

**Kids Read Now, Inc.**

**Audited Financial Statements**

**For the Years Ended September 30, 2023 and 2022**

**Sam Brown, CPA, Inc.  
Certified Public Accountant  
Troy, Ohio**

**Kids Read Now, Inc.**  
**Audited Financial Statements**  
**Years Ended September 30, 2023 and 2022**

**Contents**

Report of Independent Auditors .....	1-2
Financial Statements:	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Statements of Functional Expenses .....	6-7
Notes to Financial Statements .....	8-13



## **Independent Auditor's Report**

To the Board of Directors  
Kids Read Now, Inc.

### **Opinion**

I have audited the accompanying financial statements of Kids Read Now, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Read Now, Inc. as of September 30, 2023 and 2022, 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**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Kids Read Now, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Kids Read Now, Inc.'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**

My 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 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, I:

- 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 Kids Read Now, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids Read Now, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Sam Brown, CPA, Inc.  
Troy, Ohio  
March 14, 2024

**Kids Read Now, Inc.**  
**Statements of Financial Position**  
**For the Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 721,021	\$ 185,669
Accounts Receivable	151,760	99,706
Inventories	583,763	924,972
Prepaid Expenses	0	302
Total Current Assets	1,456,544	1,210,649
<b>Property and Equipment</b>		
Property and Equipment	484,958	311,691
Total Property and Equipment	484,958	311,691
<b>Other Assets</b>		
Deposits	5,313	5,313
Total Other Assets	5,313	5,313
Total Assets	\$ 1,946,815	\$ 1,527,653
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 268,635	\$ 544,422
Accrued Expenses	299,308	202,865
Line of Credit	2,492,779	2,242,779
Current Portion of Note Payable	212,655	201,534
Deferred Income	536,071	0
Total Current Liabilities	3,809,448	3,191,600
<b>Long Term Liabilities</b>		
Notes Payable	589,206	802,404
Total Long-Term Liabilities	589,206	802,404
Total Liabilities	4,398,654	3,994,004
<b>Net Assets</b>		
<b>Net Assets</b>		
Net Assets Without Donor Restrictions	(2,451,839)	(2,466,351)
Net Assets With Donor Restrictions	0	0
Total Net Assets	(2,451,839)	(2,466,351)
Total Liabilities and Net Assets	\$ 1,946,815	\$ 1,527,653

See accompanying notes to the financial statement.

**Kids Read Now, Inc.**  
**Statements of Activities**  
**For the Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
	<b>Without</b>	<b>Without</b>
	<b>Restrictions</b>	<b>Restrictions</b>
	<u>                    </u>	<u>                    </u>
<b>Revenues</b>		
Support		
Contribution Income	\$ 118,509	\$ 249,155
Program Fees	3,926,898	3,852,866
Grant Income	1,146,260	5,000
In-Kind - Services	390,500	624,400
	<u>5,582,167</u>	<u>4,731,421</u>
Total Support Revenue		
Other Income		
Interest and Dividends	11,646	0
	<u>11,646</u>	<u>0</u>
Total Other Income		
Total Revenues	<u>5,593,813</u>	<u>4,731,421</u>
<b>Expenses</b>		
Program Services		
Program Services	4,992,415	4,326,964
Total Program Services	<u>4,992,415</u>	<u>4,326,964</u>
Supporting Services		
Management and General	351,899	285,503
Fundraising	234,987	157,438
Total Supporting Services	<u>586,886</u>	<u>442,941</u>
Total Expenses	<u>5,579,301</u>	<u>4,769,905</u>
<b>Total Change In Net Assets</b>	14,512	(38,484)
<b>Net Assets at Beginning of Year</b>	<u>(2,466,351)</u>	<u>(2,427,867)</u>
<b>Net Assets at End of Year</b>	<u><u>\$ (2,451,839)</u></u>	<u><u>\$ (2,466,351)</u></u>

See accompanying notes to the financial statement.

**Kids Read Now, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 14,512	\$ (38,484)
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
Depreciation	181,130	213,448
(Increase) decrease in accounts receivable	(52,054)	(49,176)
(Increase) decrease in prepaid assets	302	4,738
(Increase) decrease in inventories	341,209	(767,908)
(Increase) decrease in deposits	0	(5,313)
Increase (decrease) in accounts payable	(275,787)	39,415
Increase (decrease) in other accrued liabilities	96,441	30,667
Increase (decrease) in deferred income	536,071	(47,603)
	827,312	(581,732)
Net Cash Provided (Used) by Operating Activities	841,824	(620,216)
<b>Cash Flows From Investing Activities</b>		
Purchases of fixed assets	(354,395)	(150,818)
Net Cash Provided (Used) by Investing Activities	(354,395)	(150,818)
<b>Cash Flows From Financing Activities</b>		
Line of credit - net change	50,529	238,435
Repayment of long-term debt	(2,606)	(297)
Net Cash Provided (Used) by Financing Activities	47,923	238,138
Net Increase (Decrease) in Cash	535,352	(532,896)
Cash at Beginning of Year	185,669	718,565
Cash at End of Year	\$ 721,021	\$ 185,669

See accompanying notes to the financial statement.

