UNITED THROUGH READING

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Leaf & Cole, LLP
Certified Public Accountants

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FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Trustees
United Through Reading

Report on the Financial Statements

We have audited the accompanying financial statements of United Through Reading, which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Through Reading as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
May 20, 2020

UNITED THROUGH READING
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Assets: (Notes 2, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	$ 869,845	$ 1,008,123
Investment	1,676	1,081
Contributions receivable	31,881	139,424
Prepaid expenses	32,868	15,660
Beneficial interest in endowment funds	68,415	59,066
Furniture and equipment, net	45,844	57,675
TOTAL ASSETS	$ 1,050,529	$ 1,281,029

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities: (Note 2)		
Accounts payable and accrued expenses	$ 101,694	$ 145,028
Total Liabilities	101,694	145,028
Net Assets: (Notes 2, 9 and 10)		
Without Donor Restrictions	489,329	679,888
With Donor Restrictions:		
Purpose restrictions	406,464	407,499
Perpetual in nature	53,042	48,614
Total Net Assets With Donor Restrictions	459,506	456,113
Total Net Assets	948,835	1,136,001
TOTAL LIABILITIES AND NET ASSETS	$ 1,050,529	$ 1,281,029

The accompanying notes are integral part of the financial statements.

UNITED THROUGH READING
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:						
Contributions:						
Corporations and corporate foundations	$ 534,828	$ 356,691	$ 891,519	$ 801,745	$ 351,608	$ 1,153,353
Foundations and civic groups	205,458	12,356	217,814	233,413	35,420	268,833
Individuals	159,404	-	159,404	267,579	-	267,579
In-kind contributions	281,799	-	281,799	238,697	-	238,697
Net assets released from restrictions	375,003	(375,003)	-	37,964	(37,964)	-
Total Contributions	1,556,492	(5,956)	1,550,536	1,579,398	349,064	1,928,462
Other Revenue:						
Special event revenue	668,530		668,530	594,855	-	594,855
Less: Cost of direct benefits to donors	(144,257)		(144,257)	(144,058)		(144,058)
Investment income	1,916	9,349	11,265	1,094	(4,019)	(2,925)
Total Other Revenue	526,189	9,349	535,538	451,891	(4,019)	447,872
Total Support and Other Revenue	2,082,681	3,393	2,086,074	2,031,289	345,045	2,376,334
Expenses:						
Program Services	1,664,516	-	1,664,516	1,403,699	-	1,403,699
Supporting Services:						
Management and general	218,104	-	218,104	251,507	-	251,507
Fundraising	390,620	-	390,620	344,488	-	344,488
Total Supporting Services	608,724	-	608,724	595,995	-	595,995
Total Expenses	2,273,240	-	2,273,240	1,999,694	-	1,999,694
Change in Net Assets	(190,559)	3,393	(187,166)	31,595	345,045	376,640
Net Assets at Beginning of Year	679,888	456,113	1,136,001	648,293	111,068	759,361
NET ASSETS AT END OF YEAR	$ 489,329	$ 459,506	$ 948,835	$ 679,888	$ 456,113	$ 1,136,001

The accompanying notes are integral part of the financial statements.

UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Personnel:				
Educational/resource expenses	$ 2,312	$ 4,406	$ 347	$ 7,065
Salaries, payroll taxes and benefits	926,472	95,529	131,504	1,153,505
Total Personnel	928,784	99,935	131,851	1,160,570
Occupancy:				
Equipment	8,168	1,877	1,237	11,282
Office rent	4,175	417	626	5,218
Telephone/internet	7,897	826	1,149	9,872
Transportation/mileage/meals	37,091	3,268	5,262	45,621
Total Occupancy	57,331	6,388	8,274	71,993
Insurance/License Registrations/Tax Expenses	8,844	884	1,327	11,055
Office:				
Deposit processing fee	7,663	1,168	1,149	9,980
Miscellaneous	892	25	133	1,050
Office supplies/copies	2,645	264	397	3,306
Printing/reproduction/postage	19,572	1,861	2,791	24,224
Repairs and maintenance	38	4	5	47
Total Office	30,810	3,322	4,475	38,607
Professional Fees	55,769	28,498	8,331	92,598
Other:				
Books	101,435	-	-	101,435
Consultants	15,101	-	-	15,101
Depreciation - Mobile story station	11,831	-	-	11,831
Educational/resource expenses	53,998	-	-	53,998
Equipment	54,760	-	-	54,760
Miscellaneous	762	-	-	762
Mobile story station van expenses	16,834			16,834
Printing/reproduction/postage	31,045	-	-	31,045
Program materials	18,024	-	-	18,024
Rent	1,212	-	-	1,212
Special events	-	-	236,362	236,362
Supplies	1,486	-	-	1,486
Telephone/internet	7,630	-	-	7,630
Transportation/lodging/meals	66,139	-	-	66,139
Total Other	380,257	-	236,362	616,619
Total Expenses Before In-Kind Expenses	1,461,795	139,027	390,620	1,991,442
In-Kind Expenses	202,721	79,077	-	281,798
Total Program and Supporting Services Expenses	$ 1,664,516	$ 218,104	$ 390,620	$ 2,273,240

