

**RURAL EDUCATION AND DEVELOPMENT, INC.
DBA: READ GLOBAL**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rural Education and Development, Inc. dba: READ Global
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Education and Development, Inc. dba: READ Global (a nonprofit corporation), 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.

Auditors' 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 auditors' 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.

Board of Directors
Rural Education and Development, Inc. dba: READ Global

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Education and Development, Inc. dba: READ Global 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 5, 2021

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 790,294	\$ 603,291
Contributions and Grants Receivable	63,922	174,813
Program Advances	119,750	138,010
Prepaid Expenses and Other Assets	2,735	4,084
Total Current Assets	976,701	920,198
OTHER ASSETS		
Contributions and Grants Receivable, Net of Current Portion	35,098	89,020
Security Deposits	-	675
Property, Equipment, and Fixtures, Net	1,706	351
Total Other Assets	36,804	90,046
Total Assets	\$ 1,013,505	\$ 1,010,244
CURRENT LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 25,775	\$ 29,765
Accrued Vacation	-	9,166
Total Current Liabilities	25,775	38,931
NET ASSETS		
Without Donor Restrictions	337,779	195,147
With Donor Restrictions:		
Purpose Restricted for Future Expenditures	649,951	756,494
Time-Restricted for Future Periods	-	19,672
Total Net Assets	987,730	971,313
Total Current Liabilities and Net Assets	\$ 1,013,505	\$ 1,010,244

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions and Grants	\$ 482,171	\$ 337,605	\$ 819,776
Net Investment Loss	(9)	-	(9)
Other Income	2,224	-	2,224
Net Assets Released from Restrictions	463,820	(463,820)	-
Total Revenue, Support, and Gains	948,206	(126,215)	821,991
EXPENSES AND LOSSES			
Program Services Expense	622,460	-	622,460
Administrative and Support	150,187	-	150,187
Fundraising	32,927	-	32,927
Total Expenses and Losses	805,574	-	805,574
CHANGE IN NET ASSETS	142,632	(126,215)	16,417
Net Assets - Beginning of Year	195,147	776,166	971,313
NET ASSETS - END OF YEAR	\$ 337,779	\$ 649,951	\$ 987,730

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions and Grants	\$ 219,948	\$ 654,504	\$ 874,452
Investment Income	211	-	211
Loss on Disposal of Equipment	(1,225)	-	(1,225)
Net Assets Released from Restrictions	<u>830,646</u>	<u>(830,646)</u>	<u>-</u>
Total Revenue, Support, and Gains	1,049,580	(176,142)	873,438
 EXPENSES AND LOSSES			
Program Services Expense	1,257,187	-	1,257,187
Administrative and Support	215,993	-	215,993
Fundraising	<u>34,466</u>	<u>-</u>	<u>34,466</u>
Total Expenses and Losses	<u>1,507,646</u>	<u>-</u>	<u>1,507,646</u>
 CHANGE IN NET ASSETS	(458,066)	(176,142)	(634,208)
Net Assets - Beginning of Year	<u>653,213</u>	<u>952,308</u>	<u>1,605,521</u>
 NET ASSETS - END OF YEAR	<u><u>\$ 195,147</u></u>	<u><u>\$ 776,166</u></u>	<u><u>\$ 971,313</u></u>

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
		Administrative and Support	Fundraising	
Program Support - Library Expense	\$ 344,149	\$ -	\$ -	\$ 344,149
Salaries, Taxes, and Related Benefits	165,021	30,204	10,151	205,376
Professional Services	110,946	101,845	22,191	234,982
Travel and Related Expenses	2,177	662	-	2,839
Administrative Expense	-	1,462	585	2,047
Insurance Expense	-	4,450	-	4,450
Office Expense	167	8,104	-	8,271
Equipment Expense	-	2,919	-	2,919
Depreciation Expense	-	541	-	541
Total Expenses by Function	\$ 622,460	\$ 150,187	\$ 32,927	\$ 805,574

