4,019	5,023	50,232
Office expenses	14,336	4,865	5,037	24,238
Storage	10,800	-	-	10,800
Donated services	-	8,666	1,500	10,166
Insurance	4,651	1,579	1,634	7,864
Telephone and internet	2,468	838	867	4,173
Supplies	193	3,657	-	3,850
Miscellaneous	2,809	-	-	2,809
Total expenses	\$ 730,177	\$ 231,821	\$ 110,824	\$ 1,072,822

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See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Direct Benefits to Donors	Total
Personnel	\$ 244,717	\$ 53,532	\$ 84,120	\$ -	\$ 382,369
Purchased books	373,760	-	-	-	373,760
Professional fees	-	95,669	24,329	-	119,998
Donated books	99,729	-	-	-	99,729
Rent and utilities	38,454	3,753	4,689	46,250	93,146
Office expenses	23,941	5,237	8,230	11,308	48,716
Storage	13,770	-	-	-	13,770
Donated services	-	71,648	-	-	71,648
Insurance	2,720	594	935	-	4,249
Telephone and internet	2,073	453	713	-	3,239
Supplies	3,057	-	-	-	3,057
Miscellaneous	983	3,247	-	-	4,230
Promotion and marketing	-	-	3,679	-	3,679
Grants to others	500	-	-	-	500
Total expenses	803,704	234,133	126,695	57,558	1,222,090
Less: Special event expenses deducted directly from support and revenue on the statement of activities	-	-	-	57,558	57,558
Total expenses included in the expense section on the statement of activities	\$ 803,704	\$ 234,133	\$ 126,695	\$ -	\$ 1,164,532

See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (94,585)	\$ (158,286)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized gains on investments	(670)	(999)
(Increase) decrease in assets		
Unconditional promises to give	(251,610)	(54,789)
Prepaid expenses	(17,826)	(334)
Other assets	1,298	(3,476)
Increase (decrease) in liabilities		
Accounts payable	(21,382)	26,778
Accrued expenses	6,458	4,245
Payroll liabilities	(1,625)	(229)
Refundable advance	<u>(72,500)</u>	<u>(40,000)</u>
Net cash flows from operating activities	(452,442)	(227,090)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends retained in investments	(651)	(621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>385,000</u>	<u>-</u>
Net change in cash	(68,093)	(227,711)
Cash and cash equivalents at beginning of year	<u>493,826</u>	<u>721,537</u>
Cash and cash equivalents at end of year	<u>\$ 425,733</u>	<u>\$ 493,826</u>

See accompanying notes.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Reach Out and Read of Greater New York, Inc. ("the Organization") was incorporated in 1999 as a voluntary not-for-profit organization to provide support, guidance, training, and financial and technical resources to member programs participating in national pediatric early-literacy initiatives, as well as to engage in research on the effects of this early pediatric literacy intervention and to collaborate with the efforts of others in studying the issue.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Promises to Give

Conditional promises to give are not recognized in the financial statements until conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due dates. As of June 30, 2019, the Organization had received conditional promises to give of \$13,500, conditional upon the organization raising matching funds. All unconditional promises to give at June 30, 2020 and 2019 were due within one year.

Furniture and Equipment

Furniture and equipment are capitalized at cost and depreciated using the straight-line method. Depreciation expense for the years ended June 30, 2020 and 2019 was \$-. Furniture and equipment with a cost of \$11,296 was fully depreciated at June 30, 2020 and 2019.

Investments

The Organization reports investments in marketable equity securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Contributions

Contributions are reported as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Donated Materials, Services, and Facilities

Donated materials, services, and facilities are recognized as support at their estimated fair values in the period received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Refundable Advance

Certain contributions the Organization received are conditional upon certain performance measures and are recognized as revenue in the year in which the conditions are met. Refundable advances represent amounts received but not yet recognized.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019, or entered into after that date.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants

The Organization receives grants from government agencies and others that are conditional upon The Organization incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by The Organization, both a receivable from the grantor agency and revenue are recorded. Grants are also restricted by the grantor for a specific purpose.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, which is allocated on the basis of estimates of time and effort, and rent and utilities, office expenses, insurance and telephone, and internet, which are allocated based on personnel dollars.

Literacy program – Reach Out and Read of Greater New York, Inc. prepares New York's youngest children to succeed in school by partnering with doctors to prescribe books and encourage families to read together.