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

UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Personnel:				
Educational/resource expenses	$ 7,868	$ 637	$ 955	$ 9,460
Salaries, payroll taxes and benefits	814,487	85,565	121,528	1,021,580
Total Personnel	822,355	86,202	122,483	1,031,040
Occupancy:				
Equipment	7,295	741	1,052	9,088
Office rent	3,683	329	493	4,505
Telephone/internet	5,535	497	685	6,717
Transportation/mileage/meals	22,507	2,297	3,079	27,883
Total Occupancy	39,020	3,864	5,309	48,193
Insurance/License Registrations/Tax Expenses	5,539	554	831	6,924
Office:				
Deposit processing fee	5,838	1,190	871	7,899
Miscellaneous	821	82	123	1,026
Office supplies/copies	1,107	122	167	1,396
Printing/reproduction/postage	17,638	1,798	2,645	22,081
Total Office	25,404	3,192	3,806	32,402
Professional Fees	53,284	26,836	6,941	87,061
Other:				
Books	78,794	-	-	78,794
Consultants	14,685	-	-	14,685
Depreciation - Mobile story station	1,479	-	-	1,479
Educational/resource expenses	4,094	-	-	4,094
Equipment	115,465	-	-	115,465
Miscellaneous	1,110	-	-	1,110
Mobile story station van expenses	3,244	-	-	3,244
Printing/reproduction/postage	16,773	-	-	16,773
Program materials	32,873	-	-	32,873
Rent	667	-	-	667
Special events	-	-	205,118	205,118
Supplies	3,607	-	-	3,607
Telephone/internet	7,528	-	-	7,528
Transportation/lodging/meals	69,940	-	-	69,940
Total Other	350,259	-	205,118	555,377
Total Expenses Before In-Kind Expenses	1,295,861	120,648	344,488	1,760,997
In-Kind Expenses	107,838	130,859	-	238,697
Total Program and Supporting Services Expenses	$ 1,403,699	$ 251,507	$ 344,488	$ 1,999,694

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

UNITED THROUGH READING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ (187,166)	$ 376,640
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,831	1,479
Unrealized (gain) loss on investment	(595)	135
Change in Perpetual restricted net assets	(4,428)	1,894
(Increase) Decrease in:		
Contributions receivable	107,543	(95,402)
Prepaid expenses	(17,208)	(2,141)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(43,334)	60,272
Deferred revenue	-	(25,000)
Net Cash (Used in) Provided by Operating Activities	(133,357)	317,877
Cash Flows From Investing Activities:		
Purchase of investment	-	(1,216)
(Increase) Decrease in beneficial interest in endowment funds	(9,349)	4,019
Purchase of furniture and equipment	-	(59,154)
Net Cash Used in Investing Activities	(9,349)	(56,351)
Cash Flows From Financing Activities:		
Change in Perpetual restricted net assets	4,428	(1,894)
Net Cash Provided by (Used in) Financing Activities	4,428	(1,894)
Net (Decrease) Increase in Cash and Cash Equivalents	(138,278)	259,632
Cash and Cash Equivalents at Beginning of Year	1,008,123	748,491
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 869,845	$ 1,008,123

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

Note 1 - Organization:

United Through Reading (the "Organization"), a Nonprofit California Corporation, is dedicated to uniting U.S. military families who face physical separation by facilitating the bonding experience of reading aloud together.

United Through Reading offers military service members the opportunity to be video-recorded reading books to their children at home. This program creates emotional connections between parents and their children, encourages literacy and makes homecoming easier.