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		Administrative and Support	Fundraising	
Program Support - Library Expense	\$ 748,330	\$ -	\$ -	\$ 748,330
Salaries, Taxes, and Related Benefits	227,455	48,777	34,198	310,430
Professional Services	182,882	120,163	-	303,045
Travel and Related Expenses	73,406	16,719	-	90,125
Administrative Expense	114	1,512	268	1,894
Occupancy, Utilities, and Repairs	-	7,007	-	7,007
Insurance Expense	-	5,862	-	5,862
Office Expense	-	10,872	-	10,872
Equipment Expense	-	3,068	-	3,068
Bad Debt	25,000	-	-	25,000
Depreciation Expense	-	2,013	-	2,013
Total Expenses by Function	\$ 1,257,187	\$ 215,993	\$ 34,466	\$ 1,507,646

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 16,417	\$ (634,208)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	541	2,013
Loss on Disposal of Equipment	-	1,225
Changes in Operating Assets and Liabilities:		
Contributions and Grants Receivable	164,813	285,538
Program Advances	18,260	176,141
Prepaid Expenses and Other Assets	2,024	(885)
Accounts Payable and Accrued Expenses	(13,156)	1,969
Funds Held for Joint Venture	-	(8,400)
Deferred Revenue	-	(4,576)
Net Cash Provided (Used) by Operating Activities	188,899	(181,183)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(1,896)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	187,003	(181,183)
Cash and Cash Equivalents - Beginning of Year	603,291	784,474
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 790,294	\$ 603,291

See accompanying Notes to Financial Statements.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Rural Education and Development, Inc. dba: READ Global (READ Global) is a nonprofit organization, founded in 1991, incorporated in the state of Pennsylvania, and located in San Francisco, California.

READ Global collaborates with three entities operating in Bhutan, India, and Nepal (the affiliated entities). Rural Education and Development Bhutan (READ Bhutan) is an international nongovernmental organization and is a separate legal entity. Rural Education and Development India (READ India) is an Indian nongovernmental organization and is a separate legal entity. Rural Education and Development Nepal (READ Nepal) is a Nepalese nongovernmental organization and is a separate legal entity. READ Global and the three affiliates partner with rural villages to establish community library and resource centers (READ Centers) as vehicles for social and economic transformation. READ Centers offer training programs in education, economic empowerment, technology, and women's empowerment. With each Center, READ also provides seed support to an independent for-profit "sustaining enterprise" – a small business that generates income to fund the ongoing costs of the READ Centers.

Basis of Presentation

READ Global has prepared its financial statements on the accrual basis of accounting in accordance with GAAP.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

Adoption of New Accounting Standard

READ Global has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help nonprofit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB Accounting Standards Codification Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2020 are presented under FASB ASU 2018-08. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

READ Global reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Tax Exempt Status

The Internal Revenue Service has determined that READ Global is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC).

Cash and Cash Equivalents

For the purposes of the statements of cash flows, READ Global considers highly liquid investments with initial maturities of three months or less to be cash equivalents.

Program Advances

READ Global provides grants to support the activities of the affiliated entities. Funds provided by READ Global to the affiliated entities are recorded as advances on the statements of financial position until the funds are used for their intended purposes by the affiliated entities. At that time, READ Global recognizes grant expense.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions and grants receivable. READ Global determined that an allowance was unnecessary as of December 31, 2020 and 2019.

Unconditional contributions and grants receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants that are expected to be collected in future years are recorded at the present value of their estimated cash flows using the risk-adjusted discount rates applicable to the years in which the contributions and grants were received. A present value discount was deemed unnecessary by management as of December 31, 2020 and 2019.

Property, Equipment and Fixtures

READ Global capitalizes property, equipment, and fixtures with a cost of \$1,000 or greater when purchased or fair value on the date donated. The cost of furniture and equipment is depreciated over the estimated useful life of the assets, generally three to seven years, and is computed using the straight-line method. Expenditures for maintenance and repairs, which do not extend the useful life of the related assets, are charged to operations as incurred.

Concentrations

Financial instruments that potentially subject READ Global to concentrations of credit and market risk consist primarily of cash and cash equivalents and program advances. Cash and cash equivalents held by financial institutions at times exceeded Federal Deposit Insurance Corporation insured limits.

As of December 31, 2020, 100% of READ Global's contributions and grants receivable was from two donors. For the year ended December 31, 2020, 70% of READ Global's revenue and support was from three donors. As of December 31, 2019, 84% of READ Global's contributions and grants receivable was from two donors. For the year ended December 31, 2019, 66% of READ Global's revenue and support was from three donors

Contributions received from board members totaled \$182,500 and \$110,000 for the years ended December 31, 2020 and 2019, respectively.