**Kids Read Now, Inc.**  
**Schedules of Functional Expenses**  
**For the Year Ended September 30, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Salaries and Related Expenses</b>				
Other Salaries and Wages	\$ 996,540	\$ 125,433	\$ 124,567	\$1,246,540
Payroll Taxes and Employee Benefits	<u>155,725</u>	<u>28,329</u>	<u>20,450</u>	<u>204,504</u>
Total Salaries and Related Expenses	1,152,265	153,762	145,017	1,451,044
<b>Other Expenses</b>				
Travel	28,282	12,912	291	41,485
Advertising	23,894	0	23,893	47,787
Bank Charges	0	483	0	483
Commissions	95,683	11,961	11,961	119,605
Communications	38,744	4,305	0	43,049
Conferences/Meeting Expense	80,713	8,902	57,861	147,476
Contracts - Organizations	204,498	0	0	204,498
Interest Expense	0	116,890	0	116,890
Program Supplies	2,366,576	0	(4,981)	2,361,595
Utilities	22,840	1,202	0	24,042
Rent	64,296	3,384	0	67,680
Facility Expense	2,645	139	0	2,784
Postage	458,046	129	0	458,175
Office Supplies	14,408	1,539	945	16,892
Dues and Subscriptions	16,555	1,840	0	18,395
Insurance	19,498	1,026	0	20,524
Telephone	7,258	807	0	8,065
Technology	138,061	15,340	0	153,401
Professional Fees	73,999	8,222	0	82,221
Depreciation	172,074	9,056	0	181,130
Bad Debts	<u>12,080</u>	<u>0</u>	<u>0</u>	<u>12,080</u>
<b>Total Functional Expenses - Support</b>	<u>\$4,992,415</u>	<u>\$ 351,899</u>	<u>\$ 234,987</u>	<u>\$5,579,301</u>

See accompanying notes to the financial statement.



**Kids Read Now, Inc.**  
**Schedules of Functional Expenses**  
**For the Year Ended September 30, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Salaries and Related Expenses</b>				
Other Salaries and Wages	\$ 918,420	\$ 87,744	\$ 86,844	\$1,093,008
Payroll Taxes and Employee Benefits	<u>159,068</u>	<u>23,854</u>	<u>19,884</u>	<u>202,806</u>
Total Salaries and Related Expenses	1,077,488	111,598	106,728	1,295,814
<b>Other Expenses</b>				
Travel	14,952	8,622	361	23,935
Bank Charges	0	208	0	208
Commissions	69,836	8,730	8,730	87,296
Communications	31,728	3,236	0	34,964
Conferences/Meeting Expense	176,720	2,948	0	179,668
Contracts - Organizations	161,580	10,030	41,310	212,920
Interest Expense	0	93,463	0	93,463
Program Supplies	1,850,919	0	0	1,850,919
Utilities	20,945	1,102	0	22,047
Rent	53,543	2,818	0	56,361
Facility Expense	6,158	325	0	6,483
Postage	296,772	6,539	0	303,311
Office Supplies	10,793	1,233	309	12,335
Dues and Subscriptions	30,690	3,410	0	34,100
Insurance	16,788	884	0	17,672
Telephone	7,180	798	0	7,978
Miscellaneous Expense	433	48	0	481
Technology	226,417	10,938	0	237,355
Professional Fees	71,432	7,715	0	79,147
Depreciation	<u>202,590</u>	<u>10,858</u>	<u>0</u>	<u>213,448</u>
<b>Total Functional Expenses - Support</b>	<u>\$4,326,964</u>	<u>\$ 285,503</u>	<u>\$ 157,438</u>	<u>\$4,769,905</u>

See accompanying notes to the financial statement.

**Kids Read Now, Inc.**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

**1. Summary of Significant Accounting Principles**

**Organization**

Kids Read Now, Inc. (the “Organization”) is a nonprofit organization located in Troy, Ohio. The Organization’s mission is to eliminate the summer reading slide. Mail student selected books home, one a week, all summer long. Engage parents with weekly messaging. Measure results with reading scores evaluations, stakeholder surveys and engagement metrics.

**Date of Management’s Review**

Management has evaluated subsequent events through the date of the Independent Auditor’s Report, the date on which the financial statements were available.

**Method of Accounting**

The accrual method of accounting is used for both financial and tax reporting purposes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and deposits with original maturities of three months or less.

**Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising, in general categories based on specific identification.

**Donated Services**

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by donation. The Organization has recorded in-kind donations of services in the amount of \$390,500 and \$624,400 for the years ended September 30, 2023 and 2022 respectively.

**Kids Read Now, Inc.**  
**Notes to Financial Statements (continued)**  
**September 30, 2023 and 2022**

**1. Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

Kids Read Now, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2). However, income from certain activities not directly related to the Institute's tax-exempt purpose may be subject to taxation as unrelated business income. Therefore, the Organization adopted the provisions of *Accounting for Uncertainty in Income Taxes*. Those provisions clarify the accounting and recognition for income tax provisions taken or expected to be taken in the Organization's annual reporting returns.

