

**UNITED THROUGH READING**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**



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FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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## **Independent Auditor's Report**

To the Board of Trustees  
United Through Reading

### **Opinion**

We have audited the accompanying financial statements of United Through Reading (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Through Reading, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Through Reading's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Through Reading's ability to continue as a going concern for a reasonable period of time.

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

*Leaf & Cole LLP*

San Diego, California  
August 19, 2023

**UNITED THROUGH READING  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b><u>Assets:</u></b> (Notes 2, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	\$ 928,283	\$ 1,643,973
Investment	63,894	4,230
Contributions receivable	54,908	33,595
Prepaid expenses	24,431	65,836
Beneficial interest in endowment funds	78,582	87,729
Furniture and equipment, net	<u>108,311</u>	<u>98,619</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,258,409</u></b>	<b>\$ <u>1,933,982</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>Liabilities:</u></b> (Note 2)		
Accounts payable and accrued expenses	\$ <u>155,796</u>	\$ <u>204,753</u>
Total Liabilities	<u>155,796</u>	<u>204,753</u>
<b><u>Contingencies</u></b> (Note 11)		
<b><u>Net Assets:</u></b> (Notes 2, 9 and 10)		
Without Donor Restrictions	555,363	1,294,247
With Donor Restrictions:		
Purpose restrictions	490,966	373,497
Perpetual in nature	<u>56,284</u>	<u>61,485</u>
Total Net Assets With Donor Restrictions	<u>547,250</u>	<u>434,982</u>
Total Net Assets	<u>1,102,613</u>	<u>1,729,229</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,258,409</u></b>	<b>\$ <u>1,933,982</u></b>

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Support and Other Revenue:</u></b>						
<b>Contributions:</b>						
Corporations and corporate foundations	\$ 1,592,439	\$ 115,041	\$ 1,707,480	\$ 1,520,232	\$ 271,757	\$ 1,791,989
Foundations and civic groups	(52,082)	339,936	287,854	194,692	61,971	256,663
Individuals	228,756	-	228,756	256,571	-	256,571
In-kind contributions	130,751	-	130,751	120,027	-	120,027
Government grant	-	-	-	200,000	-	200,000
Net assets released from restrictions	333,562	(333,562)	-	347,102	(347,102)	-
Total Contributions	<u>2,233,426</u>	<u>121,415</u>	<u>2,354,841</u>	<u>2,638,624</u>	<u>(13,374)</u>	<u>2,625,250</u>
<b>Other Revenue:</b>						
Special event revenue	292,096	-	292,096	259,767	-	259,767
Less: Cost of direct benefits to donors	(77,876)	-	(77,876)	(123,258)	-	(123,258)
Program revenue	43,259	-	43,259	-	-	-
Loss on disposal of equipment	(1,369)	-	(1,369)	-	-	-
Investment income	(3,587)	(9,147)	(12,734)	1,903	10,829	12,732
Total Other Revenue	<u>252,523</u>	<u>(9,147)</u>	<u>243,376</u>	<u>138,412</u>	<u>10,829</u>	<u>149,241</u>
Total Support and Other Revenue	<u>2,485,949</u>	<u>112,268</u>	<u>2,598,217</u>	<u>2,777,036</u>	<u>(2,545)</u>	<u>2,774,491</u>
<b><u>Expenses:</u></b>						
Program Services	<u>2,746,192</u>	<u>-</u>	<u>2,746,192</u>	<u>1,966,013</u>	<u>-</u>	<u>1,966,013</u>
<b>Supporting Services:</b>						
Management and general	161,549	-	161,549	153,670	-	153,670
Fundraising	317,092	-	317,092	219,766	-	219,766
Total Supporting Services	<u>478,641</u>	<u>-</u>	<u>478,641</u>	<u>373,436</u>	<u>-</u>	<u>373,436</u>
Total Expenses	<u>3,224,833</u>	<u>-</u>	<u>3,224,833</u>	<u>2,339,449</u>	<u>-</u>	<u>2,339,449</u>
Change in Net Assets	(738,884)	112,268	(626,616)	437,587	(2,545)	435,042
Net Assets at Beginning of Year	<u>1,294,247</u>	<u>434,982</u>	<u>1,729,229</u>	<u>856,660</u>	<u>437,527</u>	<u>1,294,187</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 555,363</u>	<u>\$ 547,250</u>	<u>\$ 1,102,613</u>	<u>\$ 1,294,247</u>	<u>\$ 434,982</u>	<u>\$ 1,729,229</u>

The accompanying notes are integral part of the financial statements.