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations (Continued)

Support provided by READ Global to its affiliated entities represented 43% and 50% of READ Global's total expenses for the years ended December 31, 2020 and 2019, respectively. Support was provided by READ Global as follows for the years ended December 31:

	2020	2019
Nepal	\$ 238,207	\$ 513,224
Bhutan	14,338	127,389
India	91,604	107,717
Total	<u>\$ 344,149</u>	<u>\$ 748,330</u>

Contributions and Grants

Unconditional contributions and grants are recognized at their fair value when received, or when an unconditional promise is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Conditional contributions and grants are recognized as revenue when the conditions upon which they depend are substantially met. As of December 31, 2020, there were no conditional grants.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Certain costs have been allocated among the program and supporting services benefited based generally on the level of effort spent and specific identification.

Subsequent Events

We have evaluated subsequent events through August 5, 2021, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following as of December 31:

	2020	2019
Due Within One Year	\$ 63,922	\$ 174,813
Due In One to Five Years	35,098	89,020
Total	<u>\$ 99,020</u>	<u>\$ 263,833</u>

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 LIQUIDITY AND AVAILABILITY

READ Global seeks to maintain liquid financial assets sufficient to cover approximately 60 days of payroll and general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 790,294	\$ 603,291
Contributions and Grants Receivable, Current Portion	63,922	174,813
Program Advances	<u>119,750</u>	<u>138,010</u>
Total Financial Assets	973,966	916,114
Time-Restricted Net Assets	<u>-</u>	<u>(19,672)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 973,966</u>	<u>\$ 896,442</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Global	\$ 191,183	\$ -
Bhutan	-	18,569
India	133,722	210,102
Nepal	<u>325,046</u>	<u>527,823</u>
Total	649,951	756,494
Subject to the Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	-	19,672
Total	<u>-</u>	<u>19,672</u>
Total Net Assets with Donor Restrictions	<u>\$ 649,951</u>	<u>\$ 776,166</u>

Net assets were released from restrictions as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ 19,672	\$ 115,185
Restricted-Purpose Spending-Rate	<u>444,148</u>	<u>715,461</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 463,820</u>	<u>\$ 830,646</u>

RURAL EDUCATION AND DEVELOPMENT, INC. DBA: READ GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 EMPLOYEE BENEFIT PLAN

READ Global provides retirement benefits to its employees through a defined contribution plan covering all employees who have met the required eligibility requirements. Eligible employees must be over the age of 21 and have three months of service. READ Global does not make contributions to the plan.

NOTE 6 COMMITMENTS AND CONTINGENCIES

READ Global leases facilities space for its San Francisco headquarters under a month-to-month lease. The monthly base rent for the year ended December 31, 2019 was \$675, plus READ Global's share of common tenant costs. READ Global terminated rent payments during the year ended December 31, 2020.

NOTE 7 EXECUTION OF READ GLOBAL STRATEGIC PRIORITIES (UNAUDITED)

Throughout 2019 and 2020 READ Global executed a strategy that focused on:

- a) expanding the reach and capabilities of the Organization through strategic partnerships as needed,
- b) reducing U.S. staff to lower operating costs and reduce the Organization's reliance on unrestricted funds,
- c) improving fundraising capabilities in the U.S. and globally while building a strong governance structure.

In the spring of 2020, after ten years of stability, READ experienced a change in administration, the resignation of several older board members, and evolution in READ Global's role vis-a-vis country offices. With these changes, as well as progress made toward past priorities—including READ India being able to self-sustain its operations, READ Nepal increasing the number of programs it secures and implements with less extensive support from READ Global, and READ Bhutan receiving funds directly for a sophisticated multi-year program—READ Global began the process of developing a new strategic plan.

The new plan outlines the following priorities:

- Ensure that READ Global is a valuable, viable, and sustainable organization by defining its roles and value proposition, continuing to strengthen relationship with the country teams, building a strong board, and continuing to increase fundraising capacities.
- Establish the core elements and impact of READ's model to guide current and future country offices.
- Partner with READ Country Organizations to sustainably meet the needs of their communities and to help them continue to build their program management, fundraising, communications, and operational management skills.
- Raise the profile of the READ model and expand the global network of community centers.

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