In 2019, United Through Reading distributed more than 28,000 books at over 600 recording locations across the country and around the world. According to surveys, 95% of participants report a decrease in their children's anxiety during deployment and 83% of service member participants report a reduction in their own stress during deployment.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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

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

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investment in common stock is considered a Level 1 assets and is reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Beneficial interest in endowment funds are considered Level 3 assets and are reported at the fair value of the underlying assets as reported by the fund manager.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at December 31, 2019 and 2018.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of $1,000 for furniture and equipment at cost, while donations of furniture and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

Furniture and equipment	5 years

Depreciation totaled $11,831 and $1,479 for the years ended December 31, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of furniture and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling $64,912 and $63,313 at December 31, 2019 and 2018, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give in writing to the Organization that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated professional services are recorded at fair value, and totaled $145,410 and $84,181 for the years ended December 31, 2019 and 2018, respectively and are included in in-kind contributions in the statement of activities.

In-kind contributions of books and supplies used for program services with an estimated fair value of $136,388 and $154,516 for the years ended December 31, 2019 and 2018, respectively, are included in in-kind contributions in the statement of activities.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records and estimates made by the Organization's management.

Income Taxes Status

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2019 2018, 2017 and 2016 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

Note 2 - Significant Accounting Policies: (Continued)

Comparative Financial information for December 31, 2018

The financial statements include information for the year ended December 31, 2018 and is presented for purposes of additional analysis and was derived from the audited financial statements for the year ended December 31, 2018. This information is the responsibility of management and should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2018.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended December 31, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows.* ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended December 31, 2019 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2019.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through May 20, 2020, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 11.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, within one year, are comprised of the following at December 31:

	2019	2018
Financial Assets as Year-End:		
Cash and cash equivalents	$ 869,845	$ 1,008,123
Investment	1,676	1,081
Contributions receivable	31,881	139,424
Financial assets available for general expenditures within one year	$ 903,402	$ 1,148,628

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Common stock	$ 1,676	$ -	$ -	$ 1,676
Beneficial interest in endowment funds (Note 8)	-	-	68,415	68,415
	$ 1,676	$ -	$ 68,415	$ 70,091

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Common stock	$ 1,081	$ -	$ -	$ 1,081
Beneficial interest in endowment funds (Note 8)	-	-	59,066	59,066
	$ 1,081	$ -	$ 59,066	$ 60,147

Note 4 - Fair Value Measurements: (Continued)

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 7 as indicated above.

The following table represents the Organization's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the year ended December 31:

Instrument		Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
			2019		
Beneficial interest in endowment funds	$	68,415	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A

Instrument		Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
			2018		
Beneficial interest in endowment funds	$	59,066	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A

Note 5 - Investment:

Investment consist of the following at December 31:

		2019		2018
Common stock	$	1,676	$	1,081
Total Investments	$	1,676	$	1,081

The following schedule summarizes the investment income (loss) and its classification in the statement of activities for the years ended December 31:

	2019					
		Without Donor Restrictions		With Donor Restrictions		Total
Interest income	$	1,321	$	-	$	1,321
Unrealized gains		595		-		595
Investment return on beneficial interest in endowment funds		-		9,349		9,349
Total Investment Income	$	1,916	$	9,349	$	11,265

Note 5 - Investments: (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	$ 1,229	$ -	$ 1,229
Unrealized loss	(135)	-	(135)
Investment return on beneficial interest in endowment funds	-	(4,019)	(4,019)
Total Investment Income (Loss)	$ 1,094	$ (4,019)	$ (2,925)

Note 6 - Contributions Receivable:

Contributions receivable totaled $31,881 and $139,424 at December 31, 2019 and 2018, respectively and are due in less than one year.

Note 7 - Furniture and Equipment:

Furniture and equipment consist of the following at December 31:

	2019	2018
Vehicle - Mobile story station van	$ 59,154	$ 59,154
Office equipment and furniture	1,369	1,369
Subtotal	60,523	60,523
Less: Accumulated depreciation	(14,679)	(2,848)
Furniture and Equipment, Net	$ 45,844	$ 57,675

Note 8 - Beneficial Interest in Endowment Funds:

The Organization has a beneficial interest in endowment funds held at Rancho Santa Fe Foundation and San Diego Foundation. The beneficial interest in endowment funds held at Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 33.4% domestic equities, 17.3% international equities, 6.4% in emerging markets, 41.5% fixed income and 1.4% in cash and cash equivalents. The beneficial interest in endowment funds held at San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 28.0% domestic equities, 26.0% global/international equities, 21.7% alternative investments, 16.1% fixed income, 5.5% real estate investments, 2.2% commodities and 0.5% in cash and cash equivalents. The activity of the beneficial interests in endowment funds consisted of the following for the year ended December 31, 2019:

	Rancho Santa Fe Foundation	San Diego Foundation	Total
Balance at December 31, 2017	$ 29,938	$ 33,147	$ 63,085
Investment return	(1,894)	(2,125)	(4,019)
Balance at December 31, 2018	28,044	31,022	59,066
Investment return	4,428	4,921	9,349
Balance at December 31, 2019	$ 32,472	$ 35,943	$ 68,415

Note 9 - Net Assets With Donor Restrictions:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Books and supplies	$ 154,101	$ 174,085
Hampton Roads and North Carolina	120,000	100,000
Recording sites	64,615	93,750
STEAM the Summer Slide	30,000	-
Unappropriated endowment earnings	15,373	10,452
Mobile story station van	12,356	19,193
Wounded Warriors	10,019	10,019
Total Subject to Expenditure for Specified Purpose	406,464	407,499
Perpetual in Nature:		
Endowments (Note 10)	53,042	48,614
Total Net Assets with Donor Restrictions	$ 459,506	$ 456,113

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2019	2018
Purpose Restrictions Accomplished:		
Books and supplies	$ 162,060	$ 36,000
Hampton Roads and North Carolina	100,000	-
Recording sites	93,750	-
Mobile story station van	19,193	-
Wounded Warriors	-	1,964
Total Net Assets Released From Restrictions	$ 375,003	$ 37,964

Note 10 - Endowment Net Assets:

The Organization has a beneficial interest in endowment funds that are held at Rancho Santa Fe Foundation (“RSFF”) and San Diego Foundation (“SDF”) collectively referred as the “Foundations”. As required by generally accepted accounting principles net assets associated with endowment funds are classified and reported based on he existence of donor-imposed restrictions. The Foundations manage the funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The investment objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in an endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

The Organization considers a fund to be underwater if the value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at December 31, 2019 and 2018.

Note 10 - Endowment Net Assets: (Continued)

Net assets with donor restrictions in perpetuity held are comprised of:

- The original value of gifts donated to the fund.
- The original value of Organization funds transferred to the fund.
- The original value of subsequent gifts donated to the fund.
- Investment income and realized and unrealized gains and losses on investments.
- Distributions from the fund in accordance with spending policy.

RSFF endowment funds are invested in permanent funds with long-term investment objectives and strategies that will accommodate relevant, reasonable or probable events. Management of the assets is designed to preserve the principal of the funds and provide a source of funds for current operations and programs. The Organization's spending policy allows for annual distributions of equity to 5% of the current value, which includes contributions to the fund, income earned on such contributions and all gains and losses on such funds.

SDF endowment funds are invested in a portfolio of equity and debt securities, which are structured for long-term total return. SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund at December 31:

	2019		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
San Diego Foundation	$ 15,373	$ 20,570	$ 35,943
Rancho Santa Fe Foundation	-	32,472	32,472
	$ 15,373	$ 53,042	$ 68,415

	2018		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
San Diego Foundation	$ 10,452	$ 20,570	$ 31,022
Rancho Santa Fe Foundation	-	28,044	28,044
	$ 10,452	$ 48,614	$ 59,066

Note 10 - Endowment Net Assets: (Continued)

Changes in endowment net assets for the year ended December 31:

	2019		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at December 31, 2018	$ 10,452	$ 48,614	$ 59,066
Investment return	4,921	4,428	9,349
Endowment Net Assets at December 31, 2019	$ 15,373	$ 53,042	$ 68,415

	2018		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at December 31, 2017	$ 12,577	$ 50,508	$ 63,085
Investment return	(2,125)	(1,894)	(4,019)
Endowment Net Assets at December 31, 2018	$ 10,452	$ 48,614	$ 59,066

Note 11 - Subsequent Event - Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency and issued shelter in place orders. It is anticipated that these conditions will continue for some time. The potential impacts to the Organization include disruptions or restrictions on our employee’s ability to work and reduction in contributions from fundraising activities. These conditions may have an impact on operating costs. The future effects of these issues are unknown.