**UNITED THROUGH READING  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b><u>Personnel:</u></b>				
Educational/resource expenses	\$ 20,599	\$ 2,537	\$ 3,154	\$ 26,290
Salaries, payroll taxes and benefits	<u>1,186,167</u>	<u>88,197</u>	<u>171,719</u>	<u>1,446,083</u>
Total Personnel	<u>1,206,766</u>	<u>90,734</u>	<u>174,873</u>	<u>1,472,373</u>
<b><u>Occupancy:</u></b>				
Equipment	15,844	1,459	2,069	19,372
Office rent	4,517	384	577	5,478
Telephone/internet	5,653	566	833	7,052
Transportation/mileage/meals	<u>29,034</u>	<u>2,903</u>	<u>4,352</u>	<u>36,289</u>
Total Occupancy	<u>55,048</u>	<u>5,312</u>	<u>7,831</u>	<u>68,191</u>
<b><u>Insurance/License Registrations/Tax Expenses</u></b>				
	<u>8,854</u>	<u>885</u>	<u>1,328</u>	<u>11,067</u>
<b><u>Office:</u></b>				
Deposit processing fee	7,964	1,734	1,189	10,887
Miscellaneous	299	186	73	558
Office supplies/copies	971	53	79	1,103
Printing/reproduction/postage	<u>9,444</u>	<u>711</u>	<u>1,067</u>	<u>11,222</u>
Total Office	<u>18,678</u>	<u>2,684</u>	<u>2,408</u>	<u>23,770</u>
<b><u>Professional Fees</u></b>				
	<u>87,782</u>	<u>32,491</u>	<u>12,734</u>	<u>133,007</u>
<b><u>Other:</u></b>				
Books	232,520	-	-	232,520
Depreciation - Mobile story station	26,578	-	-	26,578
Educational/resource expenses	286,408	-	-	286,408
Equipment	60,756	-	-	60,756
Miscellaneous	1,342	-	-	1,342
Mobile story station van expenses	18,134	-	-	18,134
Printing/design/postage	42,879	-	-	42,879
Program materials	109,833	-	-	109,833
Programmatic research	100,000	-	-	100,000
Professional fees	13,813	-	-	13,813
Rent	7,041	-	-	7,041
Special events	3,749	-	117,918	121,667
Supplies	22,168	-	-	22,168
Telephone/internet	9,485	-	-	9,485
Transportation/lodging/meals	81,941	-	-	81,941
Tribute to Military Families	<u>251,109</u>	<u>-</u>	<u>-</u>	<u>251,109</u>
Total Other	<u>1,267,756</u>	<u>-</u>	<u>117,918</u>	<u>1,385,674</u>
Total Expenses Before In-Kind Expenses	2,644,884	132,106	317,092	3,094,082
<b><u>In-Kind Expenses</u></b>				
	<u>101,308</u>	<u>29,443</u>	<u>-</u>	<u>130,751</u>
<b>Total Program and Supporting Services Expenses</b>				
	<u>\$ 2,746,192</u>	<u>\$ 161,549</u>	<u>\$ 317,092</u>	<u>\$ 3,224,833</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, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b><u>Personnel:</u></b>				
Educational/resource expenses	\$ 5,604	\$ 482	\$ 724	\$ 6,810
Salaries, payroll taxes and benefits	1,014,301	85,757	145,194	1,245,252
Total Personnel	<u>1,019,905</u>	<u>86,239</u>	<u>145,918</u>	<u>1,252,062</u>
<b><u>Occupancy:</u></b>				
Equipment	9,741	917	1,375	12,033
Office rent	3,031	303	455	3,789
Telephone/internet	6,074	412	619	7,105
Transportation/mileage/meals	10,036	1,027	1,032	12,095
Total Occupancy	<u>28,882</u>	<u>2,659</u>	<u>3,481</u>	<u>35,022</u>