The income tax returns filed are not subject to examination by the U.S. federal tax authority for tax years ended before September 30, 2020.

**Financial Statement Presentation**

The Organization adopted FASB Accounting Standards Codification (ASC) No. 958-205, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Kids Read Now, Inc.**  
**Notes to Financial Statements (continued)**  
**September 30, 2023 and 2022**

**1. Summary of Significant Accounting Policies (continued)**

**Contributions**

The Organization also adopted ASC No. 958, Accounting for Contributions Received and Contributions Made. In accordance with ASC No. 958, contributions received as recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

**Pledge Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in one or more years are discounted to net present value. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promise become unconditional. The Organization believes all amounts to be collectible and therefore, an allowance for doubtful accounts is not considered necessary.

**Property and Equipment**

Property and equipment are depreciated using the straight-line methods over the estimated useful lives of the respective assets.

**2. Concentration of Risk**

The Organization is dependent upon support received from one particular contributor, the loss of which could adversely impact the Organization's ability to fund program services.

**3. Related Party Transactions**

The Organization had the following related party transactions and balances as of September 30, 2023 and 2022 and for the years then ended:

	<u>2023</u>	<u>2022</u>
In-kind services by the Literacy Director	\$ 75,000	\$ 75,000
In-kind services by the Board President	\$ 120,000	\$ 120,000

See accountant's report.

**Kids Read Now, Inc.**  
**Notes to Financial Statements (continued)**  
**September 30, 2023 and 2022**

**4. Fair Value Measurements**

The Organization’s financial statements consist primarily of cash, accounts receivable, inventory, and accounts payable. The carrying values of financial instruments are representative of their fair values due to their short-term maturities.

**5. Contributions In-Kind**

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. Certain in-kind contributions are recorded at the estimated fair market value as an expense on the Organization’s financial statements, unless the in-kind contribution is a gift of property or equipment or inventory, and similarly increase contributions by a like amount. The value of in-kind contributions is included in the financial statements and the corresponding expense or asset accounts for the year ended September 30, 2023 and 2022 as follows:

In-kind services by the Literacy Director	\$ 75,000	\$ 75,000
In-kind services by the Board President	120,000	120,000
Technology Support	0	120,000
Professional Fees	0	2,000
Contract Services	30,000	30,000
Marketing	37,500	0
Mailing Operations	90,000	270,000
Labor Expenses	38,000	7,400
	<u>\$ 390,500</u>	<u>\$ 624,400</u>

**6. Leases**

The Organization entered into an office space lease on August 12, 2021 located at 55 Marybill Drive, Troy, Ohio for a period of three years starting on October 1, 2023 and ending September 30, 2027. Monthly rent for each year is; 1<sup>st</sup> year, \$5,808, 2<sup>nd</sup> year, \$5,808, 3<sup>rd</sup> year, \$5,808. In accordance with the lease a security deposit of \$5,313 has been made with the landlord.

**Kids Read Now, Inc.**  
**Notes to Financial Statements (continued)**  
**September 30, 2023 and 2022**

**7. Property and Equipment**

	<u>2023</u>	<u>2022</u>
Furniture & Equipment	\$ 232,090	\$ 161,580
Marketing Project	47,765	0
Vehicles	2,500	0
Software & Computer Equipment	1,602,239	1,368,619
	<u>1,884,594</u>	<u>1,530,199</u>
Accumulated Depreciation	(1,399,636)	(1,218,508)
Total Property and Equipment	<u>\$ 484,958</u>	<u>\$ 311,691</u>

**8. Line of Credit**

A Line of Credit to Greenpen was established with a 0.17% per month interest rate, with maximum borrowings of \$2,000,000. The loan is secured by assets of the Organization. The loan matured September 2018. The available borrowings at September 30, 2023 and 2022, was \$0 and \$0 respectively.

**9. Liquidity**

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 721,021	\$ 185,669
Accounts Receivable	151,760	99,706
Inventories	583,763	924,972
Line of Credit	0	0
	<u>\$ 1,456,544</u>	<u>\$ 1,210,347</u>

See accountant's report.

**Kids Read Now, Inc.**  
**Notes to Financial Statements (continued)**  
**September 30, 2023 and 2022**

**10. Notes Payable**

	<b>2023</b>	<b>2022</b>
Notes payable-for a series of notes containing substantially identical terms and conditions at a fixed interest rate of 6% per annum. The capitalized principal for the first year is interest only paid over four consecutive quarters. After the first year, principal and interest shall be amortized and aid over twenty-eight consecutive quarters (7 years).	\$ 654,864	\$ 854,335
SBA Loan at a fixed rate of 2.75% per annum. Due in monthly payments of \$641 beginning August 9, 2021, for 348 months. Secured by the property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof.	146,997	149,603
	801,861	1,003,938
Less: Current Portion	(212,655)	(201,534)
	\$ 589,206	\$ 802,404

Five year maturities of long term debt:

2023	\$	212,655
2024		225,617
2025		229,665
2026		4,041
2027		4,125
thereafter		127,459
	\$	803,562

See accountant's report.