

UNITED THROUGH READING
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**UNITED THROUGH READING
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2020	5
Statement of Functional Expenses - 2019	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 18



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, 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 United Through Reading as of December 31, 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.

Leaf & Cole LLP

San Diego, California
July 26, 2021

**UNITED THROUGH READING
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Assets:</u> (Notes 2, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	\$ 1,401,929	\$ 869,845
Investment	3,490	1,676
Contributions receivable	96,773	31,881
Prepaid expenses	59,733	32,868
Beneficial interest in endowment funds	76,900	68,415
Furniture and equipment, net	<u>34,014</u>	<u>45,844</u>
TOTAL ASSETS	\$ <u>1,672,839</u>	\$ <u>1,050,529</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ 165,652	\$ 101,694
Deferred revenue	<u>213,000</u>	<u>-</u>
Total Liabilities	<u>378,652</u>	<u>101,694</u>
<u>Contingencies</u> (Note 11)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Without Donor Restrictions	856,660	489,329
With Donor Restrictions:		
Purpose restrictions	380,247	406,464
Perpetual in nature	<u>57,280</u>	<u>53,042</u>
Total Net Assets With Donor Restrictions	<u>437,527</u>	<u>459,506</u>
Total Net Assets	<u>1,294,187</u>	<u>948,835</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,672,839</u>	\$ <u>1,050,529</u>

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:						
Contributions:						
Corporations and corporate foundations	\$ 1,244,075	\$ 335,102	\$ 1,579,177	\$ 534,828	\$ 356,691	\$ 891,519
Foundations and civic groups	175,075	13,500	188,575	205,458	12,356	217,814
Individuals	235,058	-	235,058	159,404	-	159,404
In-kind contributions	110,657	-	110,657	281,799	-	281,799
Government grant	212,800	-	212,800	-	-	-
Net assets released from restrictions	379,066	(379,066)	-	375,003	(375,003)	-
Total Contributions	<u>2,356,731</u>	<u>(30,464)</u>	<u>2,326,267</u>	<u>1,556,492</u>	<u>(5,956)</u>	<u>1,550,536</u>
Other Revenue:						
Special event revenue	339,428	-	339,428	668,530	-	668,530
Less: Cost of direct benefits to donors	-	-	-	(144,257)	-	(144,257)
Investment income	2,042	8,485	10,527	1,916	9,349	11,265
Total Other Revenue	<u>341,470</u>	<u>8,485</u>	<u>349,955</u>	<u>526,189</u>	<u>9,349</u>	<u>535,538</u>
Total Support and Other Revenue	<u>2,698,201</u>	<u>(21,979)</u>	<u>2,676,222</u>	<u>2,082,681</u>	<u>3,393</u>	<u>2,086,074</u>
Expenses:						
Program Services	<u>1,959,921</u>	<u>-</u>	<u>1,959,921</u>	<u>1,664,516</u>	<u>-</u>	<u>1,664,516</u>
Supporting Services:						
Management and general	143,075	-	143,075	218,104	-	218,104
Fundraising	227,874	-	227,874	390,620	-	390,620
Total Supporting Services	<u>370,949</u>	<u>-</u>	<u>370,949</u>	<u>608,724</u>	<u>-</u>	<u>608,724</u>
Total Expenses	<u>2,330,870</u>	<u>-</u>	<u>2,330,870</u>	<u>2,273,240</u>	<u>-</u>	<u>2,273,240</u>
Change in Net Assets	367,331	(21,979)	345,352	(190,559)	3,393	(187,166)
Net Assets at Beginning of Year	<u>489,329</u>	<u>459,506</u>	<u>948,835</u>	<u>679,888</u>	<u>456,113</u>	<u>1,136,001</u>
NET ASSETS AT END OF YEAR	<u>\$ 856,660</u>	<u>\$ 437,527</u>	<u>\$ 1,294,187</u>	<u>\$ 489,329</u>	<u>\$ 459,506</u>	<u>\$ 948,835</u>