<b><u>Insurance/License Registrations/Tax Expenses</u></b>				
	<u>8,523</u>	<u>877</u>	<u>1,278</u>	<u>10,678</u>
<b><u>Office:</u></b>				
Deposit processing fee	8,235	877	1,235	10,347
Miscellaneous	417	44	61	522
Office supplies/copies	2,709	271	406	3,386
Printing/reproduction/postage	18,318	1,895	2,748	22,961
Repairs and maintenance	172	17	26	215
Total Office	<u>29,851</u>	<u>3,104</u>	<u>4,476</u>	<u>37,431</u>
<b><u>Professional Fees</u></b>				
	<u>29,081</u>	<u>24,101</u>	<u>4,239</u>	<u>57,421</u>
<b><u>Other:</u></b>				
Books	173,021	-	-	173,021
Depreciation - Mobile story station	11,831	-	-	11,831
Educational/resource expenses	203,615	-	-	203,615
Equipment	104,171	-	-	104,171
Miscellaneous	792	-	-	792
Mobile story station van expenses	10,627	-	-	10,627
Printing/design/postage	40,770	-	-	40,770
Program materials	33,505	-	-	33,505
Professional fees	4,437	-	-	4,437
Rent	5,729	-	-	5,729
Special events	93,495	20,116	60,374	173,985
Supplies	11,921	-	-	11,921
Telephone/internet	6,271	-	-	6,271
Transportation/lodging/meals	46,133	-	-	46,133
Total Other	<u>746,318</u>	<u>20,116</u>	<u>60,374</u>	<u>826,808</u>
Total Expenses Before In-Kind Expenses	1,862,560	137,096	219,766	2,219,422
<b><u>In-Kind Expenses</u></b>				
	<u>103,453</u>	<u>16,574</u>	<u>-</u>	<u>120,027</u>
<b>Total Program and Supporting</b>				
<b>Services Expenses</b>	<u>\$ 1,966,013</u>	<u>\$ 153,670</u>	<u>\$ 219,766</u>	<u>\$ 2,339,449</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (626,616)	\$ 435,042
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	26,578	11,831
Realized and unrealized loss (gain) on investments	4,630	(1,127)
Donated stock	-	(64,749)
Change in perpetual restricted net assets	5,201	(4,205)
Loss on disposal of equipment	1,369	-
<b>(Increase) Decrease in:</b>		
Contributions receivable	(21,313)	63,178
Prepaid expenses	41,405	(6,103)
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(48,957)	39,101
Deferred revenue	-	(213,000)
Net Cash (Used in) Provided by Operating Activities	<u>(617,703)</u>	<u>259,968</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment purchases	(64,294)	(8)
Investment sales	-	65,144
Decrease (Increase) in beneficial interest in endowment funds	9,147	(10,829)
Purchase of furniture and equipment	(37,639)	(76,436)
Net Cash Used in Investing Activities	<u>(92,786)</u>	<u>(22,129)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Change in perpetual restricted net assets	(5,201)	4,205
Net Cash (Used in) Provided by Financing Activities	<u>(5,201)</u>	<u>4,205</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(715,690)	242,044
Cash and Cash Equivalents at Beginning of Year	<u>1,643,973</u>	<u>1,401,929</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 928,283</u>	<u>\$ 1,643,973</u>

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

**UNITED THROUGH READING  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Note 1 - Organization:**

United Through Reading (the “Organization”), a California Nonprofit Corporation, connects military families through storytime experiences, no matter the distance between the child and the parent or caregiver due to military duties. These connections are forged through ensuring military families' home libraries include age-appropriate children's books, encouraging shared reading in the home and strong reading habits for military children, and through recording service members reading children's books so the military-connected children in their lives have storytime on demand, regardless of location or time. This program creates and strengthens between military parents/guardians/caregivers, and the military-connected children in their lives, while enhancing children's literacy development and positively impacting the morale and well-being of the entire military family.

According to surveys, 93% of families responding said that United Through Reading made family bonds stronger, 98% of respondents said United Through Reading is a critical family readiness and resiliency tool, 97% of respondents said United Through Reading made deployments and other separations easier, and 90% of respondents reported an increase in their child's love of reading.

In 2022, United Through Reading served 1,004 military units and military/veteran-service organizations, through 921 fixed and event-driven story stations. Military parents/guardians/caregivers recorded 9,292 stories that military children can access on demand. United Through Reading also distributed 78,000 new children's books. These combined efforts result in United Through Reading serving 343,968 military family members in 2022.

**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, 2022 AND 2021**

**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 asset, 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.

**UNITED THROUGH READING  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Note 2 - Significant Accounting Policies: (Continued)**

**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, 2022 and 2021.

**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.

**Capitalization and Depreciation (Continued)**

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
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Depreciation totaled \$26,578 and \$11,831 for the years ended December 31, 2022 and 2021, 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 \$61,611 and \$71,918 at December 31, 2022 and 2021, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

**UNITED THROUGH READING  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Note 2 - Significant Accounting Policies: (Continued)**

**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.

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

**Donated Services and Support**

The Organization received the following in-kind contributions for the year ending December 31:

	<u>2022</u>	<u>2021</u>
Books and supplies	\$ 102,858	\$ 100,953
Auction items	20,893	6,652
Consulting and legal services	<u>7,000</u>	<u>12,422</u>
Total Contributed Nonfinancial Assets	<u>\$ 130,751</u>	<u>\$ 120,027</u>

Contributed books and supplies received by the Organization are recorded as in-kind contribution revenue. The Organization values the books and supplies by current prices located on a publicly available website for similar items. Contributed books and supplies were utilized in the Organization's programs.

The Organization receives items to be sold at its annual auction. Contributed auction items are valued at the gross selling price received by the donor. The proceeds from the sale of auction items are used to support the Organization's programs.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. The Organization receives contributed consulting and legal services that are reported using current rates for similar services. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects because the criteria for recognition have not been satisfied.

**UNITED THROUGH READING  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Note 2 - Significant Accounting Policies: (Continued)**

**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, 2022, 2021, 2020 and 2019 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.

**Accounting Pronouncements Adopted**

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases ("FASB ASC 842")* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees, and the disclosure of key information about leasing arrangements. This standard is applied on a modified retrospective basis.

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**Note 2 - Significant Accounting Policies: (Continued)**

**Accounting Pronouncements Adopted (Continued)**

FASB ASC 842 was adopted January 1, 2022 with certain practical expedients available. The adoption had no effect on the 2022 financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events through August 19, 2023, 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>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and cash equivalents	\$ 928,283	\$ 1,643,973
Investment	63,894	4,230
Contributions receivable	54,908	33,595
Financial assets available for general expenditures within one year	<u>\$ 1,047,085</u>	<u>\$ 1,681,798</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.

**Note 4 - Fair Value Measurements:**

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

	<u>2022</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at December 31, 2022</u>
Common stock	\$ 63,894	\$ -	\$ -	\$ 63,894
Beneficial interest in endowment funds (Note 8)	-	-	78,582	78,582
	<u>\$ 63,894</u>	<u>\$ -</u>	<u>\$ 78,582</u>	<u>\$ 142,476</u>

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**Note 4 - Fair Value Measurements: (Continued)**

	2021			
	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, 2021
Common stock	\$ 4,230	\$ -	\$ -	\$ 4,230
Beneficial interest in endowment funds (Note 8)	-	-	87,729	87,729
	\$ 4,230	\$ -	\$ 87,729	\$ 91,959

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 8 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>	2022			
	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 78,582	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A

  

<u>Instrument</u>	2021			
	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 87,729	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:

	2022	2021
Common stock	\$ 63,894	\$ 4,230
Total Investments	\$ 63,894	\$ 4,230



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**Note 5 - Investment: (Continued)**

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 1,043	\$ -	\$ 1,043
Realized and unrealized loss on investments	(4,630)	-	(4,630)
Investment return on beneficial interest in endowment funds	-	(9,147)	(9,147)
Total Investment Income	\$ (3,587)	\$ (9,147)	\$ (12,734)
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 776	\$ -	\$ 776
Realized and unrealized gain on investments	1,127	-	1,127
Investment return on beneficial interest in endowment funds	-	10,829	10,829
Total Investment Income	\$ 1,903	\$ 10,829	\$ 12,732

**Note 6 - Contributions Receivable:**

Contributions receivable totaled \$54,908 and \$33,595 at December 31, 2022 and 2021, respectively, and are due in less than one year.