Management and General – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Date of Management's Review

Management has evaluated subsequent events through February 24, 2021, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISKS

The Organization maintains cash and temporary investments at one financial institution located in New York, New York. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019, uninsured cash balances totaled approximately \$172,000 and \$348,000, respectively.

NOTE 3—RETIREMENT PLAN

The Organization has adopted a 403(b) retirement plan ("Plan"), which covers all full-time eligible employees. The Plan provides for a discretionary non-elective contribution by the Organization up to 5% of eligible employees' compensation. The organization did not make any contributions for the years ended June 30, 2020 and 2019.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4—INVESTMENTS

Investments at June 30, 2020 and 2019 were comprised of the following:

	2020	2019
Bonds	\$ 6,275	\$ 5,848
Common stocks	9,666	9,487
Mutual funds	12,719	12,004
Investments	\$ 28,660	\$ 27,339

NOTE 5—LEASE AGREEMENTS

The Organization leased office space under an operating lease that expired October 2018. The lease contained three one-year renewal options, the most recent of which became effective in November 2019 and ended in October 2020. Lease expense for the years ended June 30, 2020 and 2019 was \$48,072 and \$46,672, respectively. Future minimum lease payments are \$16,181 for the year ending June 30, 2021.

NOTE 6—NET ASSETS

Net assets with donor restrictions were restricted for the following purposes at June 30, 2020 and 2019:

	2020	2019
Grants to others	\$ 10,500	\$ 8,000
East New York Reads program	45,000	-
South Jamaica Reads program	35,000	-
Read's Initiative	8,500	-
New assets with donor restrictions	\$ 99,000	\$ 8,000

NOTE 7—CONSEQUENCES OF COVID-19

The Organization's operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Organization is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donors and revenues, absenteeism in the Organization's workforce, unavailability of supplies used in the Organization's programs, and a decline in value of assets held by the Organization.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8—FAIR VALUE AND MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at June 30, 2020 and 2019 are as follows:

2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 6,275	\$ -	\$ 6,275	\$ -
Common stocks	9,666	9,666	-	-
Mutual funds	12,719	12,719	-	-
Total	\$ 28,660	\$ 22,385	\$ 6,275	\$ -

2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 5,848	\$ -	\$ 5,848	\$ -
Common stocks	9,487	9,487	-	-
Mutual funds	12,004	12,004	-	-
Total	\$ 27,339	\$ 21,491	\$ 5,848	\$ -

Fair values for common stocks and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for bonds are determined based on recent prices of similar assets.

NOTE 9—PAYCHECK PROTECTION PROGRAM LOAN

On April 3, 2020, the Organization received a \$385,000 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan has an interest rate of 0%, and payments are deferred until month 18 of the 24 month loan, or until the amount of forgiveness is determined. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable in three quarterly payments beginning at month 18.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10—IN-KIND CONTRIBUTIONS

The fair value of donated materials, services, and facilities included as in-kind contributions in the statement of activities for the year ending June 30, 2020 and 2019 and the corresponding expenses were as follows:

<u>2020</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated books	\$ 82,739	\$ -	\$ -	\$ 82,739
Donated services	-	8,666	1,500	10,166
Total in-kind contributions	<u>\$ 82,739</u>	<u>\$ 8,666</u>	<u>\$ 1,500</u>	<u>\$ 92,905</u>
<u>2019</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated books	\$ 99,729	\$ -	\$ -	\$ 99,729
Donated services	-	71,648	-	71,648
Storage	4,080	-	-	4,080
Total in-kind contributions	<u>\$ 103,809</u>	<u>\$ 71,648</u>	<u>\$ -</u>	<u>\$ 175,457</u>

NOTE 11—LIQUIDITY AND AVAILABILITY

The following table represents the Organization's financial assets as of the dates of the statements of financial position reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions. General expenditures are defined as all budgeted programmatic and operational expenses for the subsequent year.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 425,733	\$ 493,826
Unconditional promises to give	325,625	74,015
Investments	28,660	27,339
Total financial assets at year end	780,018	595,180
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	<u>(99,000)</u>	<u>(8,000)</u>
Financial assets available to meet cash needs general expenditures within one year	<u>\$ 681,018</u>	<u>\$ 587,180</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

REACH OUT AND READ OF GREATER NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12—RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Organization received \$---- and \$71,648 in pro bono legal support from a law firm whose partner serves as the Board Chair to the Organization. The legal support was for general administrative purposes. Additionally, during the years ended June 30, 2020 and 2019 the Organization received donated books valued at \$----- and \$22,017 from individuals who serve on the Board of Directors of the Organization.

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