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel:</u>				
Educational/resource expenses	\$ 5,757	\$ 896	\$ 744	\$ 7,397
Salaries, payroll taxes and benefits	1,019,583	97,179	147,923	1,264,685
Total Personnel	<u>1,025,340</u>	<u>98,075</u>	<u>148,667</u>	<u>1,272,082</u>
<u>Occupancy:</u>				
Equipment	7,041	681	1,022	8,744
Office rent	3,235	324	485	4,044
Telephone/internet	7,411	734	1,069	9,214
Transportation/mileage/meals	10,034	992	1,487	12,513
Total Occupancy	<u>27,721</u>	<u>2,731</u>	<u>4,063</u>	<u>34,515</u>
<u>Insurance/License Registrations/Tax Expenses</u>				
	<u>6,612</u>	<u>661</u>	<u>992</u>	<u>8,265</u>
<u>Office:</u>				
Deposit processing fee	6,968	863	1,045	8,876
Miscellaneous	225	2	34	261
Office supplies/copies	2,776	262	392	3,430
Printing/reproduction/postage	17,276	1,721	2,582	21,579
Total Office	<u>27,245</u>	<u>2,848</u>	<u>4,053</u>	<u>34,146</u>
<u>Professional Fees</u>				
	<u>45,853</u>	<u>23,380</u>	<u>7,039</u>	<u>76,272</u>
<u>Other:</u>				
Books	115,856	-	-	115,856
Depreciation - Mobile story station	11,830	-	-	11,830
Educational/resource expenses	220,493	-	-	220,493
Equipment	181,012	-	-	181,012
Miscellaneous	1,163	-	-	1,163
Mobile story station van expenses	13,986	-	-	13,986
Printing/design/postage	20,162	-	-	20,162
Program materials	41,194	-	-	41,194
Professional fees	8,075	-	-	8,075
Rent	3,010	-	-	3,010
Special events	92,127	-	63,060	155,187
Supplies	2,145	-	-	2,145
Telephone/internet	8,157	-	-	8,157
Transportation/lodging/meals	12,663	-	-	12,663
Total Other	<u>731,873</u>	<u>-</u>	<u>63,060</u>	<u>794,933</u>
Total Expenses Before In-Kind Expenses	1,864,644	127,695	227,874	2,220,213
<u>In-Kind Expenses</u>				
	<u>95,277</u>	<u>15,380</u>	<u>-</u>	<u>110,657</u>
Total Program and Supporting				
Services Expenses	<u>\$ 1,959,921</u>	<u>\$ 143,075</u>	<u>\$ 227,874</u>	<u>\$ 2,330,870</u>

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

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel:</u>				
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	<u>928,784</u>	<u>99,935</u>	<u>131,851</u>	<u>1,160,570</u>
<u>Occupancy:</u>				
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	<u>57,331</u>	<u>6,388</u>	<u>8,274</u>	<u>71,993</u>
<u>Insurance/License Registrations/Tax Expenses</u>				
	<u>8,844</u>	<u>884</u>	<u>1,327</u>	<u>11,055</u>
<u>Office:</u>				
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	<u>30,810</u>	<u>3,322</u>	<u>4,475</u>	<u>38,607</u>
<u>Professional Fees</u>				
	<u>55,769</u>	<u>28,498</u>	<u>8,331</u>	<u>92,598</u>
<u>Other:</u>				
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	<u>380,257</u>	<u>-</u>	<u>236,362</u>	<u>616,619</u>
Total Expenses Before In-Kind Expenses	1,461,795	139,027	390,620	1,991,442
<u>In-Kind Expenses</u>				
	<u>202,721</u>	<u>79,077</u>	<u>-</u>	<u>281,798</u>
Total Program and Supporting				
Services Expenses	<u>\$ 1,664,516</u>	<u>\$ 218,104</u>	<u>\$ 390,620</u>	<u>\$ 2,273,240</u>

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

**UNITED THROUGH READING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 345,352	\$ (187,166)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,830	11,831
Unrealized gain on investment	(1,234)	(595)
Change in perpetual restricted net assets	(4,238)	(4,428)
(Increase) Decrease in:		
Contributions receivable	(64,892)	107,543
Prepaid expenses	(26,865)	(17,208)
Increase (Decrease) in:		
Accounts payable and accrued expenses	63,958	(43,334)
Deferred revenue	213,000	-
Net Cash Provided by (Used in) Operating Activities	<u>536,911</u>	<u>(133,357)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investment	(580)	-
Increase in beneficial interest in endowment funds	(8,485)	(9,349)
Net Cash Used in Investing Activities	<u>(9,065)</u>	<u>(9,349)</u>
<u>Cash Flows From Financing Activities:</u>		
Change in perpetual restricted net assets	<u>4,238</u>	<u>4,428</u>
Net Cash Provided by Financing Activities	<u>4,238</u>	<u>4,428</u>
Net Increase (Decrease) in Cash and Cash Equivalents	532,084	(138,278)
Cash and Cash Equivalents at Beginning of Year	<u>869,845</u>	<u>1,008,123</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,401,929</u>	<u>\$ 869,845</u>

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

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 1 - Organization:

For over 30 years, United Through Reading (the “Organization”), a Nonprofit California Corporation, has been 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, and then the books and videos are delivered to the children so that they can follow along as their loved ones read their favorite story. This program creates and strengthens emotional connections between parents and their children, encourages literacy and makes homecoming easier. 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.

Despite the challenges of COVID-19 in 2020, United Through Reading distributed more than 31,000 books at over 750 virtual and in person events around the world. With the release of their self-service Android and iOS app United Through Reading was able to produce recordings in all 50 states, and many locations overseas. The app also allowed them to expand their services to include U.S. military veterans and their families.

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.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

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.

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, 2020 and 2019.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 \$11,830 and \$11,831 for the years ended December 31, 2020 and 2019, 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 \$77,623 and \$64,912 at December 31, 2020 and 2019, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

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.

The Organization received a conditional contribution in the amount of \$320,000 of which \$107,000 has been earned and recognized as revenue for the year ended December 31, 2020 and \$213,000 has been included in deferred revenue until the conditions of the contribution have been met.

Special event revenue is recognized in the period that the event occurs.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 \$9,115 and \$145,410 for the years ended December 31, 2020 and 2019, 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 \$101,542 and \$136,388 for the years ended December 31, 2020 and 2019, 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, 2020, 2019, 2018 and 2017 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.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removed, modified, and added additional disclosure requirements on fair value measurements, specifically surrounding: (1) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. The Organization has adopted this ASU for the year ended December 31, 2020. The adoption had no material effect on the 2020 financial statements.

Subsequent Events

The Organization has evaluated subsequent events through July 26, 2021, 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.

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:

	<u>2020</u>	<u>2019</u>
Financial Assets as Year-End:		
Cash and cash equivalents	\$ 1,401,929	\$ 869,845
Investment	3,490	1,676
Contributions receivable	96,773	31,881
Financial assets available for general expenditures within one year	<u>\$ 1,502,192</u>	<u>\$ 903,402</u>

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.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 4 - Fair Value Measurements:

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

	2020			
	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, 2020
Common stock	\$ 3,490	\$ -	\$ -	\$ 3,490
Beneficial interest in endowment funds (Note 8)	-	-	76,900	76,900
	<u>\$ 3,490</u>	<u>\$ -</u>	<u>\$ 76,900</u>	<u>\$ 80,390</u>
	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
	<u>\$ 1,676</u>	<u>\$ -</u>	<u>\$ 68,415</u>	<u>\$ 70,091</u>

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:

<u>Instrument</u>	2020			
	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 76,900	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A
	2019			
<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
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

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 5 - Investment:

Investment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 3,490	\$ 1,676
Total Investments	<u>\$ 3,490</u>	<u>\$ 1,676</u>

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

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest income	\$ 808	\$ -	\$ 808
Unrealized gains	1,234	-	1,234
Investment return on beneficial interest in endowment funds	-	8,485	8,485
Total Investment Income	<u>\$ 2,042</u>	<u>\$ 8,485</u>	<u>\$ 10,527</u>

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ 1,916</u>	<u>\$ 9,349</u>	<u>\$ 11,265</u>

Note 6 - Contributions Receivable:

Contributions receivable totaled \$96,773 and \$31,881 at December 31, 2020 and 2019, respectively and are due in less than one year.

Note 7 - Furniture and Equipment:

Furniture and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Vehicle - Mobile story station van	\$ 59,154	\$ 59,154
Office equipment and furniture	1,369	1,369
Subtotal	<u>60,523</u>	<u>60,523</u>
Less: Accumulated depreciation	<u>(26,509)</u>	<u>(14,679)</u>
Furniture and Equipment, Net	<u>\$ 34,014</u>	<u>\$ 45,844</u>

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 40.6% domestic equities, 18.3% international equities, 7.6% in emerging markets, 32.4% fixed income and 1.1% 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 25.8% domestic equities, 24.8% global/international equities, 9.6% alternative investments, 14% fixed income, 5.6% real estate investments, 13.9% hedge funds, 5.9% real assets and 0.4% in cash and cash equivalents. The activity of the beneficial interests in endowment funds consisted of the following for the years ended December 31:

	<u>Rancho Santa Fe Foundation</u>	<u>San Diego Foundation</u>	<u>Total</u>
Balance at December 31, 2018	\$ 28,044	\$ 31,022	\$ 59,066
Investment return	<u>4,428</u>	<u>4,921</u>	<u>9,349</u>
Balance at December 31, 2019	32,472	35,943	68,415
Investment return	<u>4,238</u>	<u>4,247</u>	<u>8,485</u>
Balance at December 31, 2020	<u>\$ 36,710</u>	<u>\$ 40,190</u>	<u>\$ 76,900</u>

Note 9 - Net Assets With Donor Restrictions:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Books and supplies	\$ 187,025	\$ 154,101
Recording sites and application	77,177	64,615
Milspouse fest	37,500	-
STEAM the Summer Slide	30,000	30,000
Unappropriated endowment earnings	19,620	15,373
Savannah and San Diego Coast Guard	15,425	-
Educational development	10,000	-
Other	3,500	-
Hampton Roads and North Carolina	-	120,000
Mobile story station van	-	12,356
Wounded Warriors	-	10,019
Total Subject to Expenditure for Specified Purpose	<u>380,247</u>	<u>406,464</u>
Perpetual in Nature:		
Endowments (Note 10)	<u>57,280</u>	<u>53,042</u>
Total Net Assets with Donor Restrictions	<u>\$ 437,527</u>	<u>\$ 459,506</u>

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 9 - Net Assets With Donor Restrictions: (Continued)

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:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Books and supplies	\$ 142,076	\$ 162,060
Hampton Roads and North Carolina	120,000	100,000
Recording sites	64,615	93,750
STEAM the Summer Slide	30,000	
Mobile story station van	12,356	19,193
Wounded Warriors	10,019	-
Total Net Assets Released From Restrictions	<u>\$ 379,066</u>	<u>\$ 375,003</u>

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 the existence of donor-imposed restrictions. The Foundations manage the funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The investment objective is to maintain the purchasing power (real value) of the endowment funds. 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, 2020 and 2019.

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.

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10 - Endowment Net Assets: (Continued)

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:

	2020		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
San Diego Foundation	\$ 19,620	\$ 20,570	\$ 40,190
Rancho Santa Fe Foundation	-	36,710	36,710
Total	\$ 19,620	\$ 57,280	\$ 76,900
	2019		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
San Diego Foundation	\$ 15,373	\$ 20,570	\$ 35,943
Rancho Santa Fe Foundation	-	32,472	32,472
Total	\$ 15,373	\$ 53,042	\$ 68,415

**UNITED THROUGH READING
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10 - Endowment Net Assets: (Continued)

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

	2020		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at December 31, 2019	\$ 15,373	\$ 53,042	\$ 68,415
Investment return	4,247	4,238	8,485
Endowment Net Assets at December 31, 2020	<u>\$ 19,620</u>	<u>\$ 57,280</u>	<u>\$ 76,900</u>
	2019		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
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	<u>\$ 15,373</u>	<u>\$ 53,042</u>	<u>\$ 68,415</u>

Note 11 - Contingencies:

Payroll Protection Program Loan

In May 2020, the Organization received a loan totaling \$212,800 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022. The Organization has recognized \$212,800 as revenue for the year ended December 31, 2020, since they believe that they have satisfied the terms and conditions of forgiveness of the PPP.

Coronavirus Pandemic Contingency

As a result of the COVID-19 outbreak throughout the world, economic uncertainties have arisen that could negatively impact revenues and income. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, employees and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.