**Note 7 - Furniture and Equipment:**

Furniture and equipment consist of the following at December 31:

	2022	2021
Vehicle - Mobile story station van	\$ 169,579	\$ 135,590
Office equipment and furniture	1,369	1,369
Subtotal	170,948	136,959
Less: Accumulated depreciation	(62,637)	(38,340)
Furniture and Equipment, Net	\$ 108,311	\$ 98,619

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**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 41.5% domestic equities, 20.1% international equities, 24.4% fixed income, 5.4% real assets, and 8.6% 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 39.3% global/international equities, 19.6% alternative investments, 10.4% fixed income, 9.0% real estate investments, 15.3% hedge funds, 6.2% real assets, and 0.2% 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, 2020	\$ 36,710	\$ 40,190	\$ 76,900
Investment return	<u>4,205</u>	<u>6,624</u>	<u>10,829</u>
Balance at December 31, 2021	40,915	46,814	87,729
Investment return	<u>(5,201)</u>	<u>(3,946)</u>	<u>(9,147)</u>
Balance at December 31, 2022	<u>\$ 35,714</u>	<u>\$ 42,868</u>	<u>\$ 78,582</u>

**Note 9 - Net Assets With Donor Restrictions:**

	<u>2022</u>	<u>2021</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Books and supplies	\$ 246,064	\$ 230,979
Program awareness	164,013	53,246
Recording sites	52,850	-
Unappropriated endowment earnings	22,298	26,244
Other	5,741	8,028
STEAM the Summer Slide	-	30,000
Mobile story station	-	20,000
Employee engagement	-	5,000
Total Subject to Expenditure for Specified Purpose	<u>490,966</u>	<u>373,497</u>
<b>Perpetual in Nature:</b>		
Endowments (Note 10)	<u>56,284</u>	<u>61,485</u>
Total Net Assets with Donor Restrictions	<u>\$ 547,250</u>	<u>\$ 434,982</u>

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**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>2022</u>	<u>2021</u>
<b>Purpose Restrictions Accomplished:</b>		
Books and supplies	\$ 220,029	\$ 175,000
Program awareness	53,246	-
STEAM the Summer Slide	30,000	30,000
Mobile story station van	20,000	15,426
Other	5,287	2,000
Employee engagement	5,000	-
Recording sites	-	77,176
Milspouse fest	-	37,500
Educational development	-	10,000
Total Net Assets Released From Restrictions	<u>\$ 333,562</u>	<u>\$ 347,102</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, 2022 and 2021.

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 the 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.

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**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:

	2022		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
San Diego Foundation	\$ 22,298	\$ 20,570	\$ 42,868
Rancho Santa Fe Foundation	-	35,714	35,714
Total	\$ 22,298	\$ 56,284	\$ 78,582
	2021		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
San Diego Foundation	\$ 26,244	\$ 20,570	\$ 46,814
Rancho Santa Fe Foundation	-	40,915	40,915
Total	\$ 26,244	\$ 61,485	\$ 87,729

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

	2022		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at December 31, 2021	\$ 26,244	\$ 61,485	\$ 87,729
Investment return	(3,946)	(5,201)	(9,147)
Endowment Net Assets at December 31, 2022	\$ 22,298	\$ 56,284	\$ 78,582

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**Note 10 - Endowment Net Assets: (Continued)**

	2021		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at December 31, 2020	\$ 19,620	\$ 57,280	\$ 76,900
Investment return	6,624	4,205	10,829
Endowment Net Assets at December 31, 2021	\$ 26,244	\$ 61,485	\$ 87,729

**Note 11 - Contingencies:**

**Consolidated Appropriations Act Paycheck Protection Program**

In February 2021, the Organization received a loan totaling \$200,000 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP2”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due February 2026. The Organization has recognized \$-0- and \$200,000 as revenue for the year ended December 31, 2022 and 2021, respectively. The Organization has satisfied the terms and conditions of forgiveness of the PPP2, and received forgiveness on March 29, 2022.

**Coronavirus Pandemic Contingency**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity, and is actively working to minimize the impact of these declines